

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Findlay-Hancock County Alliance Foundation
Findlay, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Findlay-Hancock County Chamber Foundation (dba Findlay-Hancock County Alliance Foundation), a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Findlay-Hancock County Alliance Foundation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilmore Jason Mahler, LTD

Findlay, Ohio
June 15, 2018

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 70,079	\$ 146,143
Certificates of deposit	12,693	12,718
Accounts receivable - trade	1,625	2,479
Accounts receivable - related party	0	30,384
Prepaid expenses	339	273
Total current assets	84,736	191,997
Property and equipment, net	256,931	646
Total assets	\$ 341,667	\$ 192,643
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable - trade	\$ 376	\$ 290
Accounts payable - related party	181,355	0
Accrued real estate taxes	4,246	0
Funds held for other agencies	241	791
Total current liabilities	186,218	1,081
Total liabilities	186,218	1,081
Net assets		
Unrestricted		
Operating	74,534	75,907
Temporarily restricted	68,700	103,440
Permanently restricted	12,215	12,215
Total net assets	155,449	191,562
Total liabilities and net assets	\$ 341,667	\$ 192,643

The accompanying notes are an integral part of these financial statements.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:					
Operating revenues and support					
Foundation					
Interest	\$ 28	\$ 15	\$ 0	\$ 43	\$ 47
Hancock leadership					
Contributions		20,794		20,794	24,248
Class project		900		900	1,400
Interest		8		8	8
Hancock youth leadership program		11,072		11,072	13,357
Downtown	20,251			20,251	113,068
Rental income	11,000			11,000	0
In-kind contributions	600			600	600
Satisfaction of time and program restrictions	67,529	(67,529)		0	0
Total operating revenues and support	<u>99,408</u>	<u>(34,740)</u>	<u>0</u>	<u>64,668</u>	<u>152,728</u>
Operating expenses					
Program services					
Foundation community projects	2,660			2,660	550
Hancock leadership	28,789			28,789	15,599
Hancock youth leadership	12,506			12,506	10,860
Downtown	33,285			33,285	41,380
Special events	500			500	34,445
Support services					
Management and general	23,041			23,041	4,693
Total operating expenses	<u>100,781</u>	<u>0</u>	<u>0</u>	<u>100,781</u>	<u>107,527</u>
Change in net assets	(1,373)	(34,740)	0	(36,113)	45,201
Net assets, beginning of year	<u>75,907</u>	<u>103,440</u>	<u>12,215</u>	<u>191,562</u>	<u>146,361</u>
Net assets, end of year	<u>\$ 74,534</u>	<u>\$ 68,700</u>	<u>\$ 12,215</u>	<u>\$ 155,449</u>	<u>\$ 191,562</u>

The accompanying notes are an integral part of these financial statements.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (36,113)	\$ 45,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Reinvested interest	25	(19)
Depreciation	11,433	268
Bad debt expense	4,040	1,500
Changes in assets:		
Accounts receivable - trade	(3,186)	2,861
Prepaid expenses	(66)	(60)
Accounts payable - trade	86	(1,410)
Accrued real estate taxes	4,246	0
Funds held for other agencies	(550)	(946)
Net cash provided by (used in) operating activities	(20,085)	47,395
 Cash flows from investing activities		
Payments for purchase of property and equipment	(30,131)	0
Net cash used in investing activities	(30,131)	0
 Cash flows from financing activities		
Accounts receivable - related party	(25,848)	5,129
Net cash provided by (used in) financing activities	(25,848)	5,129
Net increase (decrease) in cash and cash equivalents	(76,064)	52,524
Cash and cash equivalents beginning of year	146,143	93,619
Cash and cash equivalents end of year	\$ 70,079	\$ 146,143
 Non-cash investing and financing activities:		
Property and equipment acquired through related party party transaction	\$ 237,587	\$ 0

The accompanying notes are an integral part of these financial statements.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

Note 1–Nature of business

The Findlay-Hancock County Chamber Foundation (dba Findlay-Hancock County Alliance Foundation), a non-profit organization, (the Organization) was created in 1975 for the purpose of receiving and managing charitable funds dedicated toward programs of research, education, and scientific endeavors in Hancock County, Ohio. Contribution income is received primarily from businesses in Hancock County, Ohio.

