



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

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Independent Auditors' Report

Board of Directors
Mental Health America of Northeast Indiana, Inc.

We have audited the accompanying financial statements of Mental Health America of Northeast Indiana, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Mental Health America of Northeast Indiana, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, Mental Health America of Northeast Indiana, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Katz, Sapper & Miller, LLP

Fort Wayne, Indiana
March 1, 2019

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

**STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

ASSETS		2018	Adjusted 2017
CURRENT ASSETS			
Cash		\$ 44,470	\$ 68,085
Accounts receivable - fees, net		39,201	23,055
Grants and contracts receivable		194,379	141,588
Hospital contracts receivable			7,500
Prepaid expenses		<u>9,783</u>	<u>12,899</u>
Total Current Assets		287,833	253,127
PROPERTY AND EQUIPMENT, net		236,264	249,370
BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION		<u>66,965</u>	<u>75,086</u>
TOTAL ASSETS		<u><u>\$ 591,062</u></u>	<u><u>\$ 577,583</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 24,911	\$ 13,283
Accrued payroll and withholdings		29,501	20,600
Deferred revenue		<u>2,070</u>	
Total Current Liabilities		56,482	<u>33,883</u>
NET ASSETS			
Without donor restrictions		502,480	454,859
With donor restrictions		<u>32,100</u>	<u>88,841</u>
Total Net Assets		534,580	543,700
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 591,062</u></u>	<u><u>\$ 577,583</u></u>

See accompanying notes.

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			Adjusted 2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT						
Private grants and contributions	\$ 119,283	\$ 173,859	\$ 293,142	\$ 126,050	\$ 159,096	\$ 285,146
Government grants and contracts	959,278		959,278	442,740		442,740
Fee for service - room and board	38,998		38,998	73,262		73,262
Fee for service - education	65,490		65,490	16,366		16,366
Fee for service - guardianship	36,083		36,083	34,115		34,115
Hospital contracts	45,000		45,000	45,000		45,000
Special events, net of direct benefit to donors	19,396		19,396	46,270		46,270
United Way	597		597	698		698
In-kind contributions	69,930		69,930	28,145		28,145
Other income	30		30	2,900		2,900
Investment return, net	3,282		3,282	3,465		3,465
Change in value of beneficial interest in assets held by the Community Foundation	(8,121)		(8,121)	6,637		6,637
Net assets released from restriction	230,600	(230,600)		165,306	(165,306)	
Total Revenue, Gains and Other Support	<u>1,579,846</u>	<u>(56,741)</u>	<u>1,523,105</u>	<u>990,954</u>	<u>(6,210)</u>	<u>984,744</u>
EXPENSES						
Program Services:						
Community services	776,037		776,037	318,450		318,450
Guardianship services	364,863		364,863	279,565		279,565
Cedar's Hope	273,053		273,053	288,994		288,994
Supporting Services:						
Management and general	88,488		88,488	53,350		53,350
Fundraising	29,784		29,784	38,840		38,840
Total Expenses	<u>1,532,225</u>		<u>1,532,225</u>	<u>979,199</u>		<u>979,199</u>
INCREASE (DECREASE) IN NET ASSETS	47,621	(56,741)	(9,120)	11,755	(6,210)	5,545
NET ASSETS						
Beginning of Year	<u>454,859</u>	<u>88,841</u>	<u>543,700</u>	<u>443,104</u>	<u>95,051</u>	<u>538,155</u>
End of Year	<u>\$ 502,480</u>	<u>\$ 32,100</u>	<u>\$ 534,580</u>	<u>\$ 454,859</u>	<u>\$ 88,841</u>	<u>\$ 543,700</u>

See accompanying notes.

