

Ohio CDC Association, Inc.

Financial Statements

December 31, 2020 and 2019

(with Independent Auditors' Report)



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ohio CDC Association, Inc.
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio CDC Association, Inc. (a not-for-profit organization) (the Association), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 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 Ohio CDC Association, Inc. as of December 31, 2020 and 2019, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Grant Activity are presented on pages 19-24 for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ohio CDC Association, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 14, 2021

Ohio CDC Association, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

| Assets | <u>2020</u> | <u>2019</u> |
|---|---------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents: | | |
| IDA reserve account | \$ 513,781 | 248,641 |
| Operating checking account | 311,072 | 568,612 |
| Savings account | 78,512 | 43,467 |
| Invested cash | 3,437 | 3,258 |
| Accounts receivable | 266,396 | 144,974 |
| Revolving loan fund receivable, current portion | 11,455 | 15,551 |
| Prepaid expenses | 3,895 | 16,739 |
| Investments | <u>136,312</u> | <u>123,299</u> |
| | <u>1,324,860</u> | <u>1,164,541</u> |
| Property and equipment: | | |
| Computers and other equipment | 19,178 | 15,721 |
| Furniture and fixtures | <u>5,553</u> | <u>5,553</u> |
| | 24,731 | 21,274 |
| Less accumulated depreciation | <u>21,253</u> | <u>20,687</u> |
| | <u>3,478</u> | <u>587</u> |
| Other noncurrent assets: | | |
| Revolving loan fund receivable, net of allowance of doubtful accounts of \$5,000 | <u>220</u> | <u>8,103</u> |
| | <u>\$ 1,328,558</u> | <u>1,173,231</u> |

See accompanying notes to the financial statements.

Ohio CDC Association, Inc.
 Statements of Financial Position (Continued)
 December 31, 2020 and 2019

| Liabilities and Net Assets | <u>2020</u> | <u>2019</u> |
|---|---------------------|------------------|
| Current liabilities: | | |
| Accounts payable - trade | \$ 176,655 | 105,084 |
| Accrued vacation | 10,128 | 8,998 |
| Unearned income | 42,363 | 84,242 |
| IDA reserve account pass-through payables | 366,565 | 299,846 |
| Other liabilities | <u>1,068</u> | <u>3,428</u> |
| | <u>596,779</u> | <u>501,598</u> |
| Net assets: | | |
| Without donor restrictions | 593,675 | 546,303 |
| With donor restrictions | <u>138,104</u> | <u>125,330</u> |
| | <u>731,779</u> | <u>671,633</u> |
| | <u>\$ 1,328,558</u> | <u>1,173,231</u> |

See accompanying notes to the financial statements.

Ohio CDC Association, Inc.
 Statements of Activities
 Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-----------------------|
| Changes in net assets without donor restrictions: | | |
| Revenues: | | |
| Federal, state, and private grants, including pass-through amounts of \$1,096,023 and \$1,073,142, respectively | \$ 1,613,645 | 1,628,380 |
| Contributions | 19,079 | 2,100 |
| Membership fees | 66,650 | 61,237 |
| Training and conference fees | 10,017 | 25,970 |
| VISTA and AFIA site fees grants | 56,977 | 68,953 |
| Investment income from marketable securities, net | 13,192 | 18,638 |
| Miscellaneous | 232,058 | 47,964 |
| Net assets released from restriction | <u>3,599</u> | <u>295,568</u> |
| | <u>2,015,217</u> | <u>2,148,810</u> |
| Expenses: | | |
| Program services | 1,721,803 | 1,849,428 |
| Management and general | <u>246,042</u> | <u>266,246</u> |
| | <u>1,967,845</u> | <u>2,115,674</u> |
| Change in net assets without donor restrictions | <u>47,372</u> | <u>33,136</u> |
| Changes net assets with donor restrictions: | | |
| Contributions | 16,373 | 68,269 |
| Net assets released from restriction | <u>(3,599)</u> | <u>(295,568)</u> |
| Change in net assets with donor restrictions | <u>12,774</u> | <u>(227,299)</u> |
| Change in net assets | 60,146 | (194,163) |
| Net assets at beginning of year | <u>671,633</u> | <u>865,796</u> |
| Net assets at end of year | \$ <u><u>731,779</u></u> | <u><u>671,633</u></u> |

See accompanying notes to the financial statements.

