The Center for Community Solutions

Financial Report
December 31, 2017

Contents

Independent Auditor's Report

Board of Directors
The Center for Community Solutions

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, 2017, 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, 2017 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 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Cleveland, Ohio
April 25, 2018

The Center for Community Solutions

Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents	**$ 2,918,324**	$ 2,406,346
Investments	**12,797,335**	11,500,427
Accounts receivable	**97,990**	35,245
Grants and contracts receivable	**300,500**	867,100
Fiscal agency funds held	**379,333**	160,586
Fixed assets, net	**135,424**	87,854
Beneficial interest in perpetual trusts	**11,231,927**	10,269,877
Other assets	**24,728**	27,847
Total assets	**$ 27,885,561**	$ 25,355,282
Liabilities		
Accounts payable	**$ 90,300**	$ 30,214
Accrued expenses and other	**244,319**	222,040
Fiscal agency liability	**379,333**	160,586
Total liabilities	**713,952**	412,840
Net assets:		
Unrestricted:		
Undesignated, available for general activities	**1,615,875**	1,549,347
Net investment in plant	**135,424**	87,854
Designated by governing board for:		
Budget stabilization fund	**556,987**	453,637
Funds functioning as endowment	**6,471,961**	5,816,079
	8,780,247	7,906,917
Temporarily restricted	**5,987,022**	5,594,615
Permanently restricted	**12,404,340**	11,440,910
Total net assets	**27,171,609**	24,942,442
Total liabilities and net assets	**$ 27,885,561**	$ 25,355,282

See notes to financial statements.

The Center for Community Solutions

Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted			Temporarily	Permanently	**2017**	2016
	Operating	Endowment	Total	Restricted	Restricted	**Total**	Total
Support and revenue:							
Support:							
Fee for service contracts from							
government agencies and others	$ 403,183	$ -	$ 403,183	$ -	$ -	**$ 403,183**	$ 335,263
Grant revenue	-	-	-	956,285	-	**956,285**	1,051,812
Beneficial trust income	617,737	-	617,737	-	-	**617,737**	633,216
Donations and bequests	52,838	-	52,838	-	1,380	**54,218**	41,632
Contributions from other organizations	8,351	-	8,351	35,400	-	**43,751**	74,631
United Way Services	46,750	-	46,750	50,000	-	**96,750**	125,360
Total support	1,128,859	-	1,128,859	1,041,685	1,380	**2,171,924**	2,261,914
Revenue:							
Net interest and dividend income	14,298	84,773	99,071	82,852	-	**181,923**	236,401
Realized gains on investments	2,258	223,541	225,799	218,478	-	**444,277**	221,527
Unrealized gains on investments	-	643,268	643,268	627,318	-	**1,270,586**	66,824
Change in fair value of interest in							
perpetual trusts	-	-	-	-	962,050	**962,050**	79,169
Miscellaneous revenue	22,257	-	22,257	-	-	**22,257**	25,651
Total revenue	38,813	951,582	990,395	928,648	962,050	**2,881,093**	629,572
Net assets released from restrictions							
Satisfaction of time and purpose							
restrictions	1,288,924	289,002	1,577,926	(1,577,926)	-	-	-
Total support and revenue	2,456,596	1,240,584	3,697,180	392,407	963,430	**5,053,017**	2,891,486
Expenses:							
Program services							
Core competencies	1,288,993	336,590	1,625,583	-	-	**1,625,583**	1,362,917
Targeted issues and other	678,125	177,077	855,202	-	-	**855,202**	576,059
Total program expenses	1,967,118	513,667	2,480,785	-	-	**2,480,785**	1,938,976
Supporting services:							
Management and general	245,038	63,986	309,024	-	-	**309,024**	207,201
Fundraising	26,992	7,049	34,041	-	-	**34,041**	40,772
Total supporting services	272,030	71,035	343,065	-	-	**343,065**	247,973
Total expenses	2,239,148	584,702	2,823,850	-	-	**2,823,850**	2,186,949
Change in net assets	217,448	655,882	873,330	392,407	963,430	**2,229,167**	704,537
Net assets – beginning of year	2,090,838	5,816,079	7,906,917	5,594,615	11,440,910	**24,942,442**	24,237,905
Net assets – end of year	$ 2,308,286	$ 6,471,961	$ 8,780,247	$ 5,987,022	$ 12,404,340	**$ 27,171,609**	$ 24,942,442

See notes to financial statements.