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Community Services	Guardianship Services	Cedar's Hope	Total Program	Management and General	Fundraising	Total
Salaries	\$ 327,353	\$ 215,268	\$ 156,597	\$ 699,218	\$ 15,227	\$ 18,880	\$ 733,325
Payroll taxes	23,812	15,383	11,558	50,753	1,045	1,363	53,161
Employee benefits	14,554	19,342	6,162	40,058	1,049	1,690	42,797
Total Salaries and Related Expenses	<u>365,719</u>	<u>249,993</u>	<u>174,317</u>	<u>790,029</u>	<u>17,321</u>	<u>21,933</u>	<u>829,283</u>
Contract labor	128,944	8,500		137,444			137,444
Professional fees	600	66,080		66,680	49,032		115,712
Rent	19,081	10,770	1,584	31,435	1,584	1,584	34,603
Travel	24,581	10,097	2,283	36,961	473		37,434
Telephone	1,814	3,655	5,369	10,838	213	173	11,224
Office expenses	4,015	1,668	1,683	7,366	1,168	577	9,111
Education and training	3,209	2,170	1,718	7,097	135	180	7,412
Food	3,525	132	13,266	16,923	562	56	17,541
Insurance	490	335	7,923	8,748	1,289	29	10,066
Interest					1,474		1,474
Maintenance	265		15,412	15,677			15,677
Marketing	396	275		671		584	1,255
Information technology	8,155	3,739	1,927	13,821	687	345	14,853
Dues and subscriptions	50	350	643	1,043	1,695	145	2,883
Postage	1,525	821	165	2,511	118	1,093	3,722
Printing	2,520	1,382	1,296	5,198	195	1,328	6,721
Miscellaneous	1,646			1,646	928	213	2,787
Supplies	24,780	626	4,886	30,290	54	916	31,260
Utilities	6,405	4,137	16,863	27,405	598	608	28,611
Depreciation			22,632	22,632	3,722		26,354
Bad Debt					6,925		6,925
Client assistance	125,275		774	126,049			126,049
Meetings and events	53,042	133	312	53,487	315	7,780	61,582
TOTAL EXPENSES BY FUNCTION	<u>776,037</u>	<u>364,863</u>	<u>273,053</u>	<u>1,413,953</u>	<u>88,488</u>	<u>37,544</u>	<u>1,539,985</u>
Less: Expenses included with revenues on the statements of activities:							
Cost of direct benefit to donors						(7,760)	(7,760)
TOTAL EXPENSES ON THE STATEMENTS OF ACTIVITIES	<u>\$ 776,037</u>	<u>\$ 364,863</u>	<u>\$ 273,053</u>	<u>\$ 1,413,953</u>	<u>\$ 88,488</u>	<u>\$ 29,784</u>	<u>\$ 1,532,225</u>

See accompanying notes.

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017 (Adjusted)

	Community Services	Guardianship Services	Cedar's Hope	Total Program	Management and General	Fundraising	Total
Salaries	\$ 187,962	\$ 178,549	\$ 164,365	\$ 530,876	\$ 9,347	\$ 22,053	\$ 562,276
Payroll taxes	13,837	13,137	12,239	39,213	677	1,587	41,477
Employee benefits	13,354	13,025	9,990	36,369	1,852	1,540	39,761
Total Salaries and Related Expenses	<u>215,153</u>	<u>204,711</u>	<u>186,594</u>	<u>606,458</u>	<u>11,876</u>	<u>25,180</u>	<u>643,514</u>
Contract labor	58,372	8,500		66,872			66,872
Professional fees		27,020		27,020	29,186	2,660	58,866
Rent	9,767	8,604	1,915	20,286	1,415	2,348	24,049
Travel	8,008	8,864	3,659	20,531	552	1,117	22,200
Telephone	1,810	3,839	5,003	10,652	198	151	11,001
Office expenses	10,205	4,727	2,365	17,297	830	2,024	20,151
Education and training		2,077	255	2,332	145	1,075	3,552
Food			18,798	18,798			18,798
Insurance	2,532	3,175	2,531	8,238	746	482	9,466
Interest					1,390		1,390
Maintenance	583	793	17,804	19,180	126	79	19,385
Marketing	250	345	635	1,230	16	221	1,467
Information technology	4,809	2,114	1,033	7,956	227	823	9,006
Dues and subscriptions	1,946	874	506	3,326	1,527	88	4,941
Postage	636	855	347	1,838	302	1,077	3,217
Printing	1,604	1,188	1,437	4,229	270	1,195	5,694
Miscellaneous	535	28	193	756	445	76	1,277
Supplies			7,576	7,576			7,576
Utilities	2,240	1,851	15,411	19,502	244	244	19,990
Depreciation			22,932	22,932	3,855		26,787
Meetings and events						7,789	7,789
TOTAL EXPENSES BY FUNCTION	<u>\$ 318,450</u>	<u>\$ 279,565</u>	<u>\$ 288,994</u>	<u>\$ 887,009</u>	<u>\$ 53,350</u>	<u>\$ 46,629</u>	<u>\$ 986,988</u>
Less: Expenses included with revenues on the statements of activities:							
Cost of direct benefit to donors						(7,789)	(7,789)
TOTAL EXPENSES ON THE STATEMENTS OF ACTIVITIES	<u>\$ 318,450</u>	<u>\$ 279,565</u>	<u>\$ 288,994</u>	<u>\$ 887,009</u>	<u>\$ 53,350</u>	<u>\$ 38,840</u>	<u>\$ 979,199</u>

See accompanying notes.

