The Center for Community Solutions

Financial Report
December 31, 2018

Contents

RSM

RSM US LLP

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, 2018, 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, 2018, 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 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Cleveland, Ohio
May 23, 2019

The Center for Community Solutions

Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 3,189,707	$ 2,918,324
Investments	11,667,984	12,797,335
Accounts receivable	58,594	97,990
Grants and contracts receivable	740,000	300,500
Fiscal agency funds held	377,878	379,333
Fixed assets, net	117,063	135,424
Beneficial interest in perpetual trusts	9,839,168	11,231,927
Other assets	26,943	24,728
Total assets	$ 26,017,337	$ 27,885,561
Liabilities		
Accounts payable	$ 28,353	$ 90,300
Accrued expenses and other	214,004	244,319
Fiscal agency liability	377,878	379,333
Total liabilities	620,235	713,952
Net assets:		
Without donor restrictions:		
Undesignated, available for general activities	1,549,007	1,615,875
Net investment in plant	117,063	135,424
Designated by governing board for:		
Budget stabilization fund	565,758	556,987
Funds functioning as endowment	5,898,780	6,471,961
	8,130,608	8,780,247
With donor restrictions	17,266,494	18,391,362
Total net assets	25,397,102	27,171,609
Total liabilities and net assets	$ 26,017,337	$ 27,885,561

See notes to financial statements.

The Center for Community Solutions

Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions			With Donor	**2018**	2017
	Operating	Endowment	Total	Restrictions	**Total**	Total
Support and revenue:						
Support:						
Fee for service contracts from government agencies and others	$ 733,444	$ -	$ 733,444	$ -	**$ 733,444**	$ 403,183
Grant revenue	-	-	-	1,476,313	**1,476,313**	956,285
Beneficial trust income	642,961	-	642,961	-	**642,961**	617,737
Donations and bequests	52,352	-	52,352	-	**52,352**	54,218
Contributions from other organizations	-	-	-	42,900	**42,900**	43,751
United Way Services	75,000	-	75,000	50,000	**125,000**	96,750
Total support	1,503,757	-	1,503,757	1,569,213	**3,072,970**	2,171,924
Revenue:						
Net interest and dividend income	18,517	59,681	78,198	58,328	**136,526**	181,923
Realized gains on investments	-	130,734	130,734	127,773	**258,507**	444,277
Unrealized (losses) gains on investments	(758)	(467,319)	(468,077)	(456,731)	**(924,808)**	1,270,586
Change in fair value of interest in perpetual trusts	-	-	-	(1,392,759)	**(1,392,759)**	962,050
Miscellaneous revenue	20,864	-	20,864	-	**20,864**	22,257
Total revenue	38,623	(276,904)	(238,281)	(1,663,389)	**(1,901,670)**	2,881,093
Net assets released from restrictions						
Satisfaction of time and purpose restrictions	745,102	285,590	1,030,692	(1,030,692)	-	-
Total support and revenue	2,287,482	8,686	2,296,168	(1,124,868)	**1,171,300**	5,053,017
Expenses:						
Program services						
Core competencies	1,432,794	352,672	1,785,466	-	**1,785,466**	1,625,583
Targeted issues and other	717,346	176,570	893,916	-	**893,916**	855,202
Total program expenses	2,150,140	529,242	2,679,382	-	**2,679,382**	2,480,785
Supporting services:						
Management and general	179,542	44,193	223,735	-	**223,735**	309,024
Fundraising	34,258	8,432	42,690	-	**42,690**	34,041
Total supporting services	213,800	52,625	266,425	-	**266,425**	343,065
Total expenses	2,363,940	581,867	2,945,807	-	**2,945,807**	2,823,850
Change in net assets	(76,458)	(573,181)	(649,639)	(1,124,868)	**(1,774,507)**	2,229,167
Net assets – beginning of year	2,308,286	6,471,961	8,780,247	18,391,362	**27,171,609**	24,942,442
Net assets – end of year	$ 2,231,828	$ 5,898,780	$ 8,130,608	$ 17,266,494	**$ 25,397,102**	$ 27,171,609

See notes to financial statements.