Ohio CDC Association, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

| | Program Services | Management and General | Total |
|-------------------------------------|---------------------|---------------------------|------------------|
| Micro grant pass-through | \$ 471,240 | - | 471,240 |
| VISTA salaries pass-through | 379,170 | - | 379,170 |
| Salaries and wages | 238,140 | 127,622 | 365,762 |
| Grant expenses | 222,610 | - | 222,610 |
| Columbus APPS pass thru expenses | 6,244 | - | 6,244 |
| ORR pass thru expenses | 70,144 | - | 70,144 |
| Demo 7 pass thru expenses | 49,720 | - | 49,720 |
| Conference and training | 64,352 | 2,968 | 67,320 |
| VISTA cost share pass-through | 87,355 | - | 87,355 |
| Payroll taxes and employee benefits | 60,064 | 22,823 | 82,887 |
| IDA match pass-through | 32,150 | - | 32,150 |
| Rent | - | 45,852 | 45,852 |
| Professional fees | 26,232 | 18,800 | 45,032 |
| Travel | 1,469 | 2,067 | 3,536 |
| Printing and supplies | 2,365 | 6,219 | 8,584 |
| Educational scholarships | 300 | - | 300 |
| Miscellaneous | 6,719 | 2,572 | 9,291 |
| Legislative | - | 4,527 | 4,527 |
| Insurance and maintenance | - | 4,482 | 4,482 |
| Telephone and internet | - | 4,104 | 4,104 |
| Staff/board development | - | 540 | 540 |
| Payroll processing | 3,429 | - | 3,429 |
| Service charges | - | 2,351 | 2,351 |
| Depreciation | - | 566 | 566 |
| Postage | 100 | 549 | 649 |
| | <u>1,721,803</u> | <u>246,042</u> | <u>1,967,845</u> |
| | \$ | | |

See accompanying notes to the financial statements.

Ohio CDC Association, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

| | Program Services | Management and General | Total |
|-------------------------------------|---------------------|---------------------------|------------------|
| Micro grant pass-through | \$ 409,344 | - | 409,344 |
| VISTA salaries pass-through | 408,200 | - | 408,200 |
| Salaries and wages | 211,268 | 138,808 | 350,076 |
| Empowering communities pass-through | 286,766 | - | 286,766 |
| Conference and training | 107,009 | 4,184 | 111,193 |
| VISTA cost share pass-through | 97,621 | - | 97,621 |
| Payroll taxes and employee benefits | 48,249 | 28,283 | 76,532 |
| Demonstration VII pass-through | 66,897 | - | 66,897 |
| IDA match pass-through | 64,988 | - | 64,988 |
| Rent | - | 47,813 | 47,813 |
| Professional fees | 42,400 | 3,663 | 46,063 |
| Social enterprise | 36,767 | 2,900 | 39,667 |
| USDA RDI pass-through | 23,591 | - | 23,591 |
| Travel | 10,761 | 5,644 | 16,405 |
| Printing and supplies | 4,072 | 11,117 | 15,189 |
| Educational scholarships | 10,250 | - | 10,250 |
| CNCS program | 9,525 | - | 9,525 |
| Miscellaneous | 6,044 | 2,639 | 8,683 |
| Legislative | - | 5,000 | 5,000 |
| Insurance and maintenance | - | 4,479 | 4,479 |
| Telephone and internet | - | 4,261 | 4,261 |
| Staff/board development | 330 | 3,317 | 3,647 |
| Payroll processing | 2,846 | 782 | 3,628 |
| JOLI IDA pass-through | 2,500 | - | 2,500 |
| Service charges | - | 2,221 | 2,221 |
| Depreciation | - | 699 | 699 |
| Postage | - | 436 | 436 |
| | <u>\$ 1,849,428</u> | <u>266,246</u> | <u>2,115,674</u> |

See accompanying notes to the financial statements.

