

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION

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

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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 (collectively, 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, 2019 and 2018, 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, effective January 1, 2019, the Findlay-Hancock County Alliance Foundation adopted Accounting Standards Update (ASU) 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made*, and early adopted ASU 2014-09, *Revenue from Contracts with Customers* using the modified retrospective method. Our opinion is not modified with respect to these matters.

Gilmore Jasion Mahler, LTD

Findlay, Ohio
August 14, 2020

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 164,811	\$ 82,707
Accounts receivable - trade	16,400	0
Certificates of deposit	12,748	12,736
Total current assets	193,959	95,443
Property and equipment, net	377,828	232,668
Total assets	\$ 571,787	\$ 328,111
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable - trade	\$ 7,137	\$ 0
Deferred revenue	18,960	0
Accrued real estate taxes	4,168	3,946
Funds held for other agencies	504	556
Current portion of mortgage payable	6,596	0
Rental security deposits	0	500
Total current liabilities	37,365	5,002
Long-term liabilities		
Accounts payable - related party	189,115	161,455
Mortgage payable	191,091	0
Total long-term liabilities	380,206	161,455
Total liabilities	417,571	166,457
Net assets		
Without donor restrictions		
Operating	50,409	61,938
Board designated for purpose	77,300	68,738
Total net assets without donor restrictions	127,709	130,676
With donor restrictions		
Total net assets	26,507	30,978
Total net assets	154,216	161,654
Total liabilities and net assets	\$ 571,787	\$ 328,111

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support						
Foundation						
Contributions	\$ 39,300	\$ 1,574	\$ 40,874	\$ 10,231	\$ 20,219	\$ 30,450
Interest	28	12	40	28	43	71
Hancock leadership						
Tuition and class project	21,781		21,781	24,800		24,800
Interest	3		3	21		21
Hancock youth leadership program	17,279		17,279	8,523		8,523
Special events (fireworks)		20,000	20,000		20,000	20,000
Rental income	18,320		18,320	19,729		19,729
In-kind contributions	4,403		4,403	7,743		7,743
Release from restrictions	26,057	(26,057)	0	24,601	(24,601)	0
Total operating revenues and support	127,171	(4,471)	122,700	95,676	15,661	111,337
Operating expenses						
Program services						
Hancock leadership	20,841		20,841	18,845		18,845
Hancock youth leadership	10,448		10,448	11,477		11,477
Special events (fireworks)	20,000		20,000	20,000		20,000
Findlay First	6,057		6,057	3,302		3,302
Scholarships	1,500		1,500	0		0
Foundation community projects	0		0	500		500
Total program services	58,846	0	58,846	54,124	0	54,124
Support services	53,806		53,806	51,008		51,008
Total operating expenses	112,652	0	112,652	105,132	0	105,132
Change in net assets	14,519	(4,471)	10,048	(9,456)	15,661	6,205
Net assets at beginning of year, as previously reported	130,676	30,978	161,654	140,132	15,317	155,449
Adoption of ASC 606	(17,486)		(17,486)			
Net assets at beginning of year, after adoption of ASC 606	113,190	30,978	144,168	140,132	15,317	155,449
Net assets at end of year	\$ 127,709	\$ 26,507	\$ 154,216	\$ 130,676	\$ 30,978	\$ 161,654

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program Services</u>					<u>Support Services</u>		<u>Total</u>
	<u>Hancock Leadership</u>	<u>Hancock Youth Leadership</u>	<u>Findlay First</u>	<u>Special Events (Fireworks)</u>	<u>Scholarships</u>	<u>Total Program Services</u>	<u>Management and General</u>	
Program specific expenses	\$ 1,391	\$ 5,716	\$ 5,246	\$ 20,000	\$ 1,500	\$ 33,853	\$ 0	\$ 33,853
Depreciation						0	25,008	25,008
Salaries and benefits	11,940	831				12,771	0	12,771
Other	6,629	413	596			7,638	4,403	12,041
Insurance	746	746				1,492	10,120	11,612
Professional services		2,700	215			2,915	5,307	8,222
Occupancy						0	5,153	5,153
Interest expense						0	2,711	2,711
Office expenses		42				42	1,104	1,146
Travel	135					135	0	135
Total expenses	<u>\$ 20,841</u>	<u>\$ 10,448</u>	<u>\$ 6,057</u>	<u>\$ 20,000</u>	<u>\$ 1,500</u>	<u>\$ 58,846</u>	<u>\$ 53,806</u>	<u>\$ 112,652</u>

