

# **The Center for Community Solutions**

Financial Report  
December 31, 2020

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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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Report on Summarized Comparative Information**

We have previously audited The Center for Community Solutions 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Cleveland, Ohio  
June 1, 2021

The Center for Community Solutions

Statement of Financial Position  
 December 31, 2020  
 (With Comparative Totals for 2019)

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 3,709,642	\$ 3,280,965
Investments	14,378,835	13,103,497
Accounts receivable	243,772	68,826
Grants and contracts receivable	612,588	303,000
Fiscal agency funds held	388,557	191,525
Fixed assets, net	58,683	80,886
Beneficial interest in perpetual trusts	11,849,670	11,089,873
Other assets	31,664	9,506
	<u>31,664</u>	<u>9,506</u>
<b>Total assets</b>	<b><u>\$ 31,273,411</u></b>	<b><u>\$ 28,128,078</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 41,640	\$ 34,985
Accrued expenses and other	57,913	54,992
Fiscal agency liability	388,557	191,525
Grants payable	143,832	242,500
Paycheck Protection Program loan	246,661	-
	<u>246,661</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>878,603</u></b>	<b><u>524,002</u></b>
Net assets:		
Without donor restrictions:		
Undesignated, available for general activities	2,219,740	1,679,977
Net investment in fixed assets	58,683	80,886
Designated by governing board for:		
Budget stabilization fund	583,666	580,760
Funds functioning as endowment	7,269,258	6,624,508
	<u>10,131,347</u>	<u>8,966,131</u>
With donor restrictions	20,263,461	18,637,945
	<u>20,263,461</u>	<u>18,637,945</u>
<b>Total net assets</b>	<b><u>30,394,808</u></b>	<b><u>27,604,076</u></b>
	<u>30,394,808</u>	<u>27,604,076</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 31,273,411</u></b>	<b><u>\$ 28,128,078</u></b>

See notes to financial statements.

## The Center for Community Solutions

### Statement of Activities Year Ended December 31, 2020 (With Comparative Totals for 2019)

	Without Donor Restrictions			With Donor Restrictions	2020 Total	2019 Total
	Operating	Endowment	Total			
Support and revenue:						
Support:						
Fee for service contracts	\$ 489,396	\$ -	\$ 489,396	\$ -	\$ 489,396	\$ 332,365
Grant and contribution revenue	10,000	-	10,000	979,674	989,674	477,162
Government grants	411,309	-	411,309	-	411,309	172,842
Beneficial trust income	633,859	-	633,859	-	633,859	643,148
Donations and bequests	24,273	-	24,273	-	24,273	48,896
United Way Services	75,000	-	75,000	-	75,000	75,000
<b>Total support</b>	<b>1,643,837</b>	<b>-</b>	<b>1,643,837</b>	<b>979,674</b>	<b>2,623,511</b>	<b>1,749,413</b>
Revenue:						
Net interest and dividend income	2,642	91,107	93,749	89,105	182,854	204,529
Realized gains on investments	379	26,822	27,201	26,233	53,434	213,059
Unrealized (loss) gains on investments	(1)	836,266	836,265	817,897	1,654,162	1,626,792
Change in fair value of interest in perpetual trusts	-	-	-	759,797	759,797	1,250,705
Miscellaneous revenue	53,606	-	53,606	-	53,606	55,606
<b>Total revenue</b>	<b>56,626</b>	<b>954,195</b>	<b>1,010,821</b>	<b>1,693,032</b>	<b>2,703,853</b>	<b>3,350,691</b>
Net assets released from restrictions						
Satisfaction of time and purpose restrictions	744,543	302,647	1,047,190	(1,047,190)	-	-
<b>Total support and revenue</b>	<b>2,445,006</b>	<b>1,256,842</b>	<b>3,701,848</b>	<b>1,625,516</b>	<b>5,327,364</b>	<b>5,100,104</b>
Expenses:						
Program services						
Core Competencies	1,287,377	409,444	1,696,821	-	1,696,821	1,717,196
Targeted Issues and Other	399,649	127,107	526,756	-	526,756	861,790
<b>Total program expenses</b>	<b>1,687,026</b>	<b>536,551</b>	<b>2,223,577</b>	<b>-</b>	<b>2,223,577</b>	<b>2,578,986</b>
Supporting services:						
Management and General	207,299	65,931	273,230	-	273,230	283,719
Fundraising	30,215	9,610	39,825	-	39,825	30,425
<b>Total supporting services</b>	<b>237,514</b>	<b>75,541</b>	<b>313,055</b>	<b>-</b>	<b>313,055</b>	<b>314,144</b>
<b>Total expenses</b>	<b>1,924,540</b>	<b>612,092</b>	<b>2,536,632</b>	<b>-</b>	<b>2,536,632</b>	<b>2,893,130</b>
<b>Change in net assets</b>	<b>520,466</b>	<b>644,750</b>	<b>1,165,216</b>	<b>1,625,516</b>	<b>2,790,732</b>	<b>2,206,974</b>
Net assets – beginning of year	2,341,623	6,624,508	8,966,131	18,637,945	27,604,076	25,397,102
Net assets – end of year	\$ 2,862,089	\$ 7,269,258	\$ 10,131,347	\$ 20,263,461	\$ 30,394,808	\$ 27,604,076

See notes to financial statements.

