The Center for Community Solutions

Financial Report
December 31, 2015

Contents

Independent Auditor's Report

Board of Directors
The Center for Community Solutions
Cleveland, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of The Center for Community Solutions which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 of 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Community Solutions as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Center for Community Solutions 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Cleveland, Ohio
July 12, 2016

The Center for Community Solutions

Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Cash and cash equivalents	**$ 1,746,619**	$ 1,717,854
Investments	**11,567,175**	12,138,076
Accounts receivable, net of allowance	**30,704**	19,945
Grants and contracts receivable	**819,572**	454,500
Fiscal agency funds held	**152,435**	-
Fixed assets, net	**118,057**	135,505
Beneficial interest in perpetual trusts	**10,190,708**	10,896,239
Other assets	**31,631**	14,025
Total assets	**$ 24,656,901**	$ 25,376,144
Liabilities		
Accounts payable	**$ 26,972**	$ 100,630
Accrued expenses and other	**239,589**	179,860
Fiscal agency liability	**152,435**	-
Total liabilities	**418,996**	280,490
Net assets:		
Unrestricted:		
Undesignated, available for general activities	**658,339**	492,625
Net investment in plant	**118,057**	135,505
Designated by governing board for:		
Budget stabilization fund	**453,243**	461,733
Funds functioning as endowment	**5,852,281**	6,142,869
	7,081,920	7,232,732
Temporarily restricted	**5,794,244**	5,795,650
Permanently restricted	**11,361,741**	12,067,272
Total net assets	**24,237,905**	25,095,654
Total liabilities and net assets	**$ 24,656,901**	$ 25,376,144

See notes to financial statements.

The Center for Community Solutions

Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted			Temporarily	Permanently	**2015**	2014
	Operating	Endowment	Total	Restricted	Restricted	**Total**	Total
Support and revenue:							
Support:							
Contracts from government agencies and others	$ 177,683	$ -	$ 177,683	$ 75,000	$ -	**$ 252,683**	$ 554,875
Grant revenue	-	-	-	996,070	-	**996,070**	468,000
Beneficial trust income	639,748	-	639,748	-	-	**639,748**	599,487
Donations and bequests	28,641	-	28,641	-	-	**28,641**	49,855
Contributions from other organizations	10,999	-	10,999	95,600	-	**106,599**	156,000
United Way Services	142,500	-	142,500	-	-	**142,500**	127,500
Total support	999,571	-	999,571	1,166,670	-	**2,166,241**	1,955,717
Revenue:							
Net interest and dividend income	5,352	153,314	158,666	159,598	-	**318,264**	152,324
Realized gains on investments	-	299,837	299,837	292,797	-	**592,634**	116,427
Unrealized (losses)/gains on investments	(8,928)	(450,941)	(459,869)	(440,356)	-	**(900,225)**	171,351
Change in fair value of interest in perpetual trusts	-	-	-	-	(705,531)	**(705,531)**	99,664
Miscellaneous revenue	25,842	-	25,842	-	-	**25,842**	27,320
Total revenue	22,266	2,210	24,476	12,039	(705,531)	**(669,016)**	567,086
Net assets released from restrictions							
Satisfaction of time and purpose restrictions	955,761	224,354	1,180,115	(1,180,115)	-	**-**	-
Total support and revenue	1,977,598	226,564	2,204,162	(1,406)	(705,531)	**1,497,225**	2,522,803
Expenses:							
Program services							
Core competencies	976,469	281,287	1,280,906	-	-	**1,280,906**	1,349,442
Targeted issues and other	641,539	183,832	837,124	-	-	**837,124**	888,049
Total program expenses	1,618,008	465,119	2,118,030	-	-	**2,118,030**	2,237,491
Supporting services:							
Management and general	167,964	45,648	207,868	-	-	**207,868**	207,626
Fundraising	51,850	6,385	29,076	-	-	**29,076**	86,349
Total supporting services	219,814	52,033	236,944	-	-	**236,944**	293,975
Total expenses	1,837,822	517,152	2,354,974	-	-	**2,354,974**	2,531,466
Change in net assets	139,776	(290,588)	(150,812)	(1,406)	(705,531)	**(857,749)**	(8,663)
Net assets – beginning of year	1,089,863	6,142,869	7,232,732	5,795,650	12,067,272	**25,095,654**	25,104,317
Net assets – end of year	$ 1,229,639	$ 5,852,281	$ 7,081,920	$ 5,794,244	$ 11,361,741	**$ 24,237,905**	$ 25,095,654

See notes to financial statements.