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	Adjusted 2017
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (9,120)	\$ 5,545
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	26,354	26,787
Change in value of beneficial interest in assets held by others	8,121	(6,637)
Net realized and unrealized loss on investments		64
Bad debt expense	6,925	
(Increase) decrease in current assets:		
Accounts receivable - fees	(23,071)	(2,344)
Grants and contracts receivable	(52,791)	(68,313)
Hospital contracts receivable	7,500	15,000
Prepaid expenses	3,116	(6,701)
Increase (decrease) in current liabilities:		
Accounts payable	11,628	5,399
Accrued payroll and withholdings	8,901	1,764
Deferred revenue	2,070	
Net Cash Used by Operating Activities	<u>(10,367)</u>	<u>(29,436)</u>
INVESTING ACTIVITIES		
Proceeds from sale of investments		17,254
Purchases of property and equipment	<u>(13,248)</u>	<u>(5,810)</u>
Net Cash Provided (Used) by Investing Activities	<u>(13,248)</u>	<u>11,444</u>
NET DECREASE IN CASH	(23,615)	(17,992)
CASH		
Beginning of Year	<u>68,085</u>	<u>86,077</u>
End of Year	<u>\$ 44,470</u>	<u>\$ 68,085</u>

See accompanying notes.

MENTAL HEALTH AMERICA OF NORTHEAST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Mental Health America of Northeast Indiana, Inc. (the Organization) is an Indiana not-for-profit corporation dedicated to providing essential information, resources, advocacy and education to help individuals and families better gain access to the prevention, treatment and recovery programs they need to be successful.

The Organization's major programs are:

- **Community Services** provide community advocacy and peer support through trained community advocates that provide no-cost consultations for individuals and families facing a mental health or substance use challenge.
- **Guardianship Services** provide legal guardians to undertake the responsibility of making major life decisions and advocate on behalf of their wards to enhance the quality of life for adults with intellectual/developmental disabilities, dementias, mental illness, and other aging disorders.
- **Cedar's Hope** provides a permanent, supportive housing program for women with moderate to severe mental illness who are homeless or at-risk of homelessness.

New Accounting Pronouncement: During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is intended to improve and address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all years presented.

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors. This net asset category includes funds functioning as an endowment through designation by the Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. All of the Organization's donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates: The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable represent accounts due for program services provided. Accounts receivable are reviewed regularly for collectability and an allowance for doubtful accounts is recorded, if necessary, based on management’s judgment and analysis of the creditworthiness of the creditors, historical experience, economic conditions, and other relevant factors. Accounts receivable are written off against the allowance for doubtful accounts when deemed uncollectible. At December 31, 2018, the allowance for doubtful accounts was \$6,925. There was no allowance for doubtful accounts at December 31, 2017.

Grants and Contracts Receivable: Unconditional promises to give and grants and contracts receivable are expected to be collected within one year and are recorded at net realizable value. Conditional promises to give and grants are recognized when the conditions on which they depend are substantially met.

Grants and contracts receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management’s judgment and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2018 and 2017.

Investment Valuation and Income Recognition: Investments initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Investment return (loss) reported in the statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Expenditures for normal repairs and maintenance are charged to expense as incurred. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Equipment	5-10 years

The Organization’s property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of property and equipment were required in 2018 or 2017.

