MONROE HARDING, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Monroe Harding, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Monroe Harding, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 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 Monroe Harding, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 2 to the financial statements, Monroe Harding, Inc. adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
August 21, 2019

MONROE HARDING, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents, including deposits held for others of $1,246 and $1,128, respectively	$ 620,708	$ 359,892
Accounts and pledges receivable	572,084	352,017
Prepaid expenses and other assets	48,208	51,184
Investments	2,282,885	2,716,534
Pooled investments	21,022	23,238
Beneficial interests in perpetual trusts	691,317	760,529
Land, buildings, and equipment, net	1,836,916	2,032,305
Total Assets	$ 6,073,140	$ 6,295,699
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 79,553	$ 108,126
Accrued expenses	100,172	112,554
Funds held for others	1,246	1,128
Total Liabilities	180,971	221,808
Net Assets:		
Without donor restriction		
Board designated endowment	2,165,259	2,600,024
Undesignated	2,772,740	2,417,241
Total without donor restriction	4,937,999	5,017,265
With donor restriction	954,170	1,056,626
Total Net Assets	5,892,169	6,073,891
Total Liabilities and Net Assets	$ 6,073,140	$ 6,295,699

MONROE HARDING, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Public Support:			
Governmental contracts and sub-contracts	$ 2,189,552	$ -	$ 2,189,552
Contributions	696,089	207,780	903,869
Special events	155,566	-	155,566
Gifts in-kind	8,000	-	8,000
Miscellaneous	179	-	179
Net assets released from restriction	264,800	(264,800)	-
Total Public Support	3,314,186	(57,020)	3,257,166
Revenue:			
Net loss on investments	(239,052)	(95,953)	(335,005)
Interest and dividend income, net of fees	49,187	50,517	99,704
Gain on disposal of property and equipment	299,739	-	299,739
Total Revenue	109,874	(45,436)	64,438
Total Public Support and Revenue	3,424,060	(102,456)	3,321,604
Expenses:			
Program Services:			
Foster care	1,516,411	-	1,516,411
Independent living	548,569	-	548,569
Youth Connections	441,060	-	441,060
Cooperative living	299	-	299
Total Program Services	2,506,339	-	2,506,339
Supporting Services:			
General and administrative	665,925	-	665,925
Development	331,062	-	331,062
Total Supporting Services	996,987	-	996,987
Total Expenses	3,503,326	-	3,503,326
Change in net assets	(79,266)	(102,456)	(181,722)
Net assets, beginning of year	5,017,265	1,056,626	6,073,891
Net assets, end of year	$ 4,937,999	$ 954,170	$ 5,892,169

MONROE HARDING, INC.
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
Public Support:			
Governmental contracts and sub-contracts	$ 2,446,003	$ -	$ 2,446,003
Contributions	688,854	289,500	978,354
Special events	119,022	-	119,022
Gifts in-kind	10,406	-	10,406
Miscellaneous	1,005	-	1,005
Net assets released from restriction	439,465	(439,465)	-
Total Public Support	3,704,755	(149,965)	3,554,790
Revenue:			
Net gain on investments	294,755	82,338	377,093
Interest and dividend income, net of fees	59,419	40,208	99,627
Gain on disposal of property and equipment	1,014	-	1,014
Total Revenue	355,188	122,546	477,734
Total Public Support and Revenue	4,059,943	(27,419)	4,032,524
Expenses:			
Program Services:			
Foster care	1,664,049	-	1,664,049
Cooperative living	701,373	-	701,373
Independent living	552,071	-	552,071
Youth Connections	548,643	-	548,643
Total Program Services	3,466,136	-	3,466,136
Supporting Services:			
General and administrative	807,631	-	807,631
Development	510,427	-	510,427
Total Supporting Services	1,318,058	-	1,318,058
Total Expenses	4,784,194	-	4,784,194
Change in net assets	(724,251)	(27,419)	(751,670)
Net assets, beginning of year	5,741,516	1,084,045	6,825,561
Net assets, end of year	$ 5,017,265	$ 1,056,626	$ 6,073,891