The Center for Community Solutions

Statement of Functional Expenses
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Program Services			Supporting Services			
	Core Competencies	Targeted Issues and Other	Total Program Services	Management and General	Fundraising	**2015 Total**	2014 Total
Salaries	$ 694,885	$ 173,686	$ 868,571	$ 89,867	$ 23,231	**$ 981,669**	$ 1,045,662
Payroll taxes and benefits	192,090	42,821	234,911	18,692	5,499	**259,102**	296,868
Total salaries and related expenses	886,975	216,507	1,103,482	108,559	28,730	**1,240,771**	1,342,530
Professional services	209,498	124,820	334,318	22,735	1,243	**358,296**	480,638
Supplies	2,771	652	3,423	499	-	**3,922**	6,162
Telephone, postage and shipping	11,666	4,034	15,700	885	177	**16,762**	17,852
Rent and utilities	69,665	12,297	81,962	2,557	-	**84,519**	103,292
Printing	1,607	2,752	4,359	3,640	1,431	**9,430**	16,108
Publications and educational materials	12,025	-	12,025	4,260	-	**16,285**	16,165
Meetings, conferences and travel	28,510	22,372	50,882	33,438	7,850	**92,170**	81,628
Awards and grants	-	414,389	414,389	-	17,693	**432,082**	367,944
Miscellaneous	16,525	15,399	31,924	33,895	254	**66,073**	62,548
Total expenses before depreciation	1,239,242	813,222	2,052,464	210,468	57,378	**2,320,310**	2,494,867
Depreciation	18,514	12,149	30,663	3,144	857	**34,664**	36,599
Total functional expenses	$ 1,257,756	$ 825,371	$ 2,083,127	$ 213,612	$ 58,235	**$ 2,354,974**	$ 2,531,466

See notes to financial statements.

The Center for Community Solutions

Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	**$ (857,749)**	$ (8,663)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions received for long-term investment	**-**	(24,092)
Depreciation	**34,664**	36,599
Realized gains on investments	**(592,634)**	(116,427)
Unrealized losses (gains) on investments	**900,225**	(171,351)
Change in fair value of interest in perpetual trusts	**705,531**	(99,664)
(Increase) decrease in accounts receivable	**(10,759)**	76,017
(Increase) decrease in grants and contracts receivable	**(365,072)**	61,961
Increase in other assets	**(17,606)**	(1,697)
Decrease in accounts payable	**(73,658)**	(15,997)
Increase in accrued expenses and other	**59,729**	54,882
Net cash used in operating activities	**(217,329)**	(208,432)
Cash flows from investing activities:		
Sale of investments	**263,310**	385,163
Purchase of fixed assets	**(17,216)**	(43,541)
Net cash provided by investing activities	**246,094**	341,622
Cash flows from financing activities:		
Contributions received for long-term investment	**-**	24,092
Net increase in cash and cash equivalents	**28,765**	157,282
Cash and cash equivalents:		
Beginning	**1,717,854**	1,560,572
Ending	**$ 1,746,619**	$ 1,717,854

See notes to financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Operations: The Center for Community Solutions (the Organization or CCS) is a not-for-profit organization that provides various support services to individuals and organizations throughout the Northeast Ohio area. The Organization provides strategic leadership to improve targeted health, social and economic conditions. The Organization's major sources of revenues are government contracts, grants from foundations and contributions.

Core competencies include activities associated with applied research, public policy analysis and advocacy, communications and community affairs. These activities are essential to the effective operation of the Organization.

In 2015, major activities by work area included:

The Board of Directors and Administration provided oversight to the program and operations of the Organization ensuring integrity to the mission and financial stability. This included beginning an intensive review of our priority-setting process which culminated with the approval of a three-year strategic plan.

Writing a major report on Ohio’s system of caring for those with developmental disabilities, which helped play a role in the legislature approving the largest increase in state funding for the developmental disabilities system in a generation.

Convening women’s health providers and advocates in Northeast Ohio to successfully secure increased funding for improved access to long-acting reversible contraception – the most effective method of preventing unplanned pregnancies and abortions as well as a tool to reduce infant mortality.