Note 2–Summary of significant accounting policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting and include all divisions and accounts of the Organization. Pledges are recorded as income in the year made.

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-45, *Financial Statements of Non-Profit Organizations*. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment is recorded at cost if purchased or at fair value if donated, and depreciated over its estimated useful lives of five years, using the straight-line method. Expenditures for maintenance and repairs are charged to operations as incurred. It is the Organization's policy to capitalize property and equipment having an acquisition cost of \$1,000 or more.

Funds held for other agencies

The Organization adopted FASB ASC 958-605-25, *Transfers of Assets to a Non-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement established standards for transactions in which the Organization accepts a contribution from a donor and agrees to transfer those assets, the return of investment of those assets or both, to a non-profit organization (NPO) that is specified by the donor. FASB ASC 958-605-25 specifically requires that if the donor is a NPO that establishes a fund at the Organization using its own funds and for its own benefit, the Organization must account for the transfer of such assets as a liability. The Organization refers to these as agency funds.

The Organization maintains variance power and legal ownership of agency funds and as such, continues to report the funds as assets of the Organization. However, in accordance with FASB ASC 958-605-25, a liability has been established for the fair value of the funds.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2017 and 2016

Note 2-Summary of significant accounting policies – continued

Funds held for other agencies - continued

As of December 31, 2017 and 2016, the Organization was the owner of one agency fund. For the years ended December 31, 2017 and 2016, all financial activity related to this fund is recorded as adjustments to the funds held for other agencies liability and is omitted from the statements of activities and changes in net assets.

Classification of net assets

Most funds of the Organization are classified as unrestricted net assets, since the governing instruments of the Organization and certain agreements provide for the invasion of principal, or for the Organization to exercise its variance power to modify any restriction if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or when the purposed restriction is met. All temporarily restricted net assets as of December 31, 2017 and 2016 are restricted for specific program use.

Permanently restricted net assets consist of endowment fund assets to be held indefinitely.

Federal income taxes

The Organization has been approved under Internal Revenue Code Section 501(c)(3) as a non-profit organization exempt from federal taxes on its normal activities. The Organization files Form 990 annually and has adopted FASB ASC 740-10-50-15 to account for uncertainty in income taxes.

The Organization files Exempt Organization tax returns in the U.S. federal jurisdiction, and the state of Ohio.

At December 31, 2017 and 2016, there are no unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2017 and 2016, no interest or penalties were recognized.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS–CONTINUED
December 31, 2017 and 2016

Note 2–Summary of significant accounting policies – continued

Use of estimates

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

Contributions

In accordance with FASB ASC 958-605-25, and FASB ASC 958-205-45, *Accounting for Contributions Received and Contributions Made and Financial Statements of Non-Profit Organizations*, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions. See Note 6 for further disclosure.

Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year are recorded at their net realizable value.

Advertising costs

Advertising costs are charged to operations when incurred. Total advertising costs charged to expense for the years ended December 31, 2017 and 2016 were \$2,869 and \$8,212, respectively.

New accounting pronouncements

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-14 (ASU 2016-14), *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective on a retrospective basis for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2017 and 2016

Note 2—Summary of significant accounting policies – continued

New accounting pronouncements – continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 addresses diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-18 will have on its consolidated financial statements but does not expect the adoption of ASU 2016-18 to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to supersede nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Subsequent events

Subsequent events have been evaluated through June 15, 2018, the date in which the financial statements were available to be issued. As of that date, no significant subsequent events were noted.

Note 3—Cash and cash equivalents

Cash and cash equivalents at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Checking accounts	\$ 36,025	\$ 112,104
Money market checking	34,054	34,039
Total cash and cash equivalents	<u>\$ 70,079</u>	<u>\$ 146,143</u>

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2017 and 2016

Note 4—Property and equipment

Property and equipment at December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 270,006	\$ 2,288
Less: accumulated depreciation	13,075	1,642
Net property and equipment	<u>\$ 256,931</u>	<u>\$ 646</u>

Depreciation expense of \$11,433 and \$268 was incurred during 2017 and 2016.

