Santa Maria Community Services, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2017 and 2016

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
CPAs & Advisors

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Santa Maria Community Services, Inc. and Subsidiary
Cincinnati, Ohio

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Santa Maria Community Services, Inc. and Subsidiary (a not-for-profit organization) (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santa Maria Community Services, Inc. and Subsidiary as of December

31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2018, on our consideration of Santa Maria Community Services, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Maria Community Services, Inc. and Subsidiary’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Maria Community Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 17, 2018

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 573,020	521,850
Grants receivable	368,925	335,342
Contributions receivable	1,224,445	1,288,110
Prepaid expenses	61,966	56,746
Investments	376,870	331,212
Total current assets	2,605,226	2,533,260
Property and equipment, net	940,537	943,273
Other assets:		
Deposits	407	1,057
Total assets	$ 3,546,170	3,477,590
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 98,469	83,368
Accrued vacation	114,925	110,084
Current portion of long term debt	13,638	7,305
Total current liabilities	227,032	200,757
Long-term debt, net of current portion	125,973	139,611
Total liabilities	353,005	340,368
Net assets:		
Unrestricted	1,125,575	996,380
Board designated	369,770	324,112
Total unrestricted	1,495,345	1,320,492
Temporarily restricted	1,690,820	1,809,730
Permanently restricted	7,000	7,000
Total net assets	3,193,165	3,137,222
Total liabilities and net assets	$ 3,546,170	3,477,590

See notes to the consolidated financial statements.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
United Way allocations	$ -	966,000	-	966,000
Contributions	607,223	352,735	-	959,958
Special events, net of direct costs of $30,854	38,668	-	-	38,668
Investment return	49,836	-	-	49,836
In-kind donations	18,220	-	-	18,220
Total public support and revenue	713,947	1,318,735	-	2,032,682
Program revenue				
Government grants	1,881,581	-	-	1,881,581
Service fees	157,110	-	-	157,110
Total program revenue	2,038,691	-	-	2,038,691
Net assets released from restrictions	1,437,645	(1,437,645)	-	-
Total public support and revenues	4,190,283	(118,910)	-	4,071,373
Expenses				
Program services				
Early childhood/parenting	1,486,154	-	-	1,486,154
Workforce development	900,629	-	-	900,629
Wellness and immigrant services	239,628	-	-	239,628
AmeriCorps	352,347	-	-	352,347
Youth	279,971	-	-	279,971
Administrative	483,245	-	-	483,245
Development	302,582	-	-	302,582
Total expenses	4,044,556	-	-	4,044,556
Other income (expense)				
Miscellaneous income	1,656	-	-	1,656
Interest expense	(4,695)	-	-	(4,695)
Rental property income	32,165	-	-	32,165
Total other income	29,126	-	-	29,126
Change in net assets	174,853	(118,910)	-	55,943
Net assets, beginning of year	1,320,492	1,809,730	7,000	3,137,222
Net assets, end of year	$ 1,495,345	1,690,820	7,000	3,193,165

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
United Way allocations	$ 94,999	884,152	-	979,151
Contributions	381,703	1,116,304	-	1,498,007
Special events, net of direct costs of $29,419	42,555	-	-	42,555
Investment return	27,803	-	-	27,803
In-kind donations	7,915	-	-	7,915
Total public support and revenue	554,975	2,000,456	-	2,555,431
Program revenue				
Government grants	1,700,836	-	-	1,700,836
Service fees	159,131	-	-	159,131
Total program revenue	1,859,967	-	-	1,859,967
Net assets released from restriction	1,564,445	(1,564,445)	-	-
Total public support and revenues	3,979,387	436,011	-	4,415,398
Expenses				
Program services				
Early childhood/parenting	1,535,221	-	-	1,535,221
Workforce development	807,682	-	-	807,682
Wellness and immigrant services	184,501	-	-	184,501
AmeriCorps	352,609	-	-	352,609
Youth	288,799	-	-	288,799
Administrative	473,335	-	-	473,335
Development	256,760	-	-	256,760
Total expenses	3,898,907	-	-	3,898,907
Other income (expense)				
Miscellaneous income	763	-	-	763
Interest expense	(4,510)	-	-	(4,510)
Rental property income	39,210	-	-	39,210
Total other income	35,463	-	-	35,463
Change in net assets	115,943	436,011	-	551,954
Net assets, beginning of year	1,204,549	1,373,719	7,000	2,585,268
Net assets, end of year	$ 1,320,492	1,809,730	7,000	3,137,222