Leading a successful charge against a proposal in the state budget that could have resulted in thousands of poor Ohio children losing their Medicaid coverage. Our timely analysis was cited by newspapers across the state.

Highlighting the terrible toll that the opiate epidemic is having on Ohio with forums in Columbus and Cincinnati and a joint report with the Mental Health Advocacy Coalition on state support for substance abuse treatment.

Reporting on pending Cuyahoga County budget decisions and their impact on health and human services so that advocates could successfully make their case with the County Executive and Council.

Advocating successfully, through the Council on Older Persons, for strengthening Ohio’s elder abuse laws in Ohio’s biennial budget.

Beginning an intensive review of our priority-setting process with the goal of unveiling a new strategic plan in the spring of 2016.

Bringing thought-provoking speakers and discussions to nonprofit professionals via the Human Services Institute; the longest running educational series focused on health and social issues. Programs included: “Will College Pay Off?” (Annual W.T. McCullough Lecture) by Peter Cappelli, Ph.D., University of Pennsylvania; “Spotlight on Public Policy: The Opiate Epidemic” by Sam Quinones, author, *Dreamland: The True Tale of America’s Opiate Epidemic* at the Columbus Metropolitan Club; “Social Security Works! Why Expansion Will Make It Even Better” (Annual Eugene H. Freedheim Lecture – Cleveland), by Nancy J. Altman, Social Security Works; and “Developmental Disabilities: Moving Towards Inclusion, A Panel Discussion” (Annual Eugene H. Freedheim Lecture – Columbus).

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Recognizing outstanding community service by presenting the annual $20,000 Anisfield-Wolf Memorial Award to Care Alliance Health Center and five MTV: Most Treasured Volunteer Awards at the Celebration of Human Services.

Recognizing outstanding service on the state level by inauguration of a new Award for Public Service, named in honor of John A. Begala. It was presented to Senator Charleta B. Tavares (D-15) and Senator Shannon Jones (R-7) for their bi-partisan work to reduce infant mortality in Ohio.

The Communications team continued to work with other teams in expanding the use of electronic tools to ensure that data, information and analyses are clear, understandable and user-friendly. Two weekly electronic newsletters, “5 Things You Need to Know This Week” and “Weekly Briefing”, provide alerts about CCS work, as well as news from the human services world around us to over 5,000 people across the state.

Basis of presentation: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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.

Unrestricted net assets include the net assets that are free of donor imposed restrictions and are neither permanently restricted nor temporarily restricted as well as the net assets invested in plant and those designated by the governing board.

Temporarily restricted net assets include the net assets from grants, contributions, or other inflows where the use is limited by donor imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Organization.

Permanently restricted net assets include net assets from contributions or other inflows where the use is limited by donor imposed restrictions that neither expire by passage of time nor can be fulfilled or removed by actions of the Organization.

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 the stipulated time restriction expires or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Comparative information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and cash equivalents: The Organization considers all unrestricted cash and highly liquid investments with initial maturities of three months or less to be cash equivalents. The Organization maintains cash and cash equivalents at various financial institutions which, at times, may exceed federally insured limits.

The Organization also holds cash for an organization for which CCS is the fiscal agent. Fiscal agency funds held is reflected as an asset and corresponding liability at December 31, 2015.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments: The Organization participates in a pooled fund held and managed by the Cleveland Foundation. The Cleveland Foundation provides the fair value of the Organization's interest in the pooled fund. The underlying assets in the pooled fund consist of securities, whose fair value is based on reported market prices, in addition to alternative investments for which a readily determined fair value does not exist. The fair value of the alternative investment portfolio is determined based on valuations received by the Cleveland Foundation from the underlying fund manager. Interest and dividend income and realized and unrealized investment gains and losses are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily restricts their use.

Investment management and administrative fees of $80,053 have been included in net interest and dividend income for the year ended December 31, 2015.

Beneficial interest in perpetual trusts: The Organization is the beneficiary of six beneficial trusts. The beneficial trusts are recorded as permanently restricted assets at the fair value of the Organization's portion of the investments held by the trusts, which approximates the present value of the expected future cash flows of the trusts.