The Center for Community Solutions

Statement of Functional Expenses  
Year Ended December 31, 2020  
(With Comparative Totals for 2019)

	Program Services			Supporting Services		2020 Total	2019 Total
	Core Competencies	Targeted Issues and Other	Total Program Services	Management and General	Fundraising		
Salaries	\$ 970,591	\$ 101,437	\$ 1,072,028	\$ 152,428	\$ 20,693	\$ 1,245,149	\$ 1,199,996
Payroll taxes and benefits	216,598	46,747	263,345	37,254	3,718	304,317	312,872
<b>Total salaries and related expenses</b>	<b>1,187,189</b>	<b>148,184</b>	<b>1,335,373</b>	<b>189,682</b>	<b>24,411</b>	<b>1,549,466</b>	<b>1,512,868</b>
Professional services	264,609	66,874	331,483	46,344	748	378,575	479,518
Supplies	3,788	671	4,459	624	15	5,098	13,050
Telephone, postage and shipping	9,357	2,282	11,639	1,634	74	13,347	14,215
Rent and utilities	91,261	13,713	104,974	14,724	582	120,280	120,493
Printing	5,673	222	5,895	822	-	6,717	13,511
Publications and educational materials	28,855	-	28,855	4,025	-	32,880	20,575
Meetings, conferences and travel	35,456	5,017	40,473	7,493	13,244	61,210	120,968
Awards and grants	28,016	273,177	301,193	-	-	301,193	485,358
Miscellaneous	23,213	10,592	33,805	4,757	296	38,858	70,144
<b>Total expenses before depreciation</b>	<b>1,677,417</b>	<b>520,732</b>	<b>2,198,149</b>	<b>270,105</b>	<b>39,370</b>	<b>2,507,624</b>	<b>2,850,700</b>
Depreciation	19,404	6,024	25,428	3,125	455	29,008	42,430
<b>Total functional expenses</b>	<b>\$ 1,696,821</b>	<b>\$ 526,756</b>	<b>\$ 2,223,577</b>	<b>\$ 273,230</b>	<b>\$ 39,825</b>	<b>\$ 2,536,632</b>	<b>\$ 2,893,130</b>

See notes to financial statements.

**The Center for Community Solutions**

**Statement of Cash Flows**  
**Year Ended December 31, 2020**  
**(With Comparative Totals for 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 2,790,732	\$ 2,206,974
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	29,008	42,430
Realized gains on investments	(53,434)	(213,059)
Unrealized gains on investments	(1,654,162)	(1,626,792)
Change in fair value of interest in perpetual trusts	(759,797)	(1,250,705)
(Increase) decrease in:		
Accounts receivable	(174,946)	(10,232)
Grants and contracts receivable	(309,588)	437,000
Other assets	(22,158)	17,437
Increase (decrease) in:		
Accounts payable	6,655	6,632
Grants payable	(98,668)	80,124
Accrued expenses and other	2,921	3,364
<b>Net cash used in operating activities</b>	<b>(243,437)</b>	<b>(306,827)</b>
Cash flows from investing activities:		
Net proceeds from sale of investments	432,258	404,338
Purchase of fixed assets	(6,805)	(6,253)
<b>Net cash provided by investing activities</b>	<b>425,453</b>	<b>398,085</b>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	246,661	-
<b>Net increase in cash and cash equivalents</b>	<b>428,677</b>	<b>91,258</b>
Cash and cash equivalents:		
Beginning	3,280,965	3,189,707
Ending	\$ 3,709,642	\$ 3,280,965
Supplemental disclosure of non-cash investing activity:		
Write-off of fully depreciated fixed assets	\$ 34,457	\$ 19,194

See notes to financial statements.



## The Center for Community Solutions

### Notes to Financial Statements

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

**Operations:** The Center for Community Solutions (the Organization) 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.

In 2020, the Organization published new and original content every week through nearly 235 publications on topics such as the COVID-19, racism as a public health crisis, services for older adults, the status of women in Ohio, the state budget, federal COVID-19 relief legislation, the importance of a diversion center in Cuyahoga County, children's Medicaid eligibility in Ohio, Ohio's tobacco master settlement agreement, the U.S. Census, and how State of Ohio could prioritize customer needs in the Ohio Benefit System.