Ohio CDC Association, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|------------|-----------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 60,146 | (194,163) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 566 | 699 |
| Gain on investments | (11,992) | (16,935) |
| Effects of changes in operating assets and liabilities: | | |
| Accounts receivable | (121,422) | (63,084) |
| Revolving loan fund receivable | 11,979 | (5,370) |
| Prepaid expenses | 12,844 | (5,949) |
| Accounts payable - trade | 71,571 | (55,145) |
| Accounts payable - other | - | (1,500) |
| Accrued vacation | 1,130 | (1,866) |
| Unearned income | (41,879) | (92,767) |
| IDA reserve account pass-through payables | 66,719 | 40,064 |
| Other liabilities | (2,360) | (3,853) |
| | 47,302 | (399,869) |
| Net cash flows from operating activities | | |
| Cash flows from investing activities: | | |
| Purchase of investments | (1,021) | (981) |
| Purchase of property and equipment | (3,457) | - |
| | (4,478) | (981) |
| Net cash flows from investing activities | | |
| Change in cash and cash equivalents | 42,824 | (400,850) |
| Cash and cash equivalents - beginning of year | 863,978 | 1,264,828 |
| Cash and cash equivalents - end of year | \$ 906,802 | 863,978 |
| Consisting of: | | |
| IDA reserve account | \$ 513,781 | 248,641 |
| Operating checking account | 311,072 | 568,612 |
| Savings account | 78,512 | 43,467 |
| Invested cash | 3,437 | 3,258 |
| | \$ 906,802 | 863,978 |

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Ohio CDC Association, Inc. (the Association) are set forth to facilitate the understanding of data presented in the financial statements:

Nature of activity

The Association was formed in 1984 and is a statewide association of not-for-profit community development corporations (CDCs) and other associated organizations that support the goals of community economic development. The Association's goal is to promote and assist the efforts of the not-for-profit community-based development organizations to address the needs of low and moderate income communities in Ohio. This goal is achieved through training and technical assistance, engaging in policy and resource development, and sponsoring special projects.

Basis of presentation

Net assets and revenues, expenses, gains, and losses are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association 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 Association.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will likely be met by the actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of accounting

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.

Revenue recognition

The Association's primary revenue and support is obtained from contributions, grants, memberships, and training and seminar revenues. Revenues from contributions and grants are recognized when a donor's unconditional commitment is received.

Training and seminar revenues are based on the satisfaction of performance obligations at a point in time, which is the completion of the event. Memberships are based on the satisfaction of performance obligations over time, which is one year. Training and seminar or membership fees received in advance are deferred to the applicable period in which the performance obligation is performed. Total revenue recognized at a point in time is \$10,017 and \$25,970 for the years ended December 31, 2020 and 2019, respectively. Total revenue recognized over time is \$66,650 and \$61,237 for the years ended December 31, 2020 and 2019, respectively.

Donated materials

Donated materials are recorded at their estimated fair value at the time received.

Cash and cash equivalents

The Association considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Accounts receivable

At December 31, 2020 and 2019, accounts receivable included \$116,937 and \$120,097, respectively, of grants receivable and \$149,459 and \$24,877, respectively, of conference and training fees, dues, and miscellaneous receivables. Management makes an assessment of the ultimate realization of these receivables on an annual basis and estimates an allowance for doubtful accounts, if necessary, based on the Association's historical evidence of collections. Management has reviewed the accounts receivable detail and does not believe an allowance was necessary at December 31, 2020 and 2019.

Contributions receivable

Unconditional contributions receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or in-kind expenses depending on the form of benefits received.

Contributions receivable consist of amounts due within one year.

Investments

The Association presents investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Net unrealized and realized gains and losses are to be reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives, which range from five to seven years. The Association capitalizes the cost of all expenditures for property and equipment greater than \$1,000. Contributed property and equipment are recorded at fair value at the date of donation. There was no contributed property or equipment received in the years ended December 31, 2020 and 2019.

Cost allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, the Association allocates certain program costs based upon the direct allocation method, with total direct salary and wages, including applicable fringe benefit costs, as the indirect cost rate allocation base. The Association used a rate less than the provisional rate of 12.27 percent for the years ended December 31, 2020 and 2019.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates

Income taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). As such, no provision has been made for federal income taxes in the financial statements.

2. RETIREMENT PLAN:

The Association maintains a defined contribution retirement plan. The Board of Directors determines the amount of the Association’s contribution to the plan annually. Expenses relating to the plan for the years ended December 31, 2020 and 2019 were \$13,948 and \$14,845, respectively.

