Santa Maria Community Services, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2019 and 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & Advisors

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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, 2019 and 2018, 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, 2019 and 2018, 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 June 16, 2020, 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
June 16, 2020

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2019 and 2018

		2019	2018
Assets			
Current assets:			
Cash and cash equivalents	$	988,979	793,818
Grants receivable		355,809	316,418
Contributions receivable, current portion		927,625	917,300
Prepaid expenses		56,653	49,057
Total current assets		2,329,066	2,076,593
Property and equipment, net		869,417	926,026
Other assets:			
Contributions receivable, net of current portion		90,000	42,961
Investments		440,683	389,683
Deposits		-	357
		530,683	433,001
Total assets	$	3,729,166	3,435,620
Liabilities and net assets			
Current liabilities:			
Accounts payable	$	102,985	97,892
Accrued vacation		101,208	111,251
Current portion of long term debt		14,558	14,091
Total current liabilities		218,751	223,234
Long-term debt, net of current portion		98,202	111,882
Total liabilities		316,953	335,116
Net assets:			
Without donor restrictions:			
Undesignated		1,499,666	1,342,812
Board designated		433,683	382,258
Total net assets without donor restrictions		1,933,349	1,725,070
With donor restrictions		1,478,864	1,375,434
Total net assets		3,412,213	3,100,504
Total liabilities and net assets	$	3,729,166	3,435,620

See notes to the consolidated financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
United Way allocations	$ -	772,800	772,800
Contributions	267,711	928,671	1,196,382
Special events	86,061	-	86,061
Net investment return	58,917	-	58,917
In-kind donations	4,332	-	4,332
Total public support and revenue	417,021	1,701,471	2,118,492
Program revenue			
Government grants	-	2,314,578	2,314,578
Service fees	27,405	145,500	172,905
Total program revenue	27,405	2,460,078	2,487,483
Net assets released from restrictions	4,058,119	(4,058,119)	-
Total public support and revenues	4,502,545	103,430	4,605,975
Expenses			
Program services			
Early childhood/parenting	1,312,811	-	1,312,811
Workforce development	1,231,953	-	1,231,953
Wellness and immigrant services	238,111	-	238,111
AmeriCorps	375,138	-	375,138
Youth	347,961	-	347,961
Administrative	525,438	-	525,438
Development	308,612	-	308,612
Total expenses	4,340,024	-	4,340,024
Other income (expense)			
Miscellaneous income	125	-	125
Interest expense	(4,787)	-	(4,787)
Rental property income	50,420	-	50,420
Total other income	45,758	-	45,758
Change in net assets	208,279	103,430	311,709
Net assets, beginning of year	1,725,070	1,375,434	3,100,504
Net assets, end of year	$ 1,933,349	1,478,864	3,412,213

See notes to the consolidated financial statements.

Santa Maria Community Services, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
United Way allocations	$ -	772,800	772,800
Contributions	453,165	771,287	1,224,452
Special events	81,806	-	81,806
Net investment return	(13,810)	-	(13,810)
In-kind donations	17,215	-	17,215
Total public support and revenue	538,376	1,544,087	2,082,463
Program revenue			
Government grants	1,913,129	-	1,913,129
Service fees	155,992	-	155,992
Total program revenue	2,069,121	-	2,069,121
Net assets released from restrictions	1,866,473	(1,866,473)	-
Total public support and revenues	4,473,970	(322,386)	4,151,584
Expenses			
Program services			
Early childhood/parenting	1,391,519	-	1,391,519
Workforce development	1,066,161	-	1,066,161
Wellness and immigrant services	291,380	-	291,380
AmeriCorps	364,125	-	364,125
Youth	376,298	-	376,298
Administrative	481,777	-	481,777
Development	312,273	-	312,273
Total expenses	4,283,533	-	4,283,533
Other income (expense)			
Miscellaneous income	125	-	125
Interest expense	(4,362)	-	(4,362)
Rental property income	43,525	-	43,525
Total other income	39,288	-	39,288
Change in net assets	229,725	(322,386)	(92,661)
Net assets, beginning of year	1,495,345	1,697,820	3,193,165
Net assets, end of year	$ 1,725,070	1,375,434	3,100,504

