

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION

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

DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, the related statements of activities and changes in net assets, functional expenses 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018 the Findlay-Hancock County Alliance Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads 'Gilmore Jason Mahler, LTD'. The signature is written in a cursive, flowing style.

Findlay, Ohio
June 14, 2019

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 82,707	\$ 70,079
Certificates of deposit	12,736	12,693
Accounts receivable - trade	0	1,625
Prepaid expenses	0	339
Total current assets	95,443	84,736
Property and equipment, net	232,668	256,931
Total assets	\$ 328,111	\$ 341,667
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable - trade	\$ 0	\$ 376
Accrued real estate taxes	3,946	4,246
Funds held for other agencies	556	241
Rental security deposits	500	0
Total current liabilities	5,002	4,863
Long-term liabilities		
Accounts payable - related party	161,455	181,355
Total long-term liabilities	161,455	181,355
Total liabilities	166,457	186,218
Net assets		
Without donor restrictions		
Operating	61,938	74,534
Board designated for purpose	68,738	65,598
Total net assets without donor restrictions	130,676	140,132
With donor restrictions		
Total net assets	30,978	15,317
Total net assets	161,654	155,449
Total liabilities and net assets	\$ 328,111	\$ 341,667

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, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Operating revenues and support				
Foundation				
Interest	\$ 28	\$ 43	\$ 71	\$ 43
Contributions	10,231	20,219	30,450	0
Hancock leadership				
Tuition	23,600		23,600	20,794
Class project	1,200		1,200	900
Interest	21		21	8
Hancock youth leadership program	8,523		8,523	11,072
Special events		20,000	20,000	20,251
Rental income	19,729		19,729	11,000
In-kind contributions	7,743		7,743	600
Satisfaction of time and program restrictions	24,601	(24,601)	0	0
Total operating revenues and support	<u>95,676</u>	<u>15,661</u>	<u>111,337</u>	<u>64,668</u>
Operating expenses				
Program services				
Foundation community projects	500		500	2,660
Hancock leadership	18,845		18,845	28,789
Hancock youth leadership	11,477		11,477	12,506
Findlay First	3,302		3,302	0
Special events	20,000		20,000	33,785
Total program services	<u>54,124</u>		<u>54,124</u>	<u>77,740</u>
Support services				
Management and general	51,008		51,008	23,041
Total operating expenses	<u>105,132</u>		<u>105,132</u>	<u>100,781</u>
Change in net assets	(9,456)	15,661	6,205	(36,113)
Net assets, beginning of year	<u>140,132</u>	<u>15,317</u>	<u>155,449</u>	<u>191,562</u>
Net assets, end of year	<u>\$ 130,676</u>	<u>\$ 30,978</u>	<u>\$ 161,654</u>	<u>\$ 155,449</u>

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017

	<u>Program Services</u>					<u>Support Services</u>			
	<u>Foundation Community Projects</u>	<u>Hancock Leadership</u>	<u>Hancock Youth Leadership</u>	<u>Findlay First</u>	<u>Special Events</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
Salaries and benefits	\$ 0	\$ 11,940	\$ 5,172	\$ 0	\$ 0	\$ 17,112	\$ 0	\$ 17,112	\$ 24,212
Program specific expenses	500	1,879	3,558	2,285	20,000	28,222		28,222	33,466
Depreciation						0	24,263	24,263	11,433
Other		4,575	2,747	1,017		8,339	8,391	16,730	23,792
Insurance		371				371	7,430	7,801	0
Occupancy						0	7,054	7,054	4,246
Professional services						0	3,669	3,669	3,195
Office expenses						0	201	201	194
Travel		80				80		80	243
Total Expenses	<u>\$ 500</u>	<u>\$ 18,845</u>	<u>\$ 11,477</u>	<u>\$ 3,302</u>	<u>\$ 20,000</u>	<u>\$ 54,124</u>	<u>\$ 51,008</u>	<u>\$ 105,132</u>	<u>\$ 100,781</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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 6,205	\$ (36,113)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Reinvested interest	(43)	25
Depreciation	24,263	11,433
Bad debt expense	0	4,040
Changes in assets:		
Accounts receivable - trade	1,625	(3,186)
Prepaid expenses	339	(66)
Accounts payable - trade	(376)	86
Accrued real estate taxes	(300)	4,246
Funds held for other agencies	315	(550)
Rental security deposits	500	0
	32,528	(20,085)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Payments for purchase of property and equipment	0	(30,131)
	0	(30,131)
Net cash used in investing activities		
Cash flows from financing activities		
Accounts receivable - related party	(19,900)	(25,848)
	(19,900)	(25,848)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	12,628	(76,064)
Cash and cash equivalents beginning of year	70,079	146,143
Cash and cash equivalents end of year	\$ 82,707	\$ 70,079
Non-cash investing and financing activities:		
Property and equipment acquired through related party transaction	\$ 0	\$ 237,587

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 and implementation of new accounting standard

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 prior 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 was adopted by the Organization for the year ended December 31, 2018.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

<u>Net assets classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
As previously presented:			
Unrestricted	\$ 140,132	\$ 0	\$ 140,132
Temporarily restricted		3,102	3,102
Permanently restricted		12,215	12,215
Net assets as presented	<u>\$ 140,132</u>	<u>\$ 15,317</u>	<u>\$ 155,449</u>

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.

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.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

Note 2—Summary of significant accounting policies – continued

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 ranging from five to thirty-two 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.