3. CONCENTRATIONS OF RISK IN EXCESS OF FEDERALLY INSURED LIMITS:

The Association maintains its cash balances in two financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2020 and 2019, the Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. INVESTMENT INCOME:

Investment income consists of the following:

| | 2020 | 2019 |
|--|-----------|---------|
| Realized and unrealized gains on investments | \$ 11,992 | 16,935 |
| Dividend income on investments | 2,694 | 3,091 |
| Investment fees | (1,494) | (1,388) |
| | \$ 13,192 | 18,638 |

PNC Investments (PNC) is the custodian of the investment accounts. The Securities Investor Protection Corporation (SIPC) provides up to \$500,000 protection, with a limit of \$100,000 for claims of cash balances, per institution. Investment accounts did not exceed these limits during 2020 or 2019.

5. FAIR VALUE MEASUREMENTS:

U.S. GAAP define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.
- Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes from the prior year in the methodologies used at December 31, 2020 and 2019.

Mutual funds: Valued based on the net asset value (NAV) of shares held by the Association at period end which is based on observable market quotations for identical assets and are priced on a daily basis at the close of business.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table presents the Association's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2020 and 2019.

| <u>December 31, 2020</u> | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------|-------------------|----------------|----------------|----------------|
| Investments: | | | | |
| Common stocks | \$ 68,754 | 68,754 | - | - |
| Fixed income mutual funds | 63,850 | 63,850 | - | - |
| Equity mutual funds | <u>3,708</u> | <u>3,708</u> | - | - |
| | <u>\$ 136,312</u> | <u>136,312</u> | - | - |
| | | | | |
| <u>December 31, 2019</u> | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Investments: | | | | |
| Common stocks | \$ 60,351 | 60,351 | - | - |
| Fixed income mutual funds | 58,954 | 58,954 | - | - |
| Equity mutual funds | <u>3,994</u> | <u>3,994</u> | - | - |
| | <u>\$ 123,299</u> | <u>123,299</u> | - | - |

6. REVENUE SOURCES:

The Association receives a significant portion of revenue from the Ohio Development Services Agency, the U.S. Department of Health and Human Services, and the Corporation for National and Community Service. A reduction in this revenue flow could adversely affect the operations of the Association.

Additionally, under the terms of federal and state contracts and grants, periodic audits are required and certain costs may be questioned as inappropriate expenditures. Such audits could lead to reimbursement to awarding agencies. Management believes disallowances, if any, will be immaterial.

The Association serves as an intermediary for the transfer of funds to qualified low-income recipients to assist in purchases of homes, business startup, and education through Individual Development Accounts. Distributions of these funds take place throughout the year. Public and private funding received for the Assets for Independence Program are deposited into a separate bank account known as the IDA Reserve Account. Interest on the account is accumulated in the account and reserved for future outlays of assistance. The Association does not retain any interest earned on this account.

7. OPERATING LEASES:

The Association leases office space and office equipment under non-cancelable operating leases expiring on various dates through 2022.

Future minimum lease obligations subsequent to the year ended December 31, 2020 are as follows:

| <u>Year Ending December 31:</u> | | |
|---------------------------------|----|----------------------|
| 2021 | \$ | 49,386 |
| 2022 | | <u>2,099</u> |
| Total minimum lease payments | \$ | <u><u>51,485</u></u> |

8. NET ASSETS WITH DONOR RESTRICTIONS:

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

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|-----------------------|
| Subject to expenditure for a specific purpose: | | |
| Revolving loan fund | \$ 64,689 | 65,887 |
| Social enterprise | 33,494 | 35,895 |
| Empowering communities | 5,000 | 5,000 |
| IDA grant | 12,746 | 6,373 |
| MICRO | 20,000 | 10,000 |
| Endowment funds held in perpetuity | <u>2,175</u> | <u>2,175</u> |
| | \$ <u><u>138,104</u></u> | <u><u>125,330</u></u> |

9. ENDOWMENT FUNDS:

The Association's endowment consists of cash contributions. Its endowment includes donor-restricted funds. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Association classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetually restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Association has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in cash and cash equivalents that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% after allowing funds to significantly accumulate before distribution. The Association expects its endowment assets, over time, to produce an average rate of return of approximately the consumer price index plus 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Due to the endowment fund value, the asset was not in a high yield investment at year end.