Revocable beneficial interest in perpetual trusts: The Organization is the revocable beneficiary of five beneficial trusts and does not have variance power over the assets. Accordingly, the assets are not recognized in the net assets of the Organization. Reference note 6 for the fair value of the revocable beneficial trusts as of December 31, 2015.

Accounts receivable: The Organization reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance for doubtful accounts was $275 at December 31, 2015.

Fixed assets: Fixed assets are recorded at cost at the date of acquisition or fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures equal to or greater than $250 with an estimated useful life of one year or greater. Depreciation is computed on a straight-line method over the estimated useful lives of the respective assets, which range from 4 to 10 years.

Contributions: Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted. Conditional promises are recorded when the donor stipulations are substantially met.

Contracts from government agencies and others: Contracts are earned as related expenses are incurred.

Beneficial trust income: The Organization receives income from revocable and non-revocable beneficial trusts. The income is recorded as earned. Amounts earned during the year ended December 31, 2015 are summarized as follows:

Revocable beneficial trust income	$ 115,096
Non-revocable beneficial trust income	524,652
	$ 639,748

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Risks and uncertainties: The Organization's investments are invested in various securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

Functional expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to program services, management and general and fundraising as determined by the management of the Organization.

Use of estimates: The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status: The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization qualify as charitable contributions.

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in their financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. At December 31, 2015, there were no unrecognized tax benefits identified or recorded as liabilities. With few exceptions, the Organization is no longer subject to tax examinations by tax authorities for years prior to 2012.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the new standard on the financial statements.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through July 12, 2016, the date the financial statements were available to be issued.

Note 2. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codifications applies to all financial instruments that are being measured and reported on a fair value basis. The topic establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements.

The fair value is 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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the year ended December 31, 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The Organization's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments - pooled funds: The Organization participates in a pooled fund held and managed by the Cleveland Foundation. The Cleveland Foundation provided the fair value of the Organization's interest in the Cleveland Foundation's pooled fund. The underlying assets in the pooled fund consist of securities, whose fair value is based on quoted market prices, in addition to alternative investments for which a readily determined fair value does not exist. The fair value of the alternative investment portfolio is determined based on valuations received by the Cleveland Foundation from the underlying fund managers. In accordance with the terms of the agreement between the Organization and the Cleveland Foundation, upon the affirmative votes of the board of directors', the Organization may request partial or complete distribution of the pooled funds.

Note 2. Fair Value Measurements (Continued)

Beneficial interest in perpetual trusts: The fair value of the beneficial interest in perpetual trusts represents the Organization's proportionate interest in the value of the trusts. The fair value approximates the present value of the expected future cash flows of the trusts.

Investment – Public Insight Corporation (PIC): On August 31, 2014, the Organization converted a convertible promissory note into an equity ownership interest of 1,425 shares of preferred stock at PIC. The Organization's ownership of PIC was 3.71% at December 31, 2015. The fair value of the alternative investment is determined based the Organizations share of total net asset value of PIC at the reporting date. The total net asset value of PIC at year-end is negative; therefore, the investment was written down to zero at December 31, 2015.

Fair value on a recurring basis: The table below presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments - pooled funds	$ 11,567,175	$ -	$ 11,567,175	$ -
Beneficial interest in perpetual trusts	10,190,708	-	-	10,190,708
Total	$ 21,757,883	$ -	$ 11,567,175	$ 10,190,708

The changes in the fair value of Level 3 assets are summarized as follows:

	Beneficial Interest in Perpetual Trusts
Balance, January 1, 2015	$ 10,896,239
Change in fair value of interest in perpetual trusts	(705,531)
Ending, December 31, 2015	$ 10,190,708

Note 3. Grants and Contracts Receivable

The Organization has grants and contracts receivable that are restricted for various core competencies or targeted issues. As of December 31, 2015, all grants and contracts receivable are due in less than one year.

Note 4. Fixed Assets

At December 31, 2015, fixed assets consisted of the following:

Office furniture and fixtures	$ 75,195
Office equipment	156,395
Leasehold improvements	79,735
	311,325
Less accumulated depreciation	(193,268)
	$ 118,057

Depreciation expense for the year ended December 31, 2015 was $34,664.