The Center for Community Solutions

Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services			Supporting Services			
	Core Competencies	Targeted Issues and Other	Total Program Services	Management and General	Fundraising	**2018 Total**	2017 Total
Salaries	$ 845,473	$ 206,396	$ 1,051,869	$ 139,568	$ 17,917	**$ 1,209,354**	$ 1,066,948
Payroll taxes and benefits	222,153	60,436	282,589	37,417	4,208	**324,214**	281,679
Total salaries and related expenses	1,067,626	266,832	1,334,458	176,985	22,125	**1,533,568**	1,348,627
Professional services	370,945	89,515	460,460	10,240	860	**471,560**	613,360
Supplies	21,143	823	21,966	186	-	**22,152**	12,860
Telephone, postage and shipping	15,143	2,300	17,443	591	237	**18,271**	14,435
Rent and utilities	89,457	14,516	103,973	2,515	17	**106,505**	112,431
Printing	15,740	4	15,744	1,877	355	**17,976**	24,965
Publications and educational materials	26,322	526	26,848	968	402	**28,218**	90,113
Meetings, conferences and travel	90,807	30,891	121,698	6,247	12,534	**140,479**	111,349
Awards and grants	29,518	452,149	481,667	17,870	-	**499,537**	398,128
Miscellaneous	32,505	23,213	55,718	2,965	5,532	**64,215**	65,797
Total expenses before depreciation	1,759,206	880,769	2,639,975	220,444	42,062	**2,902,481**	2,792,065
Depreciation	26,260	13,147	39,407	3,291	628	**43,326**	31,785
Total functional expenses	$ 1,785,466	$ 893,916	$ 2,679,382	$ 223,735	$ 42,690	**$ 2,945,807**	$ 2,823,850

See notes to financial statements.

The Center for Community Solutions

Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (1,774,507)**	$ 2,229,167
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**43,326**	31,785
Realized gains on investments	**(258,507)**	(444,277)
Unrealized losses (gains) on investments	**924,808**	(1,270,586)
Decrease (increase) in fair value of interest in perpetual trusts	**1,392,759**	(962,050)
Decrease (increase) in accounts receivable	**39,396**	(62,745)
(Increase) decrease in grants and contracts receivable	**(439,500)**	566,600
(Increase) decrease in other assets	**(2,215)**	3,119
(Decrease) increase in accounts payable	**(61,947)**	60,086
(Decrease) increase in accrued expenses and other	**(30,315)**	22,279
Net cash (used in) provided by operating activities	**(166,702)**	173,378
Cash flows from investing activities:		
Net proceeds from sale of investments	**463,050**	417,955
Purchase of fixed assets	**(24,965)**	(79,355)
Net cash provided by investing activities	**438,085**	338,600
Net increase in cash and cash equivalents	**271,383**	511,978
Cash and cash equivalents:		
Beginning	**2,918,324**	2,406,346
Ending	**$ 3,189,707**	$ 2,918,324
Supplemental disclosure of non-cash investing activity:		
Write-off of fully depreciated fixed assets	**$ 16,713**	$ 25,994

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 Northeast Ohio. 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 and target issues include applied research, public policy analysis and advocacy, HIV prevention, public and family health and communications. In 2018, major activities by work area included:

The Board of Directors and Administration provided oversight to Organization programs and operations ensuring integrity to the mission and financial stability. This included launching a new website that significantly increased page views, nearly doubled the Organization’s media appearances from the prior year and reformatted the weekly Five Things to Know newsletter.

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

Hosted a two-day Medicaid seminar and quarterly meetings with the Human Services Advocates Network (HSAN). HSAN is a diverse network of citizens and representatives from across the health and human service spectrum.