MONROE HARDING, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (181,722)	$ (751,670)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	195,128	201,380
Change in beneficial interests in perpetual trusts	45,436	(122,546)
Change in pooled investments	2,216	(2,410)
Gain on disposal of property and equipment	(299,739)	(1,014)
Net loss (gain) on investments	237,620	(292,540)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(220,067)	114,242
Prepaid expenses and other assets	2,976	6,603
Accounts payable	(28,573)	(184,471)
Accrued expenses	(12,382)	(37,794)
Funds held for others	118	(66,898)
Net cash used in operating activities	(258,989)	(1,137,118)
Cash flows from investing activities:		
Purchases of property and equipment	-	(6,275)
Purchases of investments	(381,947)	(1,471,643)
Proceeds from disposal of property and equipment	300,000	31,537
Proceeds from distributions of beneficial interests in trusts	23,776	24,664
Proceeds from sale of investments	577,976	2,638,419
Net cash provided by investing activities	519,805	1,216,702
Net increase in cash and cash equivalents	260,816	79,584
Cash and cash equivalents, beginning of year	359,892	280,308
Cash and cash equivalents, end of year	$ 620,708	$ 359,892

The accompanying notes to the financial statements are an integral part of these statements.

MONROE HARDING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Foster Care	Independent Living	Youth Connections	Cooperative Living	Total	General and Administrative	Development	Total	Total Expenses
Salaries and wages	$ 732,352	$ 299,371	$ 225,713	$ -	$ 1,257,436	$ 209,680	$ 161,816	$ 371,496	$ 1,628,932
Foster care expenses	394,521	-	-	-	394,521	-	-	-	394,521
Employee benefits	135,383	37,021	38,205	-	210,609	21,185	26,798	47,983	258,592
Payroll taxes	54,948	21,938	16,571	-	93,457	15,708	11,850	27,558	121,015
Maintenance	43,015	12,081	11,093	-	66,189	43,282	9,306	52,588	118,777
Professional expenses	6,862	3,625	3,473	-	13,960	78,305	17,594	95,899	109,859
Youth specific assistance	25,012	17,522	64,958	299	107,791	-	-	-	107,791
Rent	-	87,150	16,800	-	103,950	-	-	-	103,950
Insurance	33,862	9,053	8,395	-	51,310	13,570	9,533	23,103	74,413
Other	87	-	205	-	292	57,544	4,606	62,150	62,442
Utilities	6,882	2,082	122	-	9,086	28,863	6,481	35,344	44,430
Travel and transportation	15,368	5,069	17,477	-	37,914	3,033	317	3,350	41,264
Food and kitchen supplies	421	23,286	1,904	-	25,611	3,154	12,160	15,314	40,925
Telephone and internet	11,094	11,529	9,145	-	31,768	4,090	3,030	7,120	38,888
Special events	155	-	-	-	155	-	34,215	34,215	34,370
Training and education	10,387	3,925	8,151	-	22,463	9,412	714	10,126	32,589
Contracted services	2,843	1,094	7,760	-	11,697	3,667	8,653	12,320	24,017
Printing and promotion	1,058	314	246	-	1,618	282	20,378	20,660	22,278
Recruitment	14,220	982	363	-	15,565	1,327	1,192	2,519	18,084
Recreational and special	15,256	65	446	-	15,767	734	431	1,165	16,932
Office supplies	2,870	4,752	1,312	-	8,934	4,215	980	5,195	14,129
	1,506,596	540,859	432,339	299	2,480,093	498,051	330,054	828,105	3,308,198
Depreciation	9,815	7,710	8,721	-	26,246	167,874	1,008	168,882	195,128
Total Expenses	$ 1,516,411	$ 548,569	$ 441,060	$ 299	$ 2,506,339	$ 665,925	$ 331,062	$ 996,987	$ 3,503,326