See notes to the consolidated financial statements.

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Early Childhood/ Parenting	Workforce Development	Wellness & Immigrant Services	AmeriCorps	Youth	Administrative	Development	Total
Salaries and related expenses								
Salaries and wages	$ 943,232	430,571	129,791	275,383	162,916	301,876	188,972	2,432,741
Employee benefits and taxes	297,004	116,258	29,721	43,073	39,517	77,759	52,641	655,973
	1,240,236	546,829	159,512	318,456	202,433	379,635	241,613	3,088,714
Other expenses								
Assistance to individuals	30,737	40,925	1,683	8	617	-	-	73,970
Awards and grants	3,192	1,100	308	219	695	1,922	511	7,947
Conferences, conventions and meetings	983	990	15	638	349	5,214	425	8,614
Insurance	16,297	6,619	2,029	1,400	2,520	3,580	2,327	34,772
Membership dues	2,456	1,137	212	152	385	383	706	5,431
Miscellaneous	3,931	2,454	520	275	496	7,802	946	16,424
Occupancy	36,350	74,540	12,493	7,031	14,970	25,257	21,392	192,033
Postage	353	772	441	-	40	81	-	1,687
Printing and publications	8,366	7,315	2,949	1,928	1,591	2,896	11,865	36,910
Professional services	36,737	126,773	40,769	10,082	14,091	28,647	6,314	263,413
Staff education	5,173	1,711	662	1,406	477	2,049	1,783	13,261
Office supplies	7,798	11,415	1,260	1,875	1,994	322	1,683	26,347
Supplies	18,570	38,461	6,915	1,551	21,997	2,716	5,388	95,598
Travel	34,697	3,009	844	3,283	1,541	3,680	685	47,739
Telephone	20,098	18,886	4,868	2,755	10,081	7,763	5,132	69,583
	225,738	336,107	75,968	32,603	71,844	92,312	59,157	893,729
Depreciation	20,180	17,693	4,148	1,288	5,694	11,298	1,812	62,113
	$ 1,486,154	900,629	239,628	352,347	279,971	483,245	302,582	4,044,556

See notes to the consolidated financial statements.

	Early Childhood/ Parenting	Workforce Development	Wellness & Immigrant Services	AmeriCorps	Youth	Administrative	Development	Total
Salaries and related expenses								
Salaries and wages	$ 930,964	366,656	93,902	276,080	195,468	278,816	159,079	2,300,965
Employee benefits and taxes	325,328	111,723	25,275	39,412	28,690	90,528	50,950	671,906
	1,256,292	478,379	119,177	315,492	224,158	369,344	210,029	2,972,871
Other expenses								
Assistance to individuals	32,117	66,782	1,836	1,115	1,526	-	-	103,376
Awards and grants	1,125	900	126	99	125	268	143	2,786
Conferences, conventions and meetings	1,242	3,876	232	1,596	13	4,125	3,758	14,842
Insurance	16,618	6,541	1,556	1,219	990	2,849	1,563	31,336
Membership dues	3,176	1,604	215	169	230	889	921	7,204
Miscellaneous	5,167	3,366	385	765	550	4,599	320	15,152
Occupancy	48,535	74,444	10,746	7,274	17,133	38,030	14,200	210,362
Postage	1,949	1,150	617	61	152	-	-	3,929
Printing and publications	10,936	7,749	3,167	846	1,650	4,484	7,856	36,688
Professional services	51,842	72,486	32,613	12,522	9,111	19,763	6,255	204,592
Staff education	7,622	2,805	430	522	260	795	1,139	13,573
Office supplies	11,286	6,460	1,326	1,708	3,077	274	1,910	26,041
Supplies	20,525	44,155	4,951	2,957	19,030	1,100	2,932	95,650
Travel	34,778	2,889	464	2,869	925	3,077	772	45,774
Telephone	18,062	17,649	3,408	2,559	8,936	10,358	3,670	64,642
	264,980	312,856	62,072	36,281	63,708	90,611	45,439	875,947
Depreciation	13,949	16,447	3,252	836	933	13,380	1,292	50,089
	$ 1,535,221	807,682	184,501	352,609	288,799	473,335	256,760	3,898,907