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>					<u>Support Services</u>		<u>Total</u>
	<u>Foundation Community Projects</u>	<u>Hancock Leadership</u>	<u>Hancock Youth Leadership</u>	<u>Findlay First</u>	<u>Special Events (Fireworks)</u>	<u>Total Program Services</u>	<u>Management and General</u>	
Program specific expenses	\$ 500	\$ 1,879	\$ 3,558	\$ 2,285	\$ 20,000	\$ 28,222	\$ 0	\$ 28,222
Depreciation						0	24,263	24,263
Salaries and benefits		11,940	5,172			17,112		17,112
Other		4,575	1,500	844		6,919	8,242	15,161
Insurance		371				371	7,430	7,801
Occupancy						0	7,054	7,054
Professional services			1,152	173		1,325	3,669	4,994
Office expenses			95			95	350	445
Travel		80				80		80
Total expenses	\$ 500	\$ 18,845	\$ 11,477	\$ 3,302	\$ 20,000	\$ 54,124	\$ 51,008	\$ 105,132

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 10,048	\$ 6,205
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Reinvested interest	(12)	(43)
Depreciation	25,008	24,263
Changes in assets:		
Accounts receivable - trade	(16,400)	1,625
Prepaid expenses	0	339
Changes in liabilities:		
Accounts payable - trade	7,137	(376)
Deferred revenue	1,474	0
Accrued real estate taxes	222	(300)
Funds held for other agencies	(52)	315
Rental security deposits	(500)	500
	26,925	32,528
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(170,168)	0
	(170,168)	0
Net cash used in investing activities		
Cash flows from financing activities		
Accounts receivable - related party	27,660	(19,900)
Proceeds from mortgage payable	200,000	0
Payments on mortgage payable	(2,313)	0
	225,347	(19,900)
Net cash provided by (used in) financing activities		
Net increase in cash and cash equivalents	82,104	12,628
Cash and cash equivalents at beginning of year	82,707	70,079
Cash and cash equivalents at end of year	\$ 164,811	\$ 82,707
Supplemental disclosure:		
Cash paid for interest	\$ 2,711	\$ 0

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 accounting policies of the Organization conform to generally accepted accounting principles and reflect practices appropriate for a non-profit organization. The financial statements have been prepared on the accrual basis of accounting and include all accounts of the Organization. Pledges are recorded as income in the year made.

Financial statement presentation

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Presentation of Financial Statements of Not-for-Profit Entities* to be in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding the financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Organization is also required to make certain disclosures about liquidity, financial performance, and cash flows.

Recently adopted new accounting standards

On January 1, 2019, the Organization early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), using the modified retrospective adoption method, and, in doing so, elected the practical expedient to only consider contracts that were not complete as of the initial application date. Prior to the adoption of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 606, within the year ended December 31, 2018, as presented in the statement of activities and changes in net assets, revenue was recognized when earned in accordance with ASC Topic 605, *Revenue Recognition*. The adoption of ASC Topic 606 resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening net assets at January 1, 2019. The impact of adopting the new guidance was a reduction to net assets of \$17,486. The modified retrospective method requires the Organization to disclose the effects of applying the new guidance on each item included in the 2019 financial statements.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

Recently adopted new accounting standards – continued

Following are the line items from the statement of financial position, statement of activities and changes in net assets, and cash flows that were impacted, the amounts that would have been reported under former guidance, the effects of applying the new guidance, and the amounts reported under new guidance:

	Balance without adoption of ASC 606	ASC 606 application	As reported
Statements of Financial Position			
Deferred revenue	\$ 0	\$ 18,960	\$ 18,960
Net assets	\$ 173,176	\$ (18,960)	\$ 154,216
Statements of Activities and Changes in Net Assets			
Hancock leadership - tuition and class project	\$ 23,880	\$ (2,099)	\$ 21,781
Hancock youth leadership program	\$ 16,654	\$ 625	\$ 17,279
Statements of Cash Flow			
Change in net assets	\$ 11,522	\$ (1,474)	\$ 10,048
Increase of deferred revenue	\$ 0	\$ 1,474	\$ 1,474

This standard, along with its related amendments, requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following steps:

1. Identify the contract(s);
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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 Organization’s contracts with customers.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

In 2019, the Organization adopted the following accounting pronouncements:

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which amends the effective date of ASC 606 reporting periods for those entities that have not yet issued their financial statements as of June 3, 2020 until reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization has elected to early adopt ASC 606 and its subsequent amendments on January 1, 2019 using the modified retrospective approach which requires the financial statements to reflect the new standard as of January 1, 2019, and as a result, contracts that ended prior to January 1, 2019 were not included within the Organization’s assessment. The Organization, using the modified retrospective method, determined there was no cumulative effect of initially applying ASC 606 and therefore no adjustments were required to the opening balance of net assets at January 1, 2019. The comparative information for historical periods has not been adjusted and there was no material change to the Organization’s revenue recognition in the 2019 statement of activities due to the Organization’s adoption of ASC 606.

ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. ASU 2018-08 clarifies and improves the current guidance about whether a transfer of assets is a contribution or an exchange transaction. Furthermore, it requires the Organization to determine if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The Organization adopted ASU 2018-08 as of January 1, 2019 using the modified retrospective method. The Organization determined there was no cumulative effect of initially applying the above pronouncements and therefore did not recognize an adjustment to the opening balance of net assets at January 1, 2019.

Use of estimates

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles, which 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

The Organization maintains deposits in federally insured financial institutions. At times, these deposits exceed federal insured limits. The Organization regularly monitors the financial condition of the institution in which it has depository accounts and believes the risks of loss are minimal.

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

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

Property and equipment

Property and equipment are recorded at cost if purchased or at fair value if contributed. Depreciated is provided on the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Leasehold improvements	6-20
Furniture and equipment	4-10

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.

Deferred revenue

The Organization invoices for program participation at commencement. Revenue related to participation in the Hancock leadership and Hancock youth leadership programs is recorded over the duration of the program. Amounts received but not yet earned by the Organization are recorded as deferred revenue in the current liabilities section of the accompanying statements of financial position. The opening balance of deferred revenue as of January 1, 2018 was \$0.

Funds held for other agencies

The Organization adopted FASB ASC Topic, *Transfers of Assets to a Non-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* (Topic 958-605). 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. Topic 958-605 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 Topic 958-605, a liability has been established for the fair value of the funds. As of December 31, 2019 and 2018, the Organization was the owner of one agency fund. For the years ended December 31, 2019 and 2018, 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.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

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, 2019 and 2018 include net assets restricted for specific program use, as well as endowment fund assets to be held indefinitely.

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, 2019 and 2018:

	2019	2018
Hancock leadership	\$ 47,005	\$ 46,062
Hancock youth leadership	30,295	22,676
Total board designated for purpose	\$ 77,300	\$ 68,738

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 Topic, *Income Taxes*, 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, 2019 and 2018, 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, 2019 and 2018, no interest or penalties were recognized.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

Revenue recognition

Contributions

In accordance with FASB ASC Topics, *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 are recorded in accordance with the clarified guidance in ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Contributions are recorded as made dependent upon barriers.

Program fees

Program fees are recorded as tuition and class project and Hancock youth leadership program on the statement of activities and changes in net assets. Program fees are recognized ratably throughout the program and performance obligations are met as the program progresses.

The following table shows the Organization’s revenues disaggregated according to the timing of transfer of goods or services as of the year ending:

	2019	2018
Revenue recognized at a point in time:		
Contributions	\$ 40,874	\$ 30,450
Special events (fireworks)	20,000	20,000
Rental income	18,320	19,729
In-kind contributions	4,403	7,743
Interest	43	92
Total revenue recognized at a point in time	83,640	78,014
Revenue recognized over time:		
Hancock leadership tuition and class project	21,781	24,800
Hancock youth leadership program	17,279	8,523
Total revenue recognized over time	39,060	33,323
Total revenue	\$ 122,700	\$ 111,337

Advertising costs

Advertising costs are charged to operations when incurred. Total advertising costs charged to expense for the years ended December 31, 2019 and 2018 were \$0 and \$1,485, respectively.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 2—Summary of significant accounting policies – continued

New accounting pronouncements

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, as amended by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021 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.

Subsequent events

Subsequent events have been evaluated through the report date, which is the date in which the financial statements were available to be issued, and have determined that other than events discussed in Note 13 there are no subsequent events that require recognition or disclosure.

Reclassifications

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—Property and equipment

Property and equipment at December 31, 2019 and 2018 consists of the following:

	2019	2018
Building and leasehold improvements	\$ 359,454	\$ 232,743
Equipment, furniture and fixtures	37,263	37,263
Property and equipment at cost	396,717	270,006
Less: accumulated depreciation	62,346	37,338
Construction in progress	43,457	0
Net property and equipment	<u>\$ 377,828</u>	<u>\$ 232,668</u>

Depreciation expense of \$25,008 and \$24,263 was incurred during 2019 and 2018, respectively.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 4—Transactions in funds held for agencies

Transactions in agency funds for the years ended December 31, 2019 or 2018 are summarized as follows:

2019	Beginning Balance	Program Income	Program Expenses	Ending Balance
Agency fund:				
City Gateway	\$ 556	\$ 0	\$ 52	\$ 504
Total agency fund	<u>\$ 556</u>	<u>\$ 0</u>	<u>\$ 52</u>	<u>\$ 504</u>
2018	Beginning Balance	Program Income	Program Expenses	Ending Balance
Agency fund:				
City Gateway	\$ 241	\$ 315	\$ 0	\$ 556
Total agency fund	<u>\$ 241</u>	<u>\$ 315</u>	<u>\$ 0</u>	<u>\$ 556</u>

The assets associated with agency funds are recorded with cash and cash equivalents.