Beneficial Interest in Assets Held by Community Foundation: The Organization established an endowment fund that is perpetual in nature with the Community Foundation of Greater Fort Wayne (Community Foundation) by transferring assets without donor restrictions to the Community Foundation and naming itself as the beneficiary of the fund. The Organization granted variance power to the Community Foundation, which allows the Community Foundation to modify the terms of the fund if continued adherence to any condition or restriction is in the judgment of the Community Foundation’s Board of Directors unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Community Foundation. The fund is held and invested by the Community Foundation for the benefit of the Organization, and the Organization may draw up to a certain percentage of the value each year, as specified in the Community Foundation’s spending policy, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. Distributions from the fund held at the Community Foundation to the Organization are recorded as investment return in the statements of activities. The fund is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. See Note 3 for fair value measurements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization has been named a beneficiary of a fund held by the Community Foundation which was established by a donor directly with the Community Foundation. This fund is not included in the Organization's statements of financial position because it was not established by the Organization and the Community Foundation has variance power over the funds. At December 31, 2018 and 2017, the fair value of the fund was \$28,830 and \$31,884, respectively.

Contributions and Grants are recognized as revenue and support when they are received or unconditionally pledged. The Organization reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Conditional contributions are not recorded as support and revenues until the conditions are met. Government contracts are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged, and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts.

Government contracts and certain other grants are subject to audit by the government or granting agency, and as a result of such audit, adjustments to revenue and support could be required.

In-kind Contributions: Contributions of services, which consists primarily of professional fees, are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

Program Service Revenue is recognized when earned at the time the service is performed. Program service fees received in advance are included in deferred revenue until the related services are performed. The revenue is included in fee for service – room and board, fee for service – education and fee for service – guardianship on the statements of activities.

Hospital Contract Revenue is recognized when earned, which is when the Organization submits biannual reports of service to the hospitals.

Special Event Revenue, including related sponsorship revenue and other contributions, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the statement of financial position date is reflected as deferred revenue.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among programs and supporting services based on occupied space (including rent, insurance, utilities and depreciation) or time spent by Organization staff (including salaries, payroll taxes, employee benefits). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs are expensed as incurred and totaled \$2,028 in 2018 and \$1,468 in 2017.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2018 and 2017.

The Organization files U.S. federal and Indiana information returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

Reclassifications: Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through March 1, 2019, the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets and liquidity resources available for general expenditure within one year of December 31, 2018 and 2017:

	2018	2017
Cash	\$ 44,470	\$ 68,085
Accounts receivable - fees, net	39,201	23,055
Grants and contracts receivable	194,379	141,588
Hospital contracts receivable		7,500
Beneficial interest in assets held by Community Foundation	<u>66,965</u>	<u>75,086</u>
Total financial assets	345,015	315,314
Board-designations:		
Board-designated endowment	<u>(66,965)</u>	<u>(75,086)</u>
Total Financial Assets Available Within One Year	278,050	240,228
Line of credit availability	<u>50,000</u>	<u>50,000</u>
Total Financial Assets and Liability Resources Available to Meet General Expenditures Within One Year	<u>\$328,050</u>	<u>\$290,228</u>

The Organization considers investment income without donor restrictions, appropriated earnings from board-designated endowments, and contributions without donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization receives significant contributions by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative, general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

The Organization's Board of Directors has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income. Current income is subject to an annual spending rate of 5% as described in Note 6.

The Organization has a line of credit available to meet the short term needs. See Note 7 for information about this arrangement.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organization for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Beneficial Interest in Assets Held by Community Foundation: Valued based on the Organization’s proportionate share of the fair value of the underlying investments in the Community Foundation’s pooled investment portfolio as reported by the Community Foundation, without adjustment. The valuation methodology for the beneficial interest in the assets held by the Community Foundation does not utilize any unobservable inputs.

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

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organization’s assets that are measured at fair value on a recurring basis as of December 31, 2018 and 2017:

2018	Level 3	Total
Assets		
Beneficial interest in assets held by Community Foundation	<u>\$66,965</u>	<u>\$66,965</u>
2017	Level 3	Total
Assets		
Beneficial interest in assets held by Community Foundation	<u>\$75,086</u>	<u>\$75,086</u>

At December 31, 2018 and 2017, the Organization had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Activity during 2018 and 2017 related to assets measured at fair value on a recurring basis using Level 3 valuation methodologies is included in Note 6.