Note 5—Transactions in funds held for agencies

Transactions in agency funds for the years ended December 31, 2017 or 2016 are summarized as follows:

2017	<u>Beginning Balance</u>	<u>Program income</u>	<u>Program expenses</u>	<u>Ending Balance</u>
Agency fund:				
City Gateway	\$ 791	\$ 0	\$ 550	\$ 241
Total agency fund	<u>\$ 791</u>	<u>\$ 0</u>	<u>\$ 550</u>	<u>\$ 241</u>
2016	<u>Beginning Balance</u>	<u>Program income</u>	<u>Program expenses</u>	<u>Ending Balance</u>
Agency fund:				
City Gateway	\$ 1,737	\$ 0	\$ 946	\$ 791
Total agency fund	<u>\$ 1,737</u>	<u>\$ 0</u>	<u>\$ 946</u>	<u>\$ 791</u>

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2017 and 2016

Note 6—Restricted funds

Restricted funds are contributions that have been reserved for specific purposes designated by the donor. The restricted funds and the changes therein for the years ended December 31, 2017 or 2016 are as follows:

2017	<u>Beginning Balance</u>	<u>Contribution additions</u>	<u>Restrictions released</u>	<u>Ending Balance</u>
Temporarily restricted				
Romick scholarship	\$ 272	\$ 7	\$ 0	\$ 279
Dow scholarship	214	8		222
Government academy	2,601			2,601
Downtown	26,914		26,914	0
Hancock leadership	47,150	21,702	28,789	40,063
Hancock youth leadership	26,289	11,072	11,826	25,535
Total temporarily restricted	<u>\$ 103,440</u>	<u>\$ 32,789</u>	<u>\$ 67,529</u>	<u>\$ 68,700</u>
Permanently restricted				
Dow scholarship	\$ 5,000			\$ 5,000
Romick scholarship	7,215			7,215
Total permanently restricted funds	<u>\$ 12,215</u>			<u>\$ 12,215</u>
2016	<u>Beginning Balance</u>	<u>Contribution additions</u>	<u>Restrictions released</u>	<u>Ending Balance</u>
Temporarily restricted				
Romick scholarship	\$ 261	\$ 11	\$ 0	\$ 272
Dow scholarship	206	8		214
Government academy	2,601			2,601
Downtown	28,844	40,000	41,930	26,914
Hancock leadership	37,093	25,656	15,599	47,150
Hancock youth leadership	23,192	13,357	10,260	26,289
Total temporarily restricted	<u>\$ 92,197</u>	<u>\$ 79,032</u>	<u>\$ 67,789</u>	<u>\$ 103,440</u>
Permanently restricted				
Dow scholarship	\$ 5,000			\$ 5,000
Romick scholarship	7,215			7,215
Total permanently restricted funds	<u>\$ 12,215</u>			<u>\$ 12,215</u>

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2017 and 2016

Note 7—In-kind contributions

In 2017 and 2016, the Organization received services for communications/advertising, transportation, maintenance, and professional services totaling \$600 with offsetting expenses of \$600.

Note 8—Related party

All members of the Organization's Board of Trustees are also members of the Board of Directors of Findlay-Hancock County Alliance (the Alliance). The entities are separate distinct legal entities and all transactions between the organizations are handled at arms-length. The organizations do share management, but there is not an economic interest between the organizations. At December 31, 2017, accounts payable to the Alliance amounted to \$181,355. At December 31, 2016, accounts receivable from the Alliance amounted to \$30,384.

During 2017, two members of the Organization's Board of Directors operate and/or manage local businesses that the Organization dealt with during the normal course of business, respectively. For the years ended December 31, 2017, the amounts of these business services charged to operating expenses were \$545.

Note 9—Lease transactions

Beginning in June 2017, the Organization has operating lease agreements with lessees to occupy space in its property. Lease terms for the spaces commence on the day of signing and continue for one year thereafter. The contract for the commercial suite is conducted on an annual term. Notice of termination must be received by either party sixty days prior to termination for the suite, and sixty days prior to termination for the apartment. Monthly rental payments range from \$475 to \$1,000 for each unit. Total lease income for the years ended December 31, 2017 and 2016 was \$11,000 and \$0, respectively.