Note 5. Lease Obligations

The Organization has a lease agreement for main office space located at 1501 Euclid Avenue. The lease covers a period of ten years and eight months, commencing July 1, 2010 and expiring January 31, 2021. The terms of the lease include eight months of free rent that are amortized over the life of the lease.

The Organization subleases office space for the Ohio Association of Foodbanks team located at 101 East Town Street, Columbus, Ohio 43215. On November 17, 2014, the Organization signed a lease agreement for a period of 36 months ending December 15, 2017, which contains a renewal option for an additional 24 month period ending December 15, 2019.

Lease expense for the year ended December 31, 2015 was $76,707.

Future minimum lease payments under the noncancellable-operating leases are as follows:

2016	$ 89,497
2017	89,722
2018	74,816
2019	74,816
2020	74,816
Thereafter	12,469
	$ 416,136

Note 6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net asset balances and amounts released from restrictions are as follows:

	December 31, 2014	Additions	Net Assets Released	December 31, 2015
Time and purpose restrictions:				
Core competencies	$ 1,064,768	$ 493,883	$ 425,516	$ 1,133,135
Targeted issues	1,406,622	248,833	171,767	1,483,688
AIDS Funding Collaborative	511,145	432,000	421,405	521,740
Unappropriated endowment earnings	2,813,115	3,993	161,427	2,655,681
	$ 5,795,650	$ 1,178,709	$ 1,180,115	$ 5,794,244

Permanently restricted net asset balances are as follows:

	December 31, 2014	Additions net of losses	December 31, 2015
Endowment	$ 1,171,033	$ -	$ 1,171,033
Beneficial interest in perpetual trusts	10,896,239	(705,531)	10,190,708
	$ 12,067,272	$ (705,531)	$ 11,361,741

The fair value of the Organization's revocable beneficial interest in perpetual trusts as of December 31, 2015 is $2,630,295.

Note 7. Endowment Funds

The Organization's endowment consists of approximately 40 individual donor restricted endowment funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily or permanently restricted net assets (a) the original value of donor-restricted gifts donated to the endowment, (b) the original value of subsequent donor-restricted gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that represents the fund's net investment earnings is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA.

Interpretation of relevant law: The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily or permanently restricted net assets (a) the original value of donor-restricted gifts donated to the endowment, (b) the original value of subsequent donor-restricted gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that represents the fund's net investment earnings is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization will consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 5,852,281	$ -	$ -	$ 5,852,281
Donor restricted	-	1,888,180	1,171,033	3,059,213
Accumulated earnings on permanently restricted endowments	-	2,655,681	-	2,655,681
Total endowment	$ 5,852,281	$ 4,543,861	$ 1,171,033	$ 11,567,175

Note 7. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance at January 1, 2015	$ 6,142,869	$ 4,816,511	$ 1,171,033	$ 12,130,413
Investment return				
Net investment income	153,314	159,598	-	312,912
Net depreciation (realized and unrealized)	(151,104)	(147,559)		(298,663)
Total investment return	2,210	12,039	-	14,249
Contributions	-	-	-	-
Expenditures	(292,798)	(284,689)	-	(577,487)
Ending balance at December 31, 2015	$ 5,852,281	$ 4,543,861	$ 1,171,033	$ 11,567,175

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2015.

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to grow in excess of the spending rate in a conservative manner. The Organization expects its endowment funds, over time, to provide a target return of greater than the Consumer Price Index plus 5 percent or approximately 6 to 9 percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve it long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year 5 percent of the moving three year average value of the endowment, as determined in the last quarter of the current fiscal year and will be incorporated in the following year's distribution as income available to programs. In establishing this policy the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 8. Pension Plan

The Organization has a 401(k) deferred compensation plan. The plan allows eligible employees to contribute up to 20% of their compensation to the plan. The Organization may contribute a discretionary 3% of employee compensation, plus an additional 50% match of each employee's contribution up to a total of 4% of the employee's compensation for a maximum employer contribution of 5% of employee compensation annually. The Organization's contribution to the 401(k) plan for the year ended December 31, 2015 was $41,359.

Note 9. Related Party Transactions

The Organization has a policy requiring annual disclosure by the Board members and officers of all conflicts of interest. Board members are required to abstain from voting on any issues where they have a personal interest.

A law firm, which is affiliated with a member of the Board of Directors, is currently paid for services provided to the Organization in the normal course of business.