Note 5—Fair value measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC Topic, *Fair Value Measurement*, are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2. Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs other than quoted prices that are observable for the asset or liability;
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 5—Fair value measurements – continued

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Certificate of deposit – valued at cost plus accrued interest which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statements of financial position.

The following tables present the Organization’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31:

Description		December 31, 2019			
		Total	Level 1	Level 2	Level 3
Certificates of deposit		\$ 12,748	\$ 0	\$ 12,748	\$ 0
	Total	<u>\$ 12,748</u>	<u>\$ 0</u>	<u>\$ 12,748</u>	<u>\$ 0</u>
Description		2018			
		Total	Level 1	Level 2	Level 3
Certificates of deposit		\$ 12,736	\$ 0	\$ 12,736	\$ 0
	Total	<u>\$ 12,736</u>	<u>\$ 0</u>	<u>\$ 12,736</u>	<u>\$ 0</u>

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

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, 2019 or 2018 are as follows:

2019	Beginning Balance	Contribution Additions	Restrictions Released	Ending Balance
Net assets with donor restrictions				
Dow scholarship	\$ 5,222	\$ 0	\$ 0	\$ 5,222
Romick scholarship	7,537	12		7,549
Findlay First	18,000		6,057	11,943
Special events (fireworks)		20,000	20,000	0
Wreaths Across America	219	1,574		1,793
Total net assets with donor restrictions	<u>\$ 30,978</u>	<u>\$ 21,586</u>	<u>\$ 26,057</u>	<u>\$ 26,507</u>

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		7,537
Findlay First		20,000	2,000	18,000
Special events (fireworks)		20,000	20,000	0
Wreaths Across America		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>

Note 7—In-kind contributions

In 2019 and 2018, the Organization received services for communications/advertising, transportation, maintenance, and professional services totaling \$4,403 and \$7,743 with offsetting expenses of \$4,403 and \$7,743, 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 \$189,115 and \$161,455 at December 31, 2019 and 2018, respectively.

During 2019, 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 \$1,610 and \$1,028 at December 31, 2019 and 2018, respectively.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 9—Mortgage payable

Mortgage payable at December 31 is as follows:

	2019	2018
Mortgage note due in monthly principal and interest installments of \$1,256 at 4.35%, with remaining principal due July 2039. The note is subject to certain covenants and is secured by the real estate purchased with the mortgage note proceeds.	\$ 197,687	\$ 0
Less current portion of long-term debt	6,596	0
Long-term debt, net of current portion	\$ 191,091	\$ 0

Scheduled principal payments on debt to maturity are as follows for the years ending December 31:

	2020	\$	6,596
	2021		6,889
	2022		7,194
	2023		7,514
	2024		7,847
	Thereafter		161,647
	Total	\$	197,687

Note 10—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. During 2019, both leases terminated, and the apartment is being converted to office space. The contract for the commercial suite is conducted on an annual term. Monthly rental payments ranged from \$475 to \$1,000 for each unit. Total lease income for the years ended December 31, 2019 and 2018 was \$18,320 and \$19,729, respectively.

Note 11—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, 2019:

	2019	2018
Cash and cash equivalents	\$ 164,811	\$ 82,707
Accounts receivable - trade	16,400	0
Certificates of deposit	12,748	12,736
Less net assets board designated for	(82,274)	(68,738)
Less net assets with donor	(26,507)	(30,978)
Total	\$ 85,178	\$ (4,273)

The Organization has \$85,178 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.

FINDLAY-HANCOCK COUNTY ALLIANCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2019 and 2018

Note 12—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.

Note 13—Risks and uncertainties

A novel strain of coronavirus (“COVID-19”) surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organizations on January 30, 2020. As a result of the spread of COVID-19 during 2020, economic uncertainties have arisen as of the date of the financial statements. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the Organization’s payors and donors, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization’s financial condition or results of operations is uncertain.

In response to COVID-19, in June 2020 the Organization was granted an Economic Injury Disaster Loan in the amount of \$98,100, pursuant to Section 7(b) of the Small Business Act, as amended, administered by the U.S. Small Business Administration. The balance will accrue interest at the rate of 2.75% per annum and is payable thirty years from the date of the note.