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	$ 807,384	530,598	140,333	288,443	171,978	321,328	195,844	2,455,908
Employee benefits and taxes	235,755	142,306	27,125	40,142	36,804	82,898	38,264	603,294
	1,043,139	672,904	167,458	328,585	208,782	404,226	234,108	3,059,202
Other expenses								
Assistance to individuals	64,769	111,795	1,531	501	8,264	-	-	186,860
Awards and grants	1,044	-	-	-	166	203	100	1,513
Conferences, conventions and meetings	6,536	4,851	392	2,259	549	8,286	2,003	24,876
Insurance	10,363	7,573	1,687	1,172	2,365	2,787	2,305	28,252
Membership dues	2,602	1,310	221	163	480	2,044	1,521	8,341
Miscellaneous	-	-	-	-	-	7,892	13,382	21,274
Occupancy	45,693	78,312	14,591	7,081	18,424	57,363	17,897	239,361
Postage	296	286	117	4	110	628	5,339	6,780
Printing and publications	4,510	6,818	1,549	461	631	2,455	8,074	24,498
Professional services	45,521	168,574	30,925	7,803	44,576	9,265	5,560	312,224
Staff education	2,549	11,641	1,222	1,690	455	1,373	1,678	20,608
Office supplies	5,927	10,624	1,401	969	2,673	2,119	1,967	25,680
Supplies	6,572	101,615	5,155	16,428	40,034	44	5,678	175,526
Travel	31,651	8,407	648	2,656	3,416	3,098	801	50,677
Telephone	18,646	24,477	5,309	2,871	9,722	7,398	4,310	72,733
	246,679	536,283	64,748	44,058	131,865	104,955	70,615	1,199,203
Depreciation	22,993	22,766	5,905	2,495	7,314	16,257	3,889	81,619
	$ 1,312,811	1,231,953	238,111	375,138	347,961	525,438	308,612	4,340,024

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	$	856,654	503,476	163,606	287,335	179,979	298,854	186,273	2,476,177
Employee benefits and taxes		261,193	142,633	33,659	41,857	43,277	77,091	41,302	641,012
		1,117,847	646,109	197,265	329,192	223,256	375,945	227,575	3,117,189
Other expenses									
Assistance to individuals		48,605	60,920	3,794	-	1,636	-	-	114,955
Awards and grants		402	114	35	19	45	361	536	1,512
Conferences, conventions and meetings		4,760	6,866	880	1,025	825	4,244	2,080	20,680
Insurance		12,164	7,293	2,215	1,226	2,843	3,345	2,240	31,326
Membership dues		3,115	1,800	491	206	559	1,107	1,424	8,702
Miscellaneous		724	479	132	73	216	6,246	25,785	33,655
Occupancy		49,217	105,306	18,898	6,792	20,301	41,084	17,630	259,228
Postage		378	552	451	7	59	747	2,866	5,060
Printing and publications		7,534	9,263	3,228	694	1,349	3,159	7,313	32,540
Professional services		45,942	123,127	41,898	4,428	66,576	24,584	4,475	311,030
Staff education		6,240	6,731	840	1,222	270	941	3,106	19,350
Office supplies		5,805	9,453	1,684	1,042	1,220	3,024	1,840	24,068
Supplies		24,610	44,188	7,038	10,775	39,442	244	4,800	131,097
Travel		29,848	4,431	1,316	3,241	2,607	3,116	818	45,377
Telephone		16,289	17,986	5,955	2,439	8,386	7,026	6,597	64,678
		255,633	398,509	88,855	33,189	146,334	99,228	81,510	1,103,258
Depreciation		18,039	21,543	5,260	1,744	6,708	6,604	3,188	63,086
	$	1,391,519	1,066,161	291,380	364,125	376,298	481,777	312,273	4,283,533

See notes to the consolidated financial statements.

