Child Protection Center, Inc.

Financial Statements

June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Child Protection Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Protection Center, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018; 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.

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 audits 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 Child Protection Center, Inc. as of June 30, 2019 and 2018, 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.

Gregory, Sharer & Stuart, P.A.

Gregory, Sharer + Stuart, P.A.

St. Petersburg, Florida
October 15, 2019

	June 30, 2019	June 30, 2018
Assets		
Current assets		
Cash	$ 1,430,995	$ 1,397,297
Certificate of deposit	35,581	35,295
Grant and contract receivables	130,314	226,929
Unconditional promises to give	-	15,620
Prepaid expenses and other current assets	16,461	11,914
Total current assets	1,613,351	1,687,055
Property and equipment, net	3,230,982	3,313,112
Investments	921,024	834,723
Deposits	5,149	5,100
Total assets	$ 5,770,506	$ 5,839,990
Liabilities and net assets		
Current liabilities		
Accounts payable	$ 2,169	$ 85
Deferred revenue	40,439	38,608
Total liabilities	42,608	38,693
Net assets		
Without donor restrictions		
Undesignated	4,804,365	4,891,293
Designated by the board for endowment	923,533	835,004
With donor restrictions	-	75,000
Total net assets	5,727,898	5,801,297
Total liabilities and net assets	$ 5,770,506	$ 5,839,990

	Year Ended June 30, 2019			Summarized Comparative Totals
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Year Ended June 30, 2018
Revenues and support				
Federal and state contracts	$ 1,048,808	$ -	$ 1,048,808	$ 1,089,222
County government grants	264,682	-	264,682	241,107
United Way	54,377	-	54,377	52,268
Foundations and private grants	176,256		176,256	334,906
Contributions	375,653	-	375,653	434,899
Investment return, net	47,796	-	47,796	29,630
Special events, net of special event expenses of $146,971	414,277	-	414,277	358,249
Other	10,561	-	10,561	13,923
Client fees	26,108	-	26,108	21,587
Net assets released from restrictions	75,000	(75,000)	-	-
Total revenues and support	2,493,518	(75,000)	2,418,518	2,575,791
Expenses				
Program services				
Intervention	1,075,463	-	1,075,463	1,028,221
Prevention and education	319,233	-	319,233	269,580
Treatment	768,458	-	768,458	736,809
Total program services	2,163,154	-	2,163,154	2,034,610
Supporting services				
General	160,880	-	160,880	157,671
Fundraising	167,883	-	167,883	125,440
Total supporting services	328,763	-	328,763	283,111
Total expenses	2,491,917	-	2,491,917	2,317,721
Change in net assets	1,601	(75,000)	(73,399)	258,070
Net assets at beginning of year	5,726,297	75,000	5,801,297	5,543,227
Net assets at end of year	$ 5,727,898	$ -	$ 5,727,898	$ 5,801,297

Child Protection Center, Inc.
Statement of Activities
Year Ended June 30, 2018

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues and support			
Federal and state contracts	$ 1,089,222	$ -	$ 1,089,222
County government grants	241,107	-	241,107
United Way	52,268	-	52,268
Foundations and private grants	259,906	75,000	334,906
Contributions	434,899	-	434,899
Investment return, net	29,630	-	29,630
Special events, net of special event expenses of $131,993	358,249	-	358,249
Other	13,923	-	13,923
Client fees	21,587	-	21,587
Total revenues and support	2,500,791	75,000	2,575,791
Expenses			
Program services			
Intervention	1,028,221	-	1,028,221
Prevention and education	269,580	-	269,580
Treatment	736,809	-	736,809
Total program services	2,034,610	-	2,034,610
Supporting services			
General	157,671	-	157,671
Fundraising	125,440	-	125,440
Total supporting services	283,111	-	283,111
Total expenses	2,317,721	-	2,317,721
Change in net assets	183,070	75,000	258,070
Net assets at beginning of year	5,543,227	-	5,543,227
Net assets at end of year	$ 5,726,297	$ 75,000	$ 5,801,297