As of December 31, 2018 and 2017, the Organization was the owner of one agency fund. For the years ended December 31, 2018 and 2017, 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 net assets without donor restrictions, 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. Net assets without donor restrictions are not subject to donor-imposed restrictions.

Net assets with donor restrictions 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. Net assets with donor restrictions as of December 31, 2018 and 2017 include net assets restricted for specific program use, as well as endowment fund assets to be held indefinitely.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

Note 2—Summary of significant accounting policies – continued

Net assets board designated for specific purpose

The board designates specific net assets for purposes. The board designated the following net assets as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Hancock leadership	\$ 46,062	\$ 40,063
Hancock youth leadership	22,676	25,535
Total board designated for purpose	<u>\$ 68,738</u>	<u>\$ 65,598</u>

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, 2018 and 2017, 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, 2018 and 2017, no interest or penalties were recognized.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017 were \$1,485 and \$2,869, respectively.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

Note 2—Summary of significant accounting policies – continued

New accounting pronouncements

In June 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08)*. ASU 2018-08 clarifies the accounting for both makers and recipients of grants. The guidance amends the new revenue recognition standard as well as long-standing contribution accounting guidance. The amendments provide a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 if the entity serves as the resource recipient or fiscal years beginning after December 15, 2019 if the entity serves as the resource provider with early adoption permitted in both cases. The Organization is currently evaluating the effect that ASU 2018-08 will have on its financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18)*. 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 financial statements but does not expect the adoption of ASU 2016-18 to have a material impact on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (ASU 2014-09)*, 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 its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*. 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 financial statements and related disclosures.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

Note 2—Summary of significant accounting policies – continued

Subsequent events

Subsequent events have been evaluated through June 14, 2019, the date in which the financial statements were available to be issued. As of that date, no significant subsequent events were noted.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on previously reported results of operations or net assets.

Note 3—Cash and cash equivalents

Cash and cash equivalents at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Checking accounts	\$ 58,620	\$ 36,025
Money market checking	24,087	34,054
Total cash and cash equivalents	<u>\$ 82,707</u>	<u>\$ 70,079</u>

Note 4—Property and equipment

Property and equipment at December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Building and leasehold improvements	\$ 232,743	\$ 232,743
Equipment, furniture and fixtures	37,263	37,263
Less: accumulated depreciation	37,338	13,075
Net property and equipment	<u>\$ 232,668</u>	<u>\$ 256,931</u>

Depreciation expense of \$24,263 and \$11,433 was incurred during 2018 and 2017.

Note 5—Transactions in funds held for agencies

Transactions in agency funds for the years ended December 31, 2018 or 2017 are summarized as follows:

2018	<u>Beginning Balance</u>	<u>Program income</u>	<u>Program expenses</u>	<u>Ending Balance</u>
Agency fund:				
City Gateway	\$ 241	\$ 315	\$ 0	\$ 556
Total agency fund	<u>\$ 241</u>	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 556</u>
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>

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

Note 6—Net assets with donor restrictions

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, 2018 or 2017 are as follows:

2018	Beginning Balance	Contribution additions	Restrictions released	Ending Balance
Net assets with donor restrictions				
Dow scholarship	\$ 5,222	\$ 0	\$ 0	\$ 5,222
Romick scholarship	7,494	43		7,505
Findlay First	0	20,000	2,000	18,000
Special events (fireworks)	0	20,000	20,000	0
Wreaths Across America	0	219		219
Government Academy	2,601		2,601	0
Total net assets with donor restrictions	<u>\$ 15,317</u>	<u>\$ 40,262</u>	<u>\$ 24,601</u>	<u>\$ 30,978</u>

2017	Beginning Balance	Contribution additions	Restrictions released	Ending Balance
Net assets with donor restrictions				
Dow scholarship	\$ 5,214	\$ 8	\$ 0	\$ 5,222
Romick scholarship	7,487	7		7,494
Government Academy	2,601			2,601
Total net assets with donor restrictions	<u>\$ 15,302</u>	<u>\$ 15</u>	<u>\$ 0</u>	<u>\$ 15,317</u>

Note 7—In-kind contributions

In 2018 and 2017, the Organization received services for communications/advertising, transportation, maintenance, and professional services totaling \$7,743 and \$600 with offsetting expenses of \$7,743 and \$600, respectively.

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. Accounts payable to the Alliance amounted to \$161,455 and \$181,355 at December 31, 2018 and 2017, respectively.

During 2018, 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. The amounts of these business services charged to operating expenses were \$1,028 and \$545 at December 31, 2018 and 2017, respectively.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2018 and 2017

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, 2018 and 2017 was \$19,729 and \$11,000, respectively.

Note 10—Liquidity and availability of financial assets

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31, 2018:

Cash and cash equivalents	\$	82,707
Certificates of deposit		12,736
Less net assets board designated for purpose		(68,738)
Less net assets with donor restrictions		(30,978)
Total	\$	<u>(4,273)</u>

The Organization has a deficit of \$4,273 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization reviews cash balances on a monthly basis to ensure cash flow. Additionally, funds used to maintain specific net assets with donor restrictions are held separately from operating cash in certificates of deposit.

Note 11—Methods used for the allocation of expenses between program and management and general

The financial statements report certain categories of expense that are attributable to the program or supporting functions of the Organization. The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and schedules of functional expenses. Accordingly, certain costs have been allocated between program services and supportive services and these expenses require allocation on a reasonable basis that is consistently applied. Expenses are coded directly to functional expense categories in the general ledger and allocated to the appropriate category based on direct expense.