		2019	2018
Cash flows from operating activities			
Change in net assets	$	311,709	(92,661)
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation		81,619	63,086
Realized and unrealized (gain) loss on investments		(50,575)	14,897
Changes in operating assets and liabilities			
Grants receivable		(39,391)	52,507
Contributions receivable		(57,364)	264,184
Prepaid expenses		(7,596)	12,909
Deposits		357	50
Accounts payable		5,093	(577)
Accrued vacation		(10,043)	(3,674)
Net cash flows from operating activities		233,809	310,721
Cash flows from investing activities			
Purchases of property and equipment		(25,010)	(48,575)
Purchases of investments		(425)	(27,710)
Net cash flows from investing activities		(25,435)	(76,285)
Cash flows from financing activities			
Repayment of debt		(13,213)	(13,638)
Net change in cash and cash equivalents		195,161	220,798
Cash and cash equivalents, beginning of year		793,818	573,020
Cash and cash equivalents, end of year	$	988,979	793,818

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.

Adoption of new accounting standards
During 2019, the Organization adopted the following Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU):

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. The Organization has applied this standard on a modified prospective basis for the period beginning January 1, 2019. There was no material impact to the consolidated financial statements presented upon adoption of this standard.

The Organization adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments -Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 contained a number of changes which are applicable to the Organization including the following: (1) allows equity investments without readily determinable fair values to be measured at cost less impairment, if any, plus or minus changes in observable prices (referred to as the "measurement alternative"); and (2) changes certain presentation and disclosure requirements for financial instruments (see Note 3 Investments). ASU 2018-03 also clarified certain aspects of the guidance issued in ASU 2016-01, including requiring a prospective transition approach for equity investments without readily determinable fair value in which the measurement alternative is applied. There was no material impact to the consolidated financial statements presented upon adoption of this standard.

The Organization also adopted ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The standard addresses the disclosures required for level 3 fair value measurements, including the valuation process, transfers, purchases and issues, and simplifies the presentation of that information. The Organization has early implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU.

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 according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization 's management and the Board of Directors.

- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets that must be maintained in perpetuity were $7,000 as of December 31, 2019 and 2018.

Net assets released from restrictions
When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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
Unconditional contributions from United Way and other donors are recorded when the promise to give is received. Death bequests are recorded when the will has been settled through probate court. Grant revenue is recorded when the grant is awarded, unless conditional by nature. Conditional grants are generally received to reimburse eligible expenses. Reimbursement-type grant revenue is recorded in grant revenues with donor restrictions when the related eligible costs are incurred. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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. As of December 31, 2019 and 2018, no discount has been provided as the amount is immaterial. Management has determined that no allowance for uncollectible contributions receivable is necessary at December 31, 2019 and 2018.

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
The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Expenses are directly applied when applicable and other expenses are allocated to programs or supporting services. Expenses have been classified based upon the actual direct expenditures for natural classes, with the exception of depreciation. Depreciation has been allocated based upon square footage usage. All fundraising costs are charged to fundraising expenses and thus, there are no joint 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 June 16, 2020, the date the consolidated financial statements were available to be issued.

Reclassifications
Certain items from 2018 have been reclassified to conform to current year presentation.

2. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consisted of the following as of December 31:

	2019	2018
Less than one year	$ 927,625	917,300
Two to five years	90,000	42,961
	$ 1,017,625	960,261

3. INVESTMENTS:

The Organization has recorded a beneficial interest in investments held by the Greater Cincinnati Foundation in its Endowment Fund of $440,683 and $389,258 at December 31, 2019 and 2018, 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 common stock that is valued at $425 at December 31, 2018. This investment was transferred to the pooled endowment fund held by the Greater Cincinnati Foundation during 2019.

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, 2019			
	Level 1	Level 2	Level 3	Total
Funds held by others for the benefit of the Organization	$ -	-	440,683	440,683

	Fair value measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Funds held by others for the benefit of the Organization	$ -	-	389,258	389,258
Common stock	425	-	-	425
	$ 425	-	389,258	389,683

4. ENDOWMENT:

The Organization's endowment consists of funds 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 Ohio-enacted 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 perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetually restricted net assets is classified as net assets with donor restrictions 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 a total 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 reinvesting the interest and dividend income earned on investments immediately. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund 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.