Child Protection Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	Program						
	Intervention	Prevention and Education	Treatment	Total Program	General Support	Fundraising	Total Expenses
Personnel and contractual							
Program directors/coordinator	$ 413,979	$ 160,087	$ 61,055	$ 635,121	$ -	$ -	$ 635,121
Administrative/clerical	110,843	27,119	112,138	250,100	33,288	130,531	413,919
Medical/psychological/therapist	102,443	-	256,901	359,344	-	-	359,344
Accountant	58,174	17,490	40,684	116,348	13,085	-	129,433
Fringe benefits and payroll taxes	142,045	47,267	106,485	295,797	8,749	24,078	328,624
Total personnel and contractual	827,484	251,963	577,263	1,656,710	55,122	154,609	1,866,441
Other expenses							
Audit	8,901	2,225	7,788	18,914	3,928	-	22,842
Bank and credit card fees	-	-	-	-	1,873	-	1,873
Payroll related expenses	10,751	4,031	9,407	24,189	2,688	-	26,877
Equipment rental and maintenance	16,025	4,981	11,976	32,982	4,873	3,000	40,855
Advertising and promotion	3,011	4,621	2,678	10,310	3,082	1,009	14,401
Travel and conferences	16,634	8,829	19,272	44,735	1,070	3,749	49,554
Occupancy	44,927	-	21,150	66,077	-	-	66,077
Telephone	9,013	1,559	4,978	15,550	1,276	150	16,976
Supplies, office and postage	16,176	2,818	13,401	32,395	4,031	2,314	38,740
Printing and materials	8,249	15,253	11,465	34,967	866	900	36,733
Insurance	14,438	4,041	11,996	30,475	4,816	85	35,376
Meals and entertainment	1,984	508	444	2,936	1,409	951	5,296
Dues and subscriptions	1,147	1,245	1,534	3,926	349	450	4,725
Miscellaneous	615	69	662	1,346	1,032	114	2,492
Depreciation	33,970	8,493	46,811	89,274	61,037	-	150,311
Building expense	57,280	7,747	23,369	88,396	12,269	67	100,732
Professional fees	4,858	850	4,264	9,972	1,159	485	11,616
Total other expenses	247,979	67,270	191,195	506,444	105,758	13,274	625,476
Total functional expenses	$ 1,075,463	$ 319,233	$ 768,458	$ 2,163,154	$ 160,880	$ 167,883	$ 2,491,917

See the accompanying notes to financial statements.

Child Protection Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program						
	Intervention	Prevention and Education	Treatment	Total Program	General Support	Fundraising	Total Expenses
Personnel and contractual							
Program directors/coordinator	$ 401,365	$ 137,662	$ 61,144	$ 600,171	$ -	$ -	$ 600,171
Administrative/clerical	115,546	27,110	113,844	256,500	32,330	89,621	378,451
Medical/psychological/therapist	92,899	-	243,489	336,388	-	-	336,388
Accountant	56,964	16,570	40,392	113,926	12,877	-	126,803
Fringe benefits and payroll taxes	132,526	41,607	97,974	272,107	6,897	25,475	304,479
Total personnel and contractual	799,300	222,949	556,843	1,579,092	52,104	115,096	1,746,292
Other expenses							
Audit	10,069	2,238	7,831	20,138	2,329	-	22,467
Bank and credit card fees	-	-	-	-	1,773	-	1,773
Payroll related expenses	10,172	3,747	8,857	22,776	2,531	-	25,307
Equipment rental and maintenance	11,788	3,869	11,076	26,733	4,291	4,907	35,931
Advertising and promotion	3,795	1,678	3,215	8,688	2,358	770	11,816
Travel and conferences	18,100	3,439	19,209	40,748	2,744	591	44,083
Occupancy	32,085	-	25,111	57,196	-	-	57,196
Telephone	9,294	841	3,323	13,458	1,475	-	14,933
Supplies, office and postage	8,787	1,683	6,106	16,576	3,331	1,709	21,616
Printing and materials	17,076	3,827	17,331	38,234	2,014	981	41,229
Insurance	13,332	4,122	10,520	27,974	4,232	-	32,206
Meals and entertainment	2,586	670	1,058	4,314	1,579	780	6,673
Dues and subscriptions	1,152	237	1,563	2,952	687	133	3,772
Miscellaneous	708	90	609	1,407	1,731	199	3,337
Depreciation	32,842	12,316	41,152	86,310	59,010	-	145,320
Building expense	52,412	7,284	21,466	81,162	11,604	31	92,797
Professional fees	4,723	590	1,539	6,852	3,878	243	10,973
Total other expenses	228,921	46,631	179,966	455,518	105,567	10,344	571,429
Total functional expenses	$ 1,028,221	$ 269,580	$ 736,809	$ 2,034,610	$ 157,671	$ 125,440	$ 2,317,721