The Center for Community Solutions

Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Program Services			Supporting Services			
	Core Competencies	Targeted Issues and Other	Total Program Services	Management and General	Fundraising	**2017 Total**	2016 Total
Salaries	$ 703,393	$ 204,604	$ 907,997	$ 142,001	$ 16,950	**$ 1,066,948**	$ 1,024,912
Payroll taxes and benefits	179,673	48,211	227,884	50,068	3,727	**281,679**	264,351
Total salaries and related expenses	883,066	252,815	1,135,881	192,069	20,677	**1,348,627**	1,289,263
Professional services	498,585	98,104	596,689	16,157	514	**613,360**	362,589
Supplies	7,420	1,831	9,251	1,998	1,611	**12,860**	5,330
Telephone, postage and shipping	9,105	3,191	12,296	2,139	-	**14,435**	19,523
Rent and utilities	71,955	22,949	94,904	17,442	85	**112,431**	97,462
Printing	14,398	3,443	17,841	6,184	940	**24,965**	29,339
Publications and educational materials	12,969	71,855	84,824	5,289	-	**90,113**	24,178
Meetings, conferences and travel	64,976	21,869	86,845	22,206	2,298	**111,349**	101,349
Awards and grants	17,200	362,951	380,151	17,977	-	**398,128**	148,735
Miscellaneous	27,611	6,568	34,179	24,085	7,533	**65,797**	71,468
Total expenses before depreciation	1,607,285	845,576	2,452,861	305,546	33,658	**2,792,065**	2,149,236
Depreciation	18,298	9,626	27,924	3,478	383	**31,785**	37,713
Total functional expenses	$ 1,625,583	$ 855,202	$ 2,480,785	$ 309,024	$ 34,041	**$ 2,823,850**	$ 2,186,949

See notes to financial statements.

The Center for Community Solutions

Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 2,229,167**	$ 704,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**31,785**	37,713
Realized gains on investments	**(444,277)**	(221,527)
Unrealized gains on investments	**(1,270,586)**	(66,824)
Change in fair value of interest in perpetual trusts	**(962,050)**	(79,169)
Increase in accounts receivable	**(62,745)**	(4,541)
Decrease (increase) in grants and contracts receivable	**566,600**	(47,528)
Decrease in other assets	**3,119**	3,784
Increase in accounts payable	**60,086**	3,242
Increase (decrease) in accrued expenses and other	**22,279**	(17,549)
Net cash provided by operating activities	**173,378**	312,138
Cash flows from investing activities:		
Net proceeds from sale of investments	**417,955**	355,099
Purchase of fixed assets	**(79,355)**	(7,510)
Net cash provided by investing activities	**338,600**	347,589
Net increase in cash and cash equivalents	**511,978**	659,727
Cash and cash equivalents:		
Beginning	**2,406,346**	1,746,619
Ending	**$ 2,918,324**	$ 2,406,346

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 grants from foundations, contracts with public and private entities, and contributions.

Core competencies include applied research, public policy analysis and advocacy, and communications. In 2017, 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 implementing a strategic plan for the organization that identified six policy priorities: strengthening the health and human services safety net, Medicaid, the safety, health and wellbeing of older adults, improving maternal and infant health, improving access to behavioral health services, and adolescent reproductive health education. The Board's Finance, Administration & Audit Committee undertook a comprehensive review of all Human Resources Policies, and a restatement of all such was adopted by the Board at its annual meeting in December 2017.

Regularly monitored and wrote in detail about the development and eventual enactment of the 2018-2019 State Budget.

Regularly monitored and wrote about the activities of the Cuyahoga County Council Health, Human Services and Aging Committee.

Hosted the first Medicaid Institute, a two-day training for health and human service advocates on the State of Ohio's Medicaid budget.

Created first-ever statewide legislative district profiles, providing demographic profiles that will be of use to legislators, advocates, providers, and others.

Released the Age-Friendly Columbus report in Columbus, and provided updates to the Age-Friendly Cities at Cleveland City Hall.

Conducted multiple community surveys on topics such as services for rape survivors and housing issues faced by people living with HIV, and conducted needs assessments as contracted.

Issued reports on proposed federal and state changes to Medicaid, TANF, food insecurity among older adults, maternal and infant health, substance use prevention, the effects of the American Health Care Act on county economies, adult protective services, and funding for developmental disabilities services.

Regularly contributed op-eds to local media, including articles on comprehensive sex education, housing, infant mortality, raising awareness about effective HIV prevention, and senior hunger.

Assisted in creation of Cuyahoga County's Health and Human Services Strategic Plan.

Initiated the Human Services Advocates Network (HSAN), a diverse network of citizens and representatives from across the health and human service spectrum, to hear the latest on statewide policy developments and discuss issues important to Northeast Ohioans.

Conducted Advocacy in Motion, a series of advocacy trainings for health and social services.