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 55,943	551,954
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	62,113	50,089
Realized and unrealized gain on investments	(45,658)	(14,339)
Changes in operating assets and liabilities		
Grants receivable	(33,583)	125,214
Contributions receivable	63,665	(307,090)
Prepaid expenses	(5,220)	8,476
Deposits	650	49
Accounts payable	15,101	21,728
Accrued vacation	4,841	3,929
Net cash flows from operating activities	117,852	440,010
Cash flows from investing activities		
Purchases of property and equipment	(59,377)	(137,397)
Purchases of investments	-	(10,000)
Net cash flows from investing activities	(59,377)	(147,397)
Cash flows from financing activities		
Repayment of debt	(7,305)	(6,489)
Net change in cash and cash equivalents	51,170	286,124
Cash and cash equivalents, beginning of year	521,850	235,726
Cash and cash equivalents, end of year	$ 573,020	521,850

See notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies and practices followed by the Organization are as follows:

Nature of operations

Santa Maria Community Services, Inc., a not-for-profit organization, was organized under the laws of the State of Ohio and operates five neighborhood-based resource centers in Cincinnati, Ohio. Neighborhood-based programs, offered free of charge and in partnership with the resident volunteers and organizations include: Early Childhood/Parenting, which includes a focus on childhood education; Workforce Development, which includes focus on financial stability, housing, employment services and GED preparation; Wellness & Immigrant Services which includes a focus on healthcare; AmeriCorps with a focus on GED preparation and health navigation; Youth development, which includes a focus on life, social and emotion skill development. The consolidated financial statements include the accounts of Santa Maria Community Services, Inc. and one separate member entity, Santa Maria Properties, LLC, which was formed in 2013 and of which Santa Maria Community Services, Inc. is the sole member (collectively, the "Organization"). All significant intercompany transactions and balances have been eliminated.

Basis of presentation

The Organization's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Organization is required to report information regarding its financial position and activities, as applicable, according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Board of Directors are considered unrestricted. Net assets reserved via actions of the Board of Directors have been identified as board designated. Board designated net assets consists of an endowment fund at December 31, 2017 and 2016.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization satisfying the purpose restriction or the passage of time are considered to be temporarily restricted.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that the principal must be maintained intact in perpetuity and that only the income from the investment thereof must be expended either for the general purpose of the Organization or for purposes specified by the donor are considered to be permanently restricted. Permanently restricted net assets were $7,000 as of December 31, 2017 and 2016.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Donor-restricted contributions whose restrictions are met during the same reporting period are reported as temporarily restricted support.

Net assets released from restrictions
When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Recognition of donated items and services
The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. Donated materials and property and equipment are recognized at fair value as of the date of contribution. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Revenue recognition
The Organization recognizes service fees for administrative support services provided to another not-for-profit entity when services are performed. Grants are recognized in earnings in the period in which the related expenditures are incurred. Contributions from United Way and other donors are recognized when an unconditional promise to give has been received.

Cash and cash equivalents
The Organization considers all money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash accounts which may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments
Investments consist of funds held by a local community foundation and are carried at the estimated fair value as provided by the community foundation.