MONROE HARDING, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services			
	Foster Care	Cooperative Living	Independent Living	Youth Connections	Total	General and Administrative	Development	Total	Total Expenses
Salaries and wages	$ 800,269	$ 429,275	$ 312,039	$ 296,054	$ 1,837,637	$ 322,844	$ 273,501	$ 596,345	$ 2,433,982
Foster care expenses	419,784	-	-	-	419,784	-	-	-	419,784
Employee benefits	137,399	69,399	43,440	44,818	295,056	46,870	36,884	83,754	378,810
Maintenance	58,896	29,163	15,179	13,703	116,941	51,904	13,173	65,077	182,018
Payroll taxes	58,669	34,027	22,508	21,502	136,706	23,038	19,981	43,019	179,725
Professional expenses	9,067	4,343	986	13,794	28,190	113,778	21,115	134,893	163,083
Insurance	42,352	9,391	12,733	11,482	75,958	18,358	10,418	28,776	104,734
Youth specific assistance	20,917	3,830	13,413	58,636	96,796	-	-	-	96,796
Rent	-	-	73,500	16,800	90,300	-	-	-	90,300
Food and kitchen supplies	871	25,870	24,910	3,466	55,117	15,432	789	16,221	71,338
Telephone and internet	14,755	8,767	12,957	10,141	46,620	6,209	2,553	8,762	55,382
Training and education	4,116	7,307	860	9,437	21,720	26,967	4,869	31,836	53,556
Travel and transportation	20,766	1,883	4,399	23,764	50,812	1,182	174	1,356	52,168
Utilities	5,980	19,702	2,539	102	28,323	14,292	5,623	19,915	48,238
Special events	-	-	-	-	-	-	45,591	45,591	45,591
Printing and promotion	2,244	810	272	736	4,062	663	35,095	35,758	39,820
Office supplies	7,293	3,834	1,802	6,086	19,015	17,314	2,888	20,202	39,217
Contracted services	2,770	6,375	1,120	6,410	16,675	4,846	14,613	19,459	36,134
Recruitment	32,623	633	152	361	33,769	2,074	152	2,226	35,995
Other	-	-	124	352	476	10,130	19,829	29,959	30,435
Recreational and special	15,778	971	1,475	1,332	19,556	4,009	2,143	6,152	25,708
	1,654,549	655,580	544,408	538,976	3,393,513	679,910	509,391	1,189,301	4,582,814
Depreciation	9,500	45,793	7,663	9,667	72,623	127,721	1,036	128,757	201,380
Total Expenses	$ 1,664,049	$ 701,373	$ 552,071	$ 548,643	$ 3,466,136	$ 807,631	$ 510,427	$ 1,318,058	$ 4,784,194

Note 1—Nature of operations

Founded in 1893, Monroe Harding, Inc. (the "Organization") is a nonprofit foster care organization dedicated to making meaningful change in the lives of children and youth in Middle Tennessee. Our agency supports them, from birth to 26, in the ways they need it most – by providing safe, healthy and nurturing environments. That could be in the home of one of our foster families, or for older youth aging out, their own apartment or participating in education and job programs through our Resource Center in downtown Nashville. We know that one caring adult can make an enormous difference in the lives of children who had been separated from their birth families. Home, Healing, and Opportunities are what the Organization strives to provide daily.

Note 2—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> *Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Contributions – Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. The expiration of a donor-imposed restriction is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions whose restrictions are met in the same reporting period are shown as increases in net assets without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments – All gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Note 2—Summary of significant accounting policies (continued)

Land, Buildings, and Equipment – Land, buildings, and equipment are stated at cost at date of purchase or at estimated fair market value at date of gift. The fair value of donated labor services associated with fixed assets is added to the cost of the asset. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of $2,000 or more and an estimated useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years.

Income Taxes – The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code ("IRC") Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2018 or 2017.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages which was allocated based on time and effort.