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

Continued to provide staff support to the Council on Older Persons (COOP), to promote a better understanding of aging and address the issues and concerns of older persons in Greater Cleveland through citizen-led needs assessment, policy development, community education and advocacy. COOP's members include leaders in the aging network who come together to develop strategies, lead advocacy efforts, and implement solutions. The Organization has housed COOP since the 1940s.

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, 2016, 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 two organizations for which CCS is the fiscal agent. Fiscal agency funds held is reflected as an asset and corresponding liability at December 31, 2017.

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.

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

Investment management and administrative fees of $86,169 have been included in net interest and dividend income for the year ended December 31, 2017.

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, 2017.

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. There was no allowance for doubtful accounts at December 31, 2017.

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 $500 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 3 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. 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 when received. Amounts earned during the year ended December 31, 2017 are summarized as follows:

Revocable beneficial trust income	$ 119,586
Non-revocable beneficial trust income	498,151
	$ 617,737

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.

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

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, 2017, 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 2014.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities.* The objective of this statement is to improve the current net asset classification requirements and information presented in financial statements and notes about an entity's liquidity, financial performance and cash flows. The statement is effective for fiscal years beginning after December 15, 2017. The Organization has not yet determined the impact this statement will have on the financial statements.

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring 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 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 the standard will have on the financial statements.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through April 25, 2018, 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.

Note 2. Fair Value Measurements (Continued)

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, 2017, 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.

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.

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, 2017:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments - pooled funds	$ 12,797,335	$ -	$ 12,797,335	$ -
Beneficial interest in perpetual trusts	11,231,927	-	-	11,231,927
Total	$ 24,029,262	$ -	$ 12,797,335	$ 11,231,927

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

	Beneficial Interest in Perpetual Trusts
Balance, January 1, 2017	$ 10,269,877
Change in fair value of interest in perpetual trusts	962,050
Ending, December 31, 2017	$ 11,231,927

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, 2017, all grants and contracts receivable are due in less than one year.

Note 4. Fixed Assets

At December 31, 2017, fixed assets consisted of the following:

Office furniture and fixtures	$ 71,105
Office equipment	94,361
Website development	54,731
Leasehold improvements	79,735
	299,932
Less accumulated depreciation	(164,508)
	$ 135,424

Depreciation expense for the year ended December 31, 2017 was $31,785.

Note 5. Lease Obligations

The Organization has a lease agreement for its 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. The lease term is from December 15, 2017 through September 30, 2019.

Lease expense for the year ended December 31, 2017 was $99,619.

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

2018	$ 89,947
2019	86,291
2020	74,816
2021	12,469
	$ 263,523

Note 6. Temporarily and Permanently Restricted Net Assets

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

	December 31, 2016	Additions	Net Assets Released	December 31, 2017
Time and purpose restrictions:				
Core competencies	$ 828,859	$ 831,278	$ 630,803	$ 1,029,334
Targeted issues	1,407,306	238,532	153,015	1,492,823
AIDS Funding Collaborative	721,468	373,400	630,306	464,562
Unappropriated endowment earnings	2,636,982	527,123	163,802	3,000,303
	$ 5,594,615	$ 1,970,333	$ 1,577,926	$ 5,987,022

Note 6. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net asset balances are as follows:

	December 31, 2016	Additions	December 31, 2017
Endowment	$ 1,171,033	$ 1,380	$ 1,172,413
Beneficial interest in perpetual trusts	10,269,877	962,050	11,231,927
	$ 11,440,910	$ 963,430	$ 12,404,340

The fair value of the Organization’s revocable beneficial interest in perpetual trusts as of December 31, 2017 is $2,975,094.

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.

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

Note 7. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 6,471,961	$ -	$ -	$ 6,471,961
Donor restricted	-	2,152,658	1,172,413	3,325,071
Accumulated earnings on permanently restricted endowments	-	3,000,303	-	3,000,303
Total endowment	$ 6,471,961	$ 5,152,961	$ 1,172,413	$ 12,797,335

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance at January 1, 2017	$ 5,816,079	$ 4,513,315	$ 1,171,033	$ 11,500,427
Investment return				
Net investment income	84,773	82,852	-	167,625
Net appreciation (realized and unrealized)	866,809	845,796	-	1,712,605
Total investment return	951,582	928,648	-	1,880,230
Contributions	-	-	1,380	1,380
Expenditures	(295,700)	(289,002)	-	(584,702)
Ending balance at December 31, 2017	$ 6,471,961	$ 5,152,961	$ 1,172,413	$ 12,797,335

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, 2017.

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 8 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.

Note 7. Endowment Funds (Continued)

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 at the 2nd quarter of the prior 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 2 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. Retirement 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, 2017 was $52,071.

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.