In addition, 65 presentations reached nearly 6,000 people, 482 media citations drew attention to the work of the organization, and in 20 meetings with policy makers the organization shared its research and analysis. Over 205,000 users visited the Organizations website ([www.CommunitySolutions.com](http://www.CommunitySolutions.com)), over 6,000 individuals, primarily policy makers, philanthropists, the media, and health and human service professionals, subscribe to the Organizations e-newsletter (Five Things You Need to Know This Week). The Organization also has thousands of followers on social media channels which extends its reach even further.

At the 2020 Virtual Celebration of Human Services, the Organization awarded the 2020 Community Solutions Award for Public Service in Honor of John Begala to former Congresswoman Marcia Fudge and former Ohio Department of Job and Family Services Director Kimberly Hall. The Anisfield-Wolf Award was presented to Literacy in the H.O.O.D. Six Greater Clevelanders were presented with the 2020 Most Treasured Volunteer Awards.

By providing timely, accurate information to our community's policymakers and service providers, the Organization lived up to its mission of improving health, social and economic conditions through nonpartisan research, policy analysis, communications and advocacy.

**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 fixed assets 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 Center for Community Solutions

### Notes to Financial Statements

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

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, 2019, 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 Center for Community Solutions also holds cash for two organizations for which the Organization is the fiscal agent. Fiscal agency funds held is reflected as an asset and corresponding liability at December 31, 2020.

**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 \$103,305 have been included in net interest and dividend income on the statement of activities for the year ended December 31, 2020.

**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, 2020.

**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, 2020.

## The Center for Community Solutions

### Notes to Financial Statements

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

**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.

**Grants and contribution revenue:** Grant and 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.

**Fee for service contracts:** Revenue from contracts is earned as performance obligations stated in the contract are satisfied.

**Government grants:** Revenue from government grants is earned on a cost reimbursement basis in the period the grant dollars are spent.

**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, 2020, are summarized as follows:

Revocable beneficial trust income	\$ 125,253
Non-revocable beneficial trust income	508,606
	<u>\$ 633,859</u>

**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 Center for Community Solutions

### Notes to Financial Statements

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

**Income tax status (continued):** 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% 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, 2020, there were no unrecognized tax benefits identified or recorded as liabilities.

**Recent accounting pronouncements adopted:** In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Changes to Disclosure Requirements for Fair Value Measurement*. The objective of this statement is to modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The statement is effective for all entities for fiscal years beginning after December 15, 2019.

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 transitions in which an entity is the resource recipient, the statement was 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 adopted the portion of this standard applicable to transactions where they are the resource recipient effective January 1, 2019, and the portion of this standard applicable to transactions where they are the resource provider effective January 1, 2020.

The adoption of these ASU's did not have a material impact on the Organization's financial statements.

**Recent accounting pronouncements not yet adopted:** 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, 2021. A modified retrospective transition approach is required.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update clarify and improve presentation and disclosure of contributed nonfinancial assets. This ASU is effective for annual periods beginning after June 15, 2021 and early adoption is permitted.

The Organization is currently evaluating the impact the pending adoption of these new standards on their financial statements.

**Reclassifications:** Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

**Subsequent events:** The Organization has evaluated subsequent events for potential recognition and/or disclosure through June 1, 2021, the date the financial statements were available to be issued.

## The Center for Community Solutions

### Notes to Financial Statements

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#### Note 2. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification (ASC) 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, 2020, 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.

## The Center for Community Solutions

### Notes to Financial Statements

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#### 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.

**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, 2020:

	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments - pooled funds	\$ 14,378,835	\$ -	\$ 14,378,835	\$ -
Beneficial interest in perpetual trusts	11,849,670	-	-	11,849,670
Total	<u>\$ 26,228,505</u>	<u>\$ -</u>	<u>\$ 14,378,835</u>	<u>\$ 11,849,670</u>

There were no purchases of Level 3 assets during the year ended December 31, 2020.

#### Note 3. Grants and Contracts Receivable

The Organization has grants and contracts receivable that are restricted for various core competencies or targeted issues. There was no allowance for doubtful accounts at December 31, 2020. Amounts are to be received by the Organization as follows:

One year or less	\$ 502,588
Greater than one year	110,000
	<u>\$ 612,588</u>

#### Note 4. Fixed Assets

At December 31, 2020, fixed assets consisted of the following:

Office furniture and fixtures	\$ 78,357
Office equipment	51,349
Website development	58,151
Leasehold improvements	79,735
	<u>267,592</u>
Less accumulated depreciation	(208,909)
	<u>\$ 58,683</u>

Depreciation expense for the year ended December 31, 2020 was \$29,008.