NOTE 4 - CONDITIONAL PLEDGES

At December 31, 2018, the Organization had a conditional promise to give of \$18,382 from local government funding for the Cedar’s Hope Program. The promise is conditional on construction costs incurred by the Organization being completed and passing inspection by the City of Fort Wayne. As of December 31, 2018, the Organization had incurred construction in progress costs of \$13,248 related to this agreement.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$ 20,000	\$ 20,000
Buildings and improvements	275,774	275,774
Equipment	49,485	49,485
Construction in progress	<u>13,248</u>	<u> </u>
	345,259	345,259
Less: Accumulated depreciation	<u>(122,243)</u>	<u>(95,889)</u>
Total Property and Equipment, net	<u>\$ 236,264</u>	<u>\$249,370</u>

NOTE 6 - ENDOWMENT

The endowment consists of net assets without donor restrictions that have been designated by the Board of Directors. The Organization’s endowment is held at the Community Foundation for the benefit of the Organization.

Investment and Spending Policies

The Organization’s objective for the endowment fund is to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The endowment has been invested in the Community Foundation; and therefore, asset management is governed by the investment policies and appropriations are limited to the spending policies of the Community Foundation.

The Organization has a policy consistent with the Community Foundation’s policy, which is designated to take into account total return concepts of investing and spending, with the goal of preserving the real spending power of the endowments over time while balancing the need for consistent spending to support the charitable and similar exempt purposes of such endowments. The Community Foundation’s spending policy is currently 4.50%.

The endowment activity, which is all included in net assets without donor restrictions, for 2018 and 2017 is summarized as follows:

	2018	2017
Endowment at Beginning of Year	\$75,086	\$68,449
Change in value of beneficial interest in assets held by Community Foundation	<u>(8,121)</u>	<u>6,637</u>
Endowment at End of Year	<u>\$66,965</u>	<u>\$75,086</u>

NOTE 7 - LINE OF CREDIT

The Organization has an agreement with Old National Bank for a revolving line of credit in the amount of \$50,000 which matures on July 7, 2019. The line of credit bears interest at the prime rate as published by *The Wall Street Journal* (5.5% as of December 31, 2018), and is secured by substantially all assets of the Organization. The line of credit is used to borrow funds to cover cash shortfalls when the Organization experiences delays in the receipt of reimbursements from funding sources throughout the year. Upon receipt of reimbursements, the Organization immediately pays off any outstanding balance on the line of credit. There were no borrowings outstanding at December 31, 2018 and 2017.

NOTE 8 - NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Board-designated endowment fund	\$ 66,965	\$ 75,086
Invested in property and equipment	236,264	249,370
Undesignated	<u>199,251</u>	<u>130,403</u>
Total Net Assets Without Donor Restrictions	<u>\$502,480</u>	<u>\$454,859</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Subject to Expenditures for Specified Purpose:		
Cedar's Hope	\$15,000	\$15,000
Community services - Kids on the Block	17,100	18,010
Guardianship services - VASIA	<u> </u>	<u>55,831</u>
Total Net Assets With Donor Restrictions	<u>\$32,100</u>	<u>\$88,841</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of Purpose Restrictions:		
Cedar's Hope	\$ 66,360	\$ 29,454
Website		2,000
Community services - Kids on the Block	30,909	27,221
Community services - Client Advocacy		5,000
Guardianship services - VASIA	133,331	51,631
Expiration of time restrictions	<u> </u>	<u>50,000</u>
Total Net Assets Released from Restrictions	<u>\$230,600</u>	<u>\$165,306</u>

NOTE 9 - RETIREMENT PLAN

The Organization sponsors an individual retirement account (IRA) plan available for all of its qualified employees. All plan participants are permitted to make salary reduction contributions to the plan. The Organization may make a discretionary contribution to the IRA plan, determined annually based on eligible earnings of participants. The Organization made no contributions to the IRA plan in 2018 and 2017.

NOTE 10 - OPERATING LEASES

The Organization leased its previous operating facilities under an operating lease that expired in December 2017. In 2017, the Organization moved into a new location and signed a five year lease beginning on May 30, 2017 that expires on May 30, 2022. The Organization has the option to extend the lease for an additional five-year period beyond the original agreement. Total rental expense was \$34,603 in 2018 and \$24,049 in 2017.

At December 31, 2018, the future minimum rental payments required by all long-term operating leases were as follows:

Payable In	Rental Payments
2019	\$ 40,338
2020	40,338
2021	40,338
2022	<u>16,829</u>
	<u>\$137,843</u>

NOTE 11 - CONCENTRATIONS

The Organization receives a substantial amount of support from government grants and contracts. A substantial reduction in support from these sources may have a significant impact on the Organization's programs and operations. Revenue from government grants and contracts was 63% and 45% of total revenue, gains and other support in 2018 and 2017, respectively.