Fair value measurements
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. These inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The following is a description of valuation methodologies used for assets measured at fair value.

Funds held by others are considered to be Level 3 and are valued at the estimated fair value of the assets based on the underlying investments using prices obtained from the Greater Cincinnati Foundation as custodian of the assets, which used third party data service providers, without adjustment by management.

Grants receivable

Grants receivable are stated at the amount management expects to collect from the granting agency. It is the opinion of management that all accounts and grants receivable are collectible. Accordingly, no allowance has been provided for such in the consolidated financial statements.

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such, audit adjustments could be required.

Contributions receivable

The Organization has received multi-year contributions that are due in future periods. Contributions receivable are recorded net of a discount for net present value. Management has determined that no allowance for uncollectible contributions receivable is necessary at December 31, 2017 and 2016.

Property and equipment

Property and equipment are stated at cost at the date of acquisition or fair value at the date of gift, if donated, less accumulated depreciation. Depreciation is provided using the straight-line method and the following useful lives:

Buildings and improvements	5-32 years
Furniture and equipment	3-15 years
Vehicles	5 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations currently. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Deposits

Funds that are being held in a custodial nature related to workers' compensation, unemployment services, building security and postal service are reported as deposits.

Income taxes

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. As such, the Organization is exempt from federal, state and local income taxes. The Organization is not considered a private foundation within the meaning of the Internal Revenue Code. Unrelated business income is not material to the consolidated financial statements as a whole.

Allocation of functional expenses

Direct salaries and related expenses are charged to program services based upon time spent by personnel on the various programs. Direct expenses are charged to various programs based upon costs incurred when specifically identified with a program. This reporting requires the allocation of certain costs among various programs and supporting services as determined by management based on identifiable measures, such as percentage of staff on location, percentage of expense to total expense and management's estimate of actual time worked in each program area. In management's opinion, these are reasonable measures used to allocate costs.

Estimates and uncertainties

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has evaluated subsequent events for potential recognition and disclosure through July 17, 2018, the date the consolidated financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consisted of the following as of December 31:

	2017	2016
Less than one year	$ 1,131,484	1,092,649
Two to five years	92,961	202,500
	1,224,445	1,295,149
Less unamortized discount at 2.02% in 2016	-	7,039
	$ 1,224,445	1,288,110

3. INVESTMENTS:

The Organization has recorded a beneficial interest in investments held by The Greater Cincinnati Foundation in its Endowment Fund of $376,770 and $331,112 at December 31, 2017 and 2016, respectively. The pooled endowment fund holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. The Organization also has an investment in a limited partnership that is carried at cost of $100.

The following tables summarize the fair value of the Organization's investments by level as of December 31:

	Fair value measurements as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Funds held by others for the benefit of the Organization	$ -	-	376,770	376,770

	Fair value measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Funds held by others for the benefit of the Organization	$ -	-	331,112	331,112

The following is a reconciliation of the Level 3 fair value measurements at the Organization as of December 31:

	Investments Held by Others for the Benefit of the Organization	
	2017	2016
Balance as of January 1	$ 331,112	306,773
Investment advisory fees	(3,422)	(3,021)
Contributions	-	10,000
Change in value, held at end of year	49,080	17,360
Balance as of December 31	$ 376,770	331,112

4. ENDOWMENT:

The Organization's endowment consists of one fund established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds,(3) general economic conditions,(4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment return objectives, risk parameters and strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a pooled endowment fund as described in Note 3 that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return consistent with its return objectives. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Organization has a policy of appropriating for distribution the amount not to exceed the interest and dividend income earned on investments on an annual basis. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor restricted endowment funds	$ -	-	7,000	7,000
Board designated endowment funds	369,770	-	-	369,770
Total funds	$ 369,770	-	7,000	376,770

Endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor restricted endowment funds	$ -	-	7,000	7,000
Board designated endowment funds	324,112	-	-	324,112
Total funds	$ 324,112	-	7,000	331,112

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	$ 324,112	-	7,000	331,112
Net appreciation	49,080	-	-	49,080
Investment advisory fees	(3,422)	-	-	(3,422)
Endowment net assets, end of year	$ 369,770	-	7,000	376,770

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Endowment net assets, beginning of year	$ 299,773	-	7,000	306,773
Contributions	10,000	-	-	10,000
Net appreciation	17,360	-	-	17,360
Investment advisory fees	(3,021)	-	-	(3,021)
Endowment net assets, end of year	$ 324,112	-	7,000	331,112

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following major classifications at December 31:

	2017	2016
Land	$ 70,643	70,643
Building and improvements	1,242,130	1,210,211
Furniture and equipment	88,000	60,542
Vehicles	57,666	57,666
	1,458,439	1,399,062
Accumulated depreciation	(517,902)	(455,789)
	$ 940,537	943,273

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of December 31, consist of the following:

	2017	2016
Early childhood/parenting	$ 50,633	34,981
Workforce development	68,228	81,880
Wellness	42,792	99,057
Americorps	38,497	50,242
Youth	108,368	120,092
Capacity building	51,450	79,088
Time restrictions	1,224,445	1,288,110
Other	106,407	56,280
	$ 1,690,820	1,809,730

7. LONG-TERM DEBT:

Long-term debt consists of an interest-free loan from the Ed & Joann Hubert Family Foundation, Inc. Monthly installments (with an imputed interest rate of 3.27%) are required, with final payment due on December 1, 2026. The loan is collateralized by various properties held by the Organization. The balance outstanding at December 31, 2017 and 2016 was $139,611 and $146,916, respectively.

Aggregate maturities of long-term debt for the years subsequent to December 31, 2017, are as follows:

2018	$ 13,638
2019	14,091
2020	14,558
2021	15,042
2022	15,541
Thereafter	66,741
	$ 139,611

8. CONCENTRATIONS:

A substantial portion of the Organization's revenue comes from government grants and the United Way of Greater Cincinnati (United Way) program. Approximately 46% and 38% of total support and revenues came from government grants for 2017 and 2016, respectively. Approximately 24% and 22% of total support and revenues came from United Way for 2017 and 2016, respectively. Approximately 91% of contribution receivables are due from two funders at December 31, 2017. Approximately 99% of contribution receivables were due from three funders at December 31, 2016

9. RETIREMENT PLAN:

The Organization sponsors a retirement plan which provides benefits for eligible employees under the Internal Revenue Code. Employer contributions to the Plan are made in accordance with a specified formula. Benefit payments are based on amounts accumulated from employer and voluntary employee contributions. The Organization's contributions to the Plan totaled $66,611 and $60,153 for the years ended December 31, 2017 and 2016, respectively.

10. RENTAL REVENUE UNDER OPERATING LEASES:

The Organization leases a portion of certain buildings which generates revenue under operating leases. Cost and net book value as of December 31, 2017 of the buildings leased are $244,000 and $219,000, respectively. The future expected revenues under noncancelable operating leases with initial or remaining lease terms in excess of one year as of December 31, 2017, are as follows:

2018	$ 10,000
2019	4,167
	$ 14,167

Gross rental income recognized on noncancelable operating leases totaled $32,165 and $39,210 for the years ended December 31, 2017 and 2016.

11. CONTINGENCIES:

The Organization has received grants for specific purposes that are subject to review by the respective grantor agencies. These reviews could result in a request for reimbursement from the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, management believes any disallowances would not be significant to the consolidated financial statements.

12. RECENT ACCOUNTING PRONOUNCEMENTS:

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Organization’s year ending December 31, 2018.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the Organization’s year ending December 31, 2019.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Organization's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending December 31, 2020.

The Organization is currently in the process of evaluating the impact of adoption of these ASU's on the consolidated financial statements.