## The Center for Community Solutions

### Notes to Financial Statements

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#### 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. Before year end December 31, 2020, the lease was extended to January 31, 2022.

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, 2020, was \$98,554.

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

2021	\$	92,548
2022		24,259
2023		18,408
	\$	<u>135,215</u>

#### Note 6. Net Assets

Net assets with donor restrictions consist of the following at December 31, 2020:

Net assets with donor restrictions:

Subject to expenditure for specified purpose:

Core competencies	\$	630,627
Targeted issues		80,837
AIDS Funding Collaborative		592,750
		<u>1,304,214</u>

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		2,493,827
Accumulated investment gains		3,443,337
Beneficial interest in perpetual trusts		11,849,670
		<u>18,959,247</u>

Total net assets with donor restrictions \$ 20,263,461

The fair value of the Organization's revocable beneficial interest in perpetual trusts as of December 31, 2020 is \$3,034,554.

## The Center for Community Solutions

### Notes to Financial Statements

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#### Note 6. Net Assets (Continued)

Net assets released from time and purpose restrictions consist of the following during the year ended December 31, 2020:

Core competencies	\$ 401,580
AIDS Funding Collaborative	325,638
Unappropriated endowment earnings	302,647
Targeted issues	17,325
	<u>\$ 1,047,190</u>

#### 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.

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 Directors 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 Directors 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



## The Center for Community Solutions

### Notes to Financial Statements

#### Note 7. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2020:

	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	-	2,493,827	2,493,827
Appreciation	-	3,443,337	3,443,337
Board-designated endowment	7,269,258	-	7,269,258
Total endowment funds	<u>\$ 7,269,258</u>	<u>\$ 7,109,577</u>	<u>\$ 14,378,835</u>

The Organization's disclosure of the beginning and ending balances of the endowment fund, for the year ended December 31, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance at January 1, 2020	\$ 6,624,508	\$ 6,478,989	\$ 13,103,497
Investment return			
Net investment income	91,107	89,105	180,212
Net appreciation (realized and unrealized)	863,088	844,130	1,707,218
Total investment return	954,195	933,235	1,887,430
Expenditures	(309,445)	(302,647)	(612,092)
Ending balance at December 31, 2020	<u>\$ 7,269,258</u>	<u>\$ 7,109,577</u>	<u>\$ 14,378,835</u>

**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, 2020.

**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% or approximately 6% to 8% 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 its long-term return objectives within prudent risk constraints.

## The Center for Community Solutions

### Notes to Financial Statements

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#### **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% of the moving three-year average value of the endowment, as determined at the 2<sup>nd</sup> 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% 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, 2020, was \$59,585.

#### **Note 9. Paycheck Protection Plan Loan**

On March 27, 2020, the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law. The CARES Act legislation is intended to provide relief for small businesses that have been negatively impacted by the COVID-19 pandemic. One of the many provisions of the CARES Act, the Paycheck Protection Program (PPP), provides loans to small businesses to prevent layoffs and business closures during the pandemic. In April of 2020, the Organization received a PPP loan in the amount of \$246,661. The PPP loan had a stated interest rate of 1% and principal and interest payments of \$10,385 were set to begin November, 2020. The balance could be prepaid in full at any time without penalty and all remaining principal and interest is due April 21, 2022. Although there were no assurances that the Organization would meet loan forgiveness criteria, the loan had an outlined application process in which satisfaction of certain conditions may result in forgiveness of some or all of the loan. The Organization anticipates receiving forgiveness in fiscal year 2021 and will recognize grant revenue at that time.

#### **Note 10. 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.

## The Center for Community Solutions

### Notes to Financial Statements

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#### Note 11. 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	\$ 3,709,642
Investments	14,378,835
Accounts receivable	243,772
Grants and contracts receivable	612,588
Beneficial interest in perpetual trusts	11,849,670
Total financial assets	<u>30,794,507</u>
Less amounts not available to be used for general expenditure within one year:	
Accounts and grants receivable due after one year	(110,000)
Donor restricted by time or purpose	(7,131,378)
Donor restricted in perpetuity	(1,172,413)
Designated by governing board	(7,852,924)
Beneficial interest in perpetual trusts	<u>(11,849,670)</u>
Financial assets not available to be used within one year	<u>(28,116,385)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,678,122</u>

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% 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.

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.

#### Note 12. Pandemic

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of business and people in a manner that is having negative effects on local, regional and global economies. The Organization has taken all necessary and possible precautions to be prepared for COVID-19. However, as COVID-19 continues to spread throughout areas in which the Organization operates, the extent of the impact of COVID-19 on the Organization's operational and financial performance will be depend on certain developments, including the duration and spread of the outbreak, impact on the facilities the Organization operates and the Organization's employees and vendors, all of which are uncertain and cannot be predicted.