Fair Value Measurements – The Organization follows the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and liabilities. That framework provides a fair value hierarchy that 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices (Level 1). However, in some instances, there are no quoted market prices for financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques (Level 3). Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

The three levels of the fair value hierarchy are described below.

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.

Note 2—Summary of significant accounting policies (continued)

Level 2 – Inputs to the valuation methodology 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
- 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.

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses 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. The ASU has been applied retrospectively to all periods presented.

Forthcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the consolidated statement of activities. This standard currently is scheduled to be effective for the year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Subsequent Events – Management has evaluated subsequent events through August 21, 2019, when these financial statements were available to be issued.

Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at December 31:

Financial assets at December 31:	2018	2017
Cash and cash equivalents	$ 620,708	$ 359,892
Accounts and pledges receivable	572,084	352,017
Investments	2,282,885	2,716,534
Pooled Investments	21,022	23,238
Beneficial interests in perpetual trusts	691,317	760,529
Total financial assets	4,188,016	4,212,210
Less amounts not available to be used for general expenditures within one year:		
Cash held for others	1,246	1,128
Net assets restricted for specific programs	123,105	156,349
Board designated endowment	2,165,259	2,600,024
Net assets held in perpetuity	831,065	900,277
Total amounts not available to be used for general expenditures within one year	3,120,675	3,657,778
Financial assets available to meet cash needs for general expenditures within one year	$ 1,067,341	$ 554,432

Note 4—Accounts and pledges receivable

Accounts and pledges receivable are due primarily from various government and private agencies and are expected to be received within one year. The carrying values of the receivables approximate their fair values due to the short maturities of these instruments. Management's estimate of uncollectible amounts is based on historical collection experience and a review of the current status of accounts and pledges receivable. It is reasonably possible that management's estimate of the allowance for uncollectible accounts could change. There was no allowance for uncollectible amounts at December 31, 2018 and 2017.

Note 5—Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2018:

	Level 1	Level 2		Level 3	Total
Equity funds	$ 604,740	$ 675,520	*	$ -	$ 1,280,260
Other investments	-	235,679	*	-	235,679
Fixed income funds	316,394	286,570	*	-	602,964
Cash and short term investments	163,982	-		-	163,982
Pooled accounts	-	21,022		-	21,022
Total	$ 1,085,116	$ 1,218,791		$ -	$ 2,303,907

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2017:

	Level 1	Level 2		Level 3	Total
Equity funds	$ 973,427	$ 529,137	*	$ -	$ 1,502,564
Other investments	-	335,775	*	-	335,775
Fixed income funds	276,212	492,606	*	-	768,818
Cash and short term investments	109,377	-		-	109,377
Pooled accounts	-	23,238		-	23,238
Total	$ 1,359,016	$ 1,380,756		$ -	$ 2,739,772

Investments identified above by asterisk (*) include units of ownership in certain common trust funds owned by the Diversified Trust Company ("DTC"). The Organization values these investments as Level 2 because specific units held do not have quoted prices and are not traded on an active market.

Note 6—Land, buildings, and equipment

A summary of land, buildings, and equipment consists of the following as of December 31:

	2018	2017
Land	$ 17,148	$ 17,409
Buildings and improvements	2,806,578	2,806,578
Automobiles	160,336	160,336
Land improvements	102,035	102,035
Furniture, fixtures, and appliances	134,825	134,825
Information/communication technology	115,036	115,036
	3,335,958	3,336,219
Less accumulated depreciation	(1,499,042)	(1,303,914)
Land, Buildings, and Equipment, net	$ 1,836,916	$ 2,032,305

Note 6—Land, buildings, and equipment (continued)

In August 2018, the Organization entered into an agreement to sell its real property at a purchase price of $6,475,000. The sale of the property is subject to Metropolitan Council approval with an original inspection period termination of March 31, 2019.

Subsequent to December 31, 2018 but prior to the issuance of these financial statements, the Organization and the purchaser amended the agreement to extend the final closing rights of the purchaser through January 3, 2020.