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash flows from operating activities		
Change in net assets	$ (73,399)	$ 258,070
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	150,311	145,320
Realized and unrealized gain on investments	(205)	(16,949)
Changes in operating assets and liabilities		
Grant and contract receivables	96,615	9,307
Unconditional promises to give	15,620	(14,120)
Prepaid expenses and other current assets	(4,547)	15,808
Deposits	(49)	53
Accounts payable	2,084	(7,928)
Deferred revenue	1,831	(102,272)
Net cash provided by operating activities	188,261	287,289
Cash flows from investing activities		
Purchase of property and equipment	(68,181)	(95,129)
Net purchases of investments	(86,096)	(282,431)
Purchase of certificate of deposit	(286)	(35)
Net cash used by investing activities	(154,563)	(377,595)
Net change in cash	33,698	(90,306)
Cash at beginning of year	1,397,297	1,487,603
Cash at end of year	$ 1,430,995	$ 1,397,297

Note A - Description of Organization and Summary of Significant Accounting Policies

Organization

Child Protection Center, Inc. (Center) is a not-for-profit corporation incorporated on July 15, 1981 and located in Sarasota, Florida. The Center administers a variety of programs with the goal of preventing, intervening in, and treating child abuse consistent with their stated vision: "We envision a community where children are safe from abuse and free to thrive." Services are provided primarily to individuals who reside in the greater Sarasota region of Florida.

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.

Certificate of Deposit

The certificate of deposit is carried at cost plus accrued interest, which approximates fair value. The certificate has a stated interest rate of 1% and matures in October 2019.

Unconditional Promises to Give

Contributions are recognized at their fair value when the donor makes the contribution. The carrying amount of unconditional promises to give is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected based on historical experience and an assessment of individual balances. Amounts deemed uncollectible are written off to bad debt expense. Unconditional promises to give at the statement of financial position date are considered collectible by management, and no valuation allowance has been provided as of June 30, 2019 and 2018.

Property and Equipment

Property and equipment is carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. Expenditures in excess of $1,500 with estimated useful lives greater than one year are capitalized.

Depreciation on all property and equipment is calculated by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	12-39 years
Equipment	5-7 years
Furniture	7 years
Playground equipment	15 years

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred.

Property acquired with government funds is considered to be owned by the Center while used in the program for which it was purchased or in future authorized programs; however, its disposition and the ownership of any proceeds are subject to applicable regulations.

Impairment of Long-Lived Assets

The Center evaluates the recoverability of its buildings and improvements and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at June 30, 2019 or 2018.

Investments

Investments are valued at their estimated fair values in the accompanying statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses. All investments are classified as long-term, as the Center does not intend to use the investments for current operations.

The Center accounts for investments in accordance with Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, expands disclosure requirements, and specifies a hierarchy of valuation techniques. The hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Center measures investments at fair value on a recurring basis.

The following is a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Center.

Level 2 - Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 - Unobservable inputs based on the Center's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

Net Assets

The Center reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period the gift or investment income is received, the amount is reported as net assets without donor restriction. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Include net assets that are not subject to donor-imposed stipulations. Board-designated net assets consist of net assets designated by the board of directors for a board-designated endowment.

Net Assets With Donor Restrictions - Include gifts subject to donor-imposed restrictions that may or will be met by actions of the Center and/or passage of time. Other net assets are subject to donor-imposed stipulations that they be maintained in perpetuity by the Center. When restrictions expire, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Revenue Recognition

Income from government contracts is earned on agreed rates for services provided or reimbursed based on allowable costs expended for program services.

Contributions and Recognition of Donor Restrictions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Center does not imply a time restriction on donated long-lived assets unless the donor stipulates a time period for use of the contributed long-lived asset.

Donated Material and Services

Donations of materials are recorded as support at the estimated fair market value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of full and part-time volunteers have made contributions of their time to maintain the Center's programs. The estimated value of this contributed time is not reflected in these financial statements, since these services do not meet recognition requirements.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets and detailed in the statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service according to their natural classification. Certain other costs have been allocated among the programs and supporting services benefited. Personnel and contractual expenses, audit, payroll related expenses, equipment rental and maintenance, advertising and promotion, travel and conferences, occupancy, telephone, supplies, office and postage, printing and materials, insurance, meals and entertainment, dues and subscriptions, miscellaneous, depreciation, building expense, and professional fees may contain allocations based on time and effort, square footage, and direct charges. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

Income Tax

The Center has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve financial reporting to provide users of financial statements more useful information. The standard is effective for fiscal years beginning after December 15, 2017 (the Center's June 30, 2019 financial statements). This amendment changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources). This includes qualitative and quantitative disclosure requirements regarding net asset classes, expenses, liquidation, and availability of resources. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. Subsequently, in August 2015, FASB issued ASU 2015-14, which delayed the effective date for nonpublic companies to annual periods beginning after December 15, 2018 (the Center's June 30, 2020 financial statements). The Center is currently evaluating the impact adopting this guidance will have on its financial statements.