Conducted multiple community surveys and research on topics involving family health, community needs and racial disparities in health, social and economic conditions in Cleveland. The research team conducted several consulting projects to assist health and social service organizations better understand their communities and the needs of those in the population they serve.

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

Compiled data on each of Ohio’s 88 counties and presented information involving pressing community issues via fact sheets. An example of information presented included substance disorders and abuse.

Testified before Cleveland City Council about social determinants in health, illustrating racial disparities in health factors and outcomes.

The Collaborative for Comprehensive School Aged Health provided training to foundations to strengthen curriculum facilitation and core skills of local youth serving organizations.

The AIDS Funding Collaborative provided grants supporting HIV prevention, legal and harm reduction programs and a patient navigation project in partnership with MetroHealth.

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.

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

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 based on the existence or absence of donor-imposed restrictions according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are free of donor-imposed restrictions as well as net assets invested in plant and designated by the governing board.

Net assets with donor restrictions include net assets from grants, contributions, investment income 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.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, which include gifts and pledges for endowment wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income is utilized. Other permanently restricted items in this net asset category include the Organization’s interest in the values of perpetual trusts for which the principal is held in perpetuity.

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, 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.

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, 2017, from which the summarized information was derived.

Cash and cash equivalents: The Organization considers all cash without donor restrictions 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, 2018.

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 net assets without donor restrictions unless a donor or law restricts their use.

Investment management and administrative fees of $97,357 have been included in net interest and dividend income for the year ended December 31, 2018.

Beneficial interest in perpetual trusts: The Organization is the beneficiary of six beneficial trusts. The beneficial trusts are recorded as net assets with donor restrictions 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, 2018.

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, 2018.

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 support with donor restrictions. 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, 2018, are summarized as follows:

Revocable beneficial trust income	$ 119,496
Non-revocable beneficial trust income	523,465
	$ 642,961

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 reasonably 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 statement of activities. Accordingly, certain costs have been allocated to program services, management and general and fundraising as determined by the management of the Organization. Expenses that can be directly identified with a program are allocated according to their natural classification. Indirect expenses are allocated based on an estimate of time and effort or square footage.

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, 2018, there were no unrecognized tax benefits identified or recorded as liabilities.

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 these new standards 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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The objective of this statement is to assist entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to other guidance and determining whether a contribution is conditional. For transactions in which an entity is the resource recipient, the statement is effective for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as a resource provider, the statement is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that the standard will have on the financial statements.

During 2018, the Organization adopted 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 main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, liquidity and expenses by both their natural and functional classification. The Organization has elected to apply the practical expedient and not disclose prior year liquidity and availability of resources.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 23, 2019, the date the financial statements were available to be issued.

Note 2. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification 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.

Note 2. Fair Value Measurements (Continued)

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, 2018, 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, 2018:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments - pooled funds	$ 11,667,984	$ -	$ 11,667,984	$ -
Beneficial interest in perpetual trusts	9,839,168	-	-	9,839,168
Total	$ 21,507,152	$ -	$ 11,667,984	$ 9,839,168

Note 2. Fair Value Measurements (Continued)

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

	Beneficial Interest in Perpetual Trusts
Balance, January 1, 2018	$ 11,231,927
Change in fair value of interest in perpetual trusts	(1,392,759)
Ending, December 31, 2018	$ 9,839,168

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, 2018, grants and contracts receivable are as due as follows:

One year or less	$ 600,000
Greater than one year	140,000
	$ 740,000

Note 4. Fixed Assets

At December 31, 2018, fixed assets consisted of the following:

Office furniture and fixtures	$ 78,357
Office equipment	91,941
Website development	58,151
Leasehold improvements	79,735
	308,184
Less accumulated depreciation	(191,121)
	$ 117,063

Depreciation expense for the year ended December 31, 2018, was $43,326.

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.