Note 7—Beneficial interests in perpetual trusts

The Organization is the beneficiary of two perpetual trusts. The Plummer Trust is held by First Presbyterian Church of Clarksville, Tennessee. The Organization is a 25% beneficiary of the trust and receives periodic distributions from the trust. At December 31, 2018, the trust had a fair market value of $2,480,994, of which $620,249 was for the benefit of the Organization. At December 31, 2017, the trust had a fair market value of $2,732,779, of which $683,195 was for the benefit of the Organization.

The Stanley Trust was initially held by Westminster Presbyterian Church of Nashville, Tennessee ("Westminster"). During 2015, Westminster, transferred the funds to a designated account to be held and managed by the Organization. Distributions from the Stanley Trust are made annually at an amount equal to 5.5% of the three year average annual value of the trust. At December 31, 2018 and 2017, the trust had a fair market value of $71,068 and $77,334, respectively.

The trusts' assets are invested in money markets and publicly traded mutual funds. Investments identified below by asterisk (*) include units of ownerships in certain common trust funds owned by DTC. The Organization values these investments as Level 2 because specific units held do not have quoted prices and are not traded on an active market.

The following table sets forth by level, within the fair value hierarchy, the trusts' assets at fair value at December 31, 2018:

	Level 1	Level 2		Level 3	Total
Equity funds	$ 632,974	$ 22,663	*	$ -	$ 655,637
Fixed income funds	5,200	10,023	*	-	15,223
Other investments	-	7,943	*	-	7,943
Cash and short term investments	12,514	-		-	12,514
Total	$ 650,688	$ 40,629		$ -	$ 691,317

The following table sets forth by level, within the fair value hierarchy, the trusts' assets at fair value at December 31, 2017:

	Level 1	Level 2		Level 3	Total
Equity funds	$ 706,992	$ 16,712	*	$ -	$ 723,704
Fixed income funds	5,850	10,163	*	-	16,013
Other investments	-	8,605	*	-	8,605
Cash and short term investments	12,207	-		-	12,207
Total	$ 725,049	$ 35,480		$ -	$ 760,529

Note 8—Net assets with donor restriction

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

	2018	2017
Net assets held in perpetuity	$ 831,065	$ 900,277
Youth Connections programs	71,791	83,506
Foster care	37,982	30,024
Independent living program	6,839	6,839
Music program	5,649	5,649
Trauma and resiliency informed care	844	30,331
	$ 954,170	$ 1,056,626

Note 9—Gifts in-kind

Gifts in-kind received by the Organization are recorded based on their estimated value on the date of receipt. During 2018, the Organization recorded donated materials and services with an estimated value of $8,000. During 2017, the Organization recorded donated materials and services with an estimated value of $10,406. In addition, unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the years ended December 31, 2018 and 2017, volunteers provided approximately 590 and 1,800 hours of service, respectively. The value of contributed time is not reflected in these statements since it does not meet the recording requirements specified by U.S. GAAP.

Note 10—Retirement plan

The Organization has a retirement plan in accordance with IRC Section 401. The plan is a defined contribution plan that covers full-time employees who have a minimum of one year of service with the Organization or another nonprofit organization. During 2018 and 2017, the Organization contributed matching contributions up to 4% of the participants' compensation. Employer contributions are fully vested after four years of service with the Organization or any other nonprofit health or social service organization. Total pension expense incurred during 2018 and 2017 were $23,933 and $45,009, respectively.

Note 11—Commitments and contingencies

The Organization has entered into noncancelable operating lease agreements for office space, equipment, and independent living units. The Organization has also entered into leases for independent living units with required monthly rent payments totaling approximately $10,700. These leases are generally short term, and are renewed at the end of each period. Rent expense for all leases for 2018 and 2017 totaled $120,157 and $114,227, respectively.