In June 2018, FASB issued ASUA 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Center's June 30, 2020 financial statements); early adoption is permitted. The Center is currently evaluating the impact adopting this guidance will have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2019 (the Center's June 30, 2021 financial statements). The Center is currently evaluating the impact adopting this guidance will have on its financial statements.

Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2019 through October 15, 2019, which is the date these financial statements were available to be issued. Management has determined that there are no subsequent events that require recognition or disclosure in the accompanying financial statements under the existing guidance.

Note B - Availability and Liquidity

The following represents the Centers financial assets at June 30:

	2019	2018
Financial assets at year end		
Cash	$ 1,430,995	$ 1,397,297
Certificate of deposit	35,581	35,295
Grant and contract receivables	130,314	226,929
Promises to give	-	15,620
Investments	921,024	834,723
Total financial assets	2,517,914	2,509,864
Less amounts not available to be used within one year		
Net assets with donor restrictions	-	75,000
Net assets with donor restrictions to be met in less than a year	-	(75,000)
Board designated endowment	923,533	835,004
	923,533	835,004
Financial assets available to meet expenditures over the next 12 months	$ 1,594,381	$ 1,674,860

The Center maintains a policy of structuring its financial assets to be available as its general expenditures and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including CD's, money market funds, fixed income mutual funds, and equity mutual funds.

The board designated endowment fund was established by the board of directors to provide future support to the Center by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands, and the possibility of diminishing government support and fluctuating donation and grant revenue. Management expects the principal to be preserved; however, as of June 30, 2019 and 2018, the Center has approximately $924,000 and 835,000, respectively, in resources that could be available upon approval of the board of directors to provide support for the Center's programs and facilities.

Note C - Unconditional Promises to Give

Unconditional promises to give of $0 and $15,620 at June 30, 2019 and 2018, respectively, are expected to be collected within one year.

Note D - Property and Equipment

Costs and accumulated depreciation of property and equipment are summarized as follows at June 30:

	2019	2018
Building and improvements	$ 4,135,597	$ 4,085,727
Equipment	427,794	409,483
Furniture	179,395	179,394
Playground equipment	148,376	148,377
	4,891,162	4,822,981
Less accumulated depreciation	(1,660,180)	(1,509,869)
	$ 3,230,982	$ 3,313,112

Note E - Investments

A review of fair value hierarchy classifications is conducted on an annual basis. The following table provides information about the Center's investments measured at estimated fair value on a recurring basis as of June 30:

		Fair Value Measurements Using		
	Estimated Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
Money market fund	$ 9,959	$ 9,959	$ -	$ -
Mutual funds				
Fixed income	273,513	273,513	-	-
Equities	637,552	637,552	-	-
Total investments	$ 921,024	$ 921,024	$ -	$ -
2018				
Money market fund	$ 50,059	$ 50,059	$ -	$ -
Mutual funds				
Fixed income	244,246	244,246	-	-
Equities	540,418	540,418	-	-
Total investments	$ 834,723	$ 834,723	$ -	$ -

Financial assets classified as Level 1 in the fair value hierarchy include money market funds and mutual funds consisting of fixed income and equities measured at estimated fair value based on quoted market prices on an active market.

Return from investments is summarized as follows for the years ended June 30:

	2019	2018
Interest and dividends	$ 56,355	$ 21,056
Realized and unrealized gain	205	16,949
Investments fees	(8,764)	(8,375)
Investment return, net	$ 47,796	$ 29,630

Note F - Revolving Line of Credit

The Center had a secured a revolving line of credit of $100,000 with a local bank. Borrowings under the credit line carried a variable interest rate (5.5% at June 30, 2018) subject to change based on the banking institution's prime rate index. There was no outstanding balance as of June 30, 2018. The revolving line of credit matured on March 18, 2019.

Note G - Endowment Funds

The Center's endowment fund (endowment) includes net assets without donor restriction designated for endowment by the board of directors to provide future support to the Center. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no donor-imposed restrictions on the endowment as of June 30, 2019 and 2018.

The Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policy of the Center

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of endowment assets.

Under these policies, as approved by the board of directors, endowment assets will be invested in a manner that is intended to protect against loss associated with a single security, industry, issuer, or event which focuses on a strategic allocation of portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return, and return correlation.

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the Center will rely on a total return strategy whereby investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center will target a diversified asset allocation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has an overall goal to increase the endowment to approximately $3 million. Endowment funds shall be used to provide perpetual financial support to the Center.

At the direction of the board of directors, an annual payout of 4% applied to the smoothed, average market value of the endowed assets, to support approved strategic initiatives of the Center will be determined each fiscal year. In addition, a reasonable allocation of general overhead expenses may be charged to the endowment fund as a cost of administration in accordance with the United States generally accepted accounting principles. The allocation must be approved by the board of directors when it makes its annual affirmation of the 4% payout.

The board reserves the right at its discretion to adjust the annual payout amount, but the adjusted payout may not exceed 6% in a given year. The board may approve the adjusted annual payout with a super majority vote. For purposes of this resolution, a "super majority" shall mean more than 3/4 of the members of the board of directors of the Center present at the meeting considering such change. In no event, however, may the board approve an annual payout greater than 6% unless the entire board unanimously approves the resolution to do so, and the resolution is unanimously passed in two board meetings at least 60 days apart.

The board of directors should, in general, and on a long-term basis, only approve a calculated payout ratio percentage, which when adjusted for anticipated expenses and inflation does not exceed the long-term expected return of the endowment's assets. The board believes that this rate will provide sufficient income while preserving principal. In the event the board of directors does not set a payout ratio, no funds from the endowment may be spent until such time as the board affirms a payout ratio.

Endowment net asset composition by type of fund is as follows as of June 30:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
2019			
Donor-restricted endowment funds	$ -	$ -	$ -
Board-designated endowment funds	923,533	-	923,533
	$ 923,533	$ -	$ 923,533
2018			
Donor-restricted endowment funds	$ -	$ -	$ -
Board-designated endowment funds	835,004	-	835,004
	$ 835,004	$ -	$ 835,004

Changes in endowment funds net assets for the years ended June 30 are as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
2019			
Endowment net assets, beginning of year	$ 835,004	$ -	$ 835,004
Changes in endowment funds during the year			
Contributions	45,000	-	45,000
Investment return			
Investment income	52,088	-	52,088
Net appreciation	205	-	205
Investment fees	(8,764)	-	(8,764)
Total investment return, net	43,529	-	43,529
Endowment net assets, end of year	$ 923,533	$ -	$ 923,533

	Net assets without donor restrictions	Net assets with donor restrictions	Total
2018			
Endowment net assets, beginning of year	$ 550,632	$ -	$ 550,632
Changes in endowment funds during the year			
Contributions	254,742	-	254,742
Investment return			
Investment income	21,056	-	21,056
Net appreciation	16,949	-	16,949
Investment fees	(8,375)	-	(8,375)
Total investment return, net	29,630	-	29,630
Endowment net assets, end of year	$ 835,004	$ -	$ 835,004

Note H - Employee Benefit Plan

The Center has a 401(k) salary deferral plan covering substantially all of its employees. The Center makes a discretionary contribution to the plan, presently 7% of an employee's annual salary. For the years ended June 30, 2019 and 2018, the Center made contributions to the plan totaling $78,922 and $69,014, respectively.

Note I - Lease Commitments

The Center leases certain facilities under operating lease agreements varying in length from one to three years and expiring in 2022.

Future minimum lease commitments for noncancelable operating leases are as follows at June 30, 2019:

Year Ending June 30,	
2020	$ 60,957
2021	69,988
2022	14,937
	$ 145,882

Lease expense for the years ended June 30, 2019 and 2018 was $66,077 and $57,196, respectively.

Note J - Commitments and Contingencies

The Center routinely enters into grant agreements and contracts with government agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Center's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Center's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

Note K - Funding and Credit Concentrations

Revenues

The Center receives a substantial portion of its support directly from federal, state, and local government agencies or as pass-through government funding awards from other local agencies. Continuation of the Center's program services is greatly dependent upon the continued support of these agencies.

The Center received three grants from federal, state, and county agencies that comprise approximately 49% and 46% of the total revenues for the years ended June 30, 2019 and 2018, respectively.

Cash Deposits

The Center maintains demand deposit accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 or the Securities Investor Protection Corporation up to $500,000. Account balances periodically exceed the federally insured limits.