In 2018, the Organization entered into a lease agreement with Downtown Tiano III, Ltd. to lease office space located at 175 South Third Street in Columbus, Ohio. The lease term is from October 1, 2018 through December 31, 2023.

Lease expense for the year ended December 31, 2018, was $88,525.

Note 5. Lease Obligations (Continued)

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

2019	$ 91,690
2020	92,074
2021	30,110
2022	18,024
2023	18,408
	$ 250,306

Note 6. Net Assets

Net assets with donor restrictions consist of the following at December 31, 2018:

Net assets with donor restrictions:	
Subject to expenditure for specified purpose:	
Core competencies	$ 981,250
Targeted issues	47,050
AIDS Funding Collaborative	629,822
	1,658,122
Subject to the Organization's spending policy and appropriation:	
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	1,172,413
Original donor-restricted gift amounts required to be used for a specified purpose	1,912,882
Accumulated investment gains	2,683,909
Beneficial interest in perpetual trusts	9,839,168
	15,608,372
Total net assets with donor restrictions	$ 17,266,494

The fair value of the Organization’s revocable beneficial interest in perpetual trusts as of December 31, 2018, is $2,724,696.

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.

Note 7. Endowment Funds (Continued)

The Organization is subject to the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor resections because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restriction. (The Board of Trustees of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary). As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under law. Additionally, in accordance with UPMIFA, the Organization considers 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 Organization and 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:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment:			
Historical gift value - invested in perpetuity	$ -	$ 1,172,413	$ 1,172,413
Historical gift value - specified purpose	-	1,912,882	1,912,882
Appreciation	-	2,683,909	2,683,909
Board-designated endowment	5,898,780	-	5,898,780
Total endowment funds	$ 5,898,780	$ 5,769,204	$ 11,667,984

Note 7. Endowment Funds (Continued)

The Organization's disclosure of the beginning and ending balances of the endowment fund, for the year ended December 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance at January 1, 2018	$ 6,471,961	$ 6,325,374	$ 12,797,335
Investment return			
Net investment income	59,681	58,328	118,009
Net depreciation (realized and unrealized)	(336,585)	(328,958)	(665,543)
Total investment return (loss)	(276,904)	(270,630)	(547,534)
Expenditures	(296,277)	(285,540)	(581,817)
Ending balance at December 31, 2018	$ 5,898,780	$ 5,769,204	$ 11,667,984

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 as of December 31, 2018.

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.

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 percent of their compensation to the plan. The Organization may contribute a discretionary 3 percent of employee compensation, plus an additional 50 percent match of each employee's contribution up to a total of 4 percent of the employee's compensation for a maximum employer contribution of 5 percent of employee compensation annually. The Organization's contribution to the 401(k) plan for the year ended December 31, 2018, was $57,490.

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.

Note 10. Liquidity and Availability

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Financial assets at year end:	
Cash and cash equivalents	$ 3,189,707
Investments	11,667,984
Accounts receivable	58,594
Grants and contracts receivable	740,000
Beneficial interest in perpetual trusts	9,839,168
Total financial assets	25,495,453
Less amounts not available to be used for general expenditure within one year:	
Accounts and grants receivable due after one year	(140,000)
Donor restricted by time or purpose	(6,114,913)
Donor restricted in perpetuity	(1,172,413)
Designated by governing board	(6,464,538)
Beneficial interest in perpetual trusts	(9,839,168)
Financial assets not available to be used within one year	(23,731,032)
Financial assets available to meet general expenditures within one year	$ 1,764,421

The Organization’s endowment fund consists of donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor and accumulated investment gains. As described in Note 7, the Organization has a policy of appropriating for distribution each year 5 percent of the moving three-year average value of the endowment.

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations.

Note 10. Liquidity and Availability (Continued)

Board designated net assets functioning as an endowment fund are intended to further the Organization's mission and provide long-term financial stability. The Budget Stabilization Fund is intended to provide short-term funding for operations during economic downturns or provide funding for future investments that further the mission of the Organization.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.