Note 11—Commitments and contingencies (continued)

The future minimum lease payments under noncancelable operating lease arrangements are as follows for the years ending December 31:

2019	$ 29,350
2020	7,668
2021	7,668
2022	7,668
2023	4,473
Thereafter	-
	$ 56,827

Note 12—Board designated net assets

The board of directors has elected to set aside funds for a designated endowment. One of the common uses of board designated funds is for periodic distributions to cover operating expenses that cannot be met with available cash from operations. At December 31, the board designated balances were as follows:

	2018	2017
Endowment	$ 2,165,259	$ 2,600,024
Total Board Designated Net Assets	$ 2,165,259	$ 2,600,024

Note 13—Concentrations

The Organization maintains its cash and cash equivalents in financial institutions with balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash. Cash and cash equivalent balances in excess of federally insured limits amounted to approximately $351,000 and $143,000 at December 31, 2018 and 2017, respectively.

The Organization received $2,189,552 and $2,446,003 for the years ended December 31, 2018 and 2017, respectively, from contracts with governmental entities. A significant reduction in this support could have an adverse effect on the Organization's activities. Accounts receivable related to these contracts amounted to $192,777 and $257,882 at December 31, 2018 and 2017, respectively.

Note 14—Endowment and net assets held in perpetuity

The Organization's endowment consists of individual funds established for a variety of purposes and includes both donor restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions. Net assets held in perpetuity endowment funds are predominantly beneficial interests in perpetual trusts described in Note 7.

Note 14—Endowment and net assets held in perpetuity (continued)

Interpretation of Relevant Law – The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the State Prudent Management of Institutional Funds Act ("SPMIFA"). In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- The investment policies of the Organization

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment 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 or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of selected market and comparative indices while assuming a moderate level of investment risk. Actual returns will vary in any given year.

Strategies Employed for Achieving Investment 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy which provides for the board of directors to identify distribution amounts, as needed, to fund the Organization's programs. In establishing this policy, the Organization considered the long-term expected return on its endowment. 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 14—Endowment and net assets held in perpetuity (continued)

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 831,065	$ 831,065
Board-restricted endowment funds	2,165,259	-	2,165,259
Total Funds	$ 2,165,259	$ 831,065	$ 2,996,324

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

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 900,277	$ 900,277
Board-restricted endowment funds	2,600,024	-	2,600,024
Total Funds	$ 2,600,024	$ 900,277	$ 3,500,301

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 2,600,024	$ 900,277	$ 3,500,301
Investment Return:			
Investment income	49,187	50,517	99,704
Net depreciation (realized and unrealized)	(239,052)	(95,953)	(335,005)
Total Investment Return	(189,865)	(45,436)	(235,301)
Board designated transfers to endowment	100	-	100
Appropriation of endowment assets for expenditure	(245,000)	(23,776)	(268,776)
Endowment net assets, end of year	$ 2,165,259	$ 831,065	$ 2,996,324

Note 14—Endowment and net assets held in perpetuity (continued)

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

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 3,471,850	$ 802,395	$ 4,274,245
Investment Return:			
Investment income	59,419	40,208	99,627
Net appreciation (realized and unrealized)	294,755	82,338	377,093
Total Investment Return	354,174	122,546	476,720
Appropriation of endowment assets for expenditure	(1,226,000)	(24,664)	(1,250,664)
Endowment net assets, end of year	$ 2,600,024	$ 900,277	$ 3,500,301

Note 15—Financing agreement

The Organization has a line of credit agreement with a financial institution. The agreement allows for borrowings up to $400,000. Interest is payable monthly at a rate of 2.50% plus LIBOR. The line of credit is collateralized by the Organization's board designated investment account and matures September 25, 2019. No borrowings were outstanding at December 31, 2018 and 2017.

Note 16—Program closing

During the year ended December 31, 2017, management and the board of directors made the decision to close its Cooperative Living program effective April 7, 2017. The Organization will continue to seek approval to be licensed by the state of Tennessee to provide Cooperative Living services in the future if the need arises. Total Cooperative Living revenues and expenses were $230,321 and $701,373, respectively, for the year ended December 31, 2017.