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Endowment net assets, beginning of year	$ 382,258	7,000	389,258
Contributions	425	-	425
Net appreciation	56,370	-	56,370
Investment advisory fees	(5,370)	-	(5,370)
Endowment net assets, end of year	$ 433,683	7,000	440,683

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Endowment net assets, beginning of year	$ 369,770	7,000	376,770
Contributions	31,164	-	31,164
Net depreciation	(14,897)	-	(14,897)
Investment advisory fees	(3,779)	-	(3,779)
Endowment net assets, end of year	$ 382,258	7,000	389,258

5. PROPERTY AND EQUIPMENT:

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

	2019	2018
Land	$ 70,643	70,643
Building and improvements	1,253,673	1,252,580
Furniture and equipment	105,785	107,931
Vehicles	57,666	57,666
	1,487,767	1,488,820
Accumulated depreciation	(618,350)	(562,794)
	$ 869,417	926,026

6. 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, 2019 and 2018 was $112,760 and $125,973, respectively.

Aggregate maturities of long-term debt for the years subsequent to December 31, 2019, are as follows:

2020	$ 14,558
2021	15,042
2022	15,541
2023	16,057
2024	16,590
Thereafter	34,972
	$ 112,760

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2019	2018
Subject to expenditure for specific purpose:		
Early childhood/parenting	$ 69,681	27,575
Workforce development	62,048	121,352
Wellness	35,546	50,724
AmeriCorps	29,000	40,610
Youth	62,110	70,228
Capacity building	-	5,825
Other	195,854	91,859
	454,239	408,173
Subject to the passage of time:		
Contributions receivable	1,017,625	960,261
Net assets held in perpetuity	7,000	7,000
Total net assets with donor restrictions	$ 1,478,864	1,375,434

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 51% and 46% of total support and revenues came from government grants for 2019 and 2018, respectively. Approximately 17% and 19% of total support and revenues came from United Way for 2019 and 2018, respectively. Approximately 88% of contribution receivables are due from two funders at December 31, 2019. Approximately 80% of contribution receivables were due from one funder at December 31, 2018.

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 $75,303 and $79,991 for the years ended December 31, 2019 and 2018, 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, 2019 of the buildings leased are $244,000 and $207,000, respectively. Gross rental income recognized on noncancelable operating leases totaled $50,420 and $43,525 for the years ended December 31, 2019 and 2018. The future expected revenues under noncancelable operating leases with initial or remaining lease terms in excess of one year as of December 31, 2019, are $4,200 in 2020.

11. CONDITIONAL PROMISES TO GIVE:

During the year ended December 31, 2019, the Organization received conditional promises to give of $842,480. No amounts were recognized during 2019 as the conditions have not been satisfied.

12. 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.

13. LIQUIDITY DISCLOSURES:

The Organization is substantially supported by grant funding and contributions from donors. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 988,979	793,818
Grants receivable	355,809	316,418
Contributions receivable – current portion	927,625	917,300
Investments	440,683	389,683
Financial assets available at year-end	2,713,096	2,417,219
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions expected to be utilized within one year	454,239	408,173
Donor restricted endowment	7,000	7,000
Board designated endowment	433,683	382,258
	894,922	797,431
Financial assets available to meet cash needs for general expenditures within one year	$ 1,818,174	1,619,788

14. RECENT ACCOUNTING PRONOUNCEMENT:

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 consolidated 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, 2022.

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

15. SUBSEQUENT EVENT:

Subsequent to the date of the financial statements, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted supply chains and affected production and sales across a range of industries. The effects of the pandemic have led to significant declines in stock market indices. As a result of these declines, the value of the Organization’s investments declined from $440,683 as of December 31, 2019, to $393,917 as of March 31, 2020, which is the most recent statement date available. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Impact on our customers, employees and vendors cannot be predicted, and the extent to which COVID-19 may impact our financial condition or results of operations is uncertain at this time.

Additionally, on May 1, 2020, the Organization entered into a loan of $555,300 under the Small Business Administration's Paycheck Protection Plan (PPP). The loan bears interest at 1% and is due in May 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. It is unknown at this time how much of the loan will be forgiven.