Spending Policy

The Association's plan is to allow funds to accumulate significantly before distribution of any earnings. Once the distribution begins, the Association has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end, proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Association expects the current spending policy to

allow its endowment funds to grow at the rate of inflation. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

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

| | | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> Temporary | <u>Held in Perpetuity</u> | <u>Total</u> |
|----------------------------------|----|---|---|-------------------------------|--------------|
| Donor-restricted endowment funds | \$ | <u>-</u> | <u>-</u> | <u>2,175</u> | <u>2,175</u> |

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

| | | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> Temporary | <u>Held in Perpetuity</u> | <u>Total</u> |
|----------------------------------|----|---|---|-------------------------------|--------------|
| Donor-restricted endowment funds | \$ | <u>-</u> | <u>-</u> | <u>2,175</u> | <u>2,175</u> |

10. LIQUIDITY:

The Association is substantially supported by grants, some of which come with restrictions. Because a grant's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|------------------|
| Financial assets: | | |
| Cash | \$ 906,802 | 863,978 |
| Current receivables, net | 277,851 | 160,525 |
| Investments | <u>136,312</u> | <u>123,299</u> |
| Financial assets available at year-end | 1,320,965 | 1,147,802 |
| Less those unavailable for general expenditures within one year due to: | | |
| Restrictions by donor for time or purpose | (138,104) | (125,330) |
| IDA Reserve account | <u>(513,781)</u> | <u>(248,641)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>669,080</u> | <u>773,831</u> |

11. PAYCHECK PROTECTION PLAN LOAN:

The Association applied for a Paycheck Protection Program loan (PPP Loan) for \$57,000 with a rate of 1%, which was approved and received on May 1, 2020. The loan was included in grants and contributions in 2020 because expenses qualifying for forgiveness were incurred. The entire amount was forgiven in 2021.

12. SUBSEQUENT EVENTS:

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 14, 2021, the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Ohio CDC Association, Inc.
Columbus, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Ohio CDC Association, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ohio CDC Association, Inc.'s (the Association) internal control over financial reporting (internal control) as a basis for designing the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
October 14, 2021

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Microbusiness Development Grant Program
 Schedule of Grant Activity S-E-18-7FT-1
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|-----------------------------------|-------------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 500,000 | 129,000 | - | 500,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Loan supplement | \$ 10,000 | - | 11,000 | (1,000) |
| Training and technical assistance | 393,941 | 37,980 | 395,941 | (2,000) |
| Operating expenses CHDO | 46,059 | 2,691 | 43,059 | 3,000 |
| General administration | 50,000 | 4,032 | 50,000 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenditures | \$ 500,000 | 44,703 | 500,000 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

See independent auditors' report.

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Target of Opportunity Program
 Schedule of Grant Activity S-S-18-7FT-1
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|-----------------------------------|---------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 130,000 | - | - | 130,000 |
| | | | | |
| | <u>Budget</u> | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Training and technical assistance | \$ 7,300 | 352 | 7,300 | - |
| Housing dev/info/counseling | 109,700 | 32,579 | 109,700 | - |
| General administration | 13,000 | 6,342 | 13,000 | - |
| Total expenditures | \$ 130,000 | 39,273 | 130,000 | - |

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Microbusiness Development Grant Program
 Schedule of Grant Activity S-E-19-7FT-1
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|-----------------------------------|---------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 500,000 | 434,000 | 45,055 | 479,055 |
| | | | | |
| | <u>Budget</u> | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Training and technical assistance | \$ 405,000 | 389,544 | 389,544 | 15,456 |
| Operating expenses CHDO | 45,000 | 41,025 | 41,025 | 3,975 |
| General administration | 50,000 | 48,486 | 48,486 | 1,514 |
| | | | | |
| Total expenditures | \$ 500,000 | 479,055 | 479,055 | 20,945 |

See independent auditors' report.

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Training and Technical Assistance Program
 Schedule of Grant Activity S-E-19-7FT-2
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|-----------------------------------|---------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 165,000 | 165,000 | - | 157,777 |
| | | | | |
| | <u>Budget</u> | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Administration | \$ 16,500 | 13,771 | 13,771 | 2,729 |
| Housing | 44,500 | 44,456 | 44,456 | 44 |
| Training and technical assistance | 104,000 | 99,550 | 99,550 | 4,450 |
| | | | | |
| Total expenditures | \$ 165,000 | 157,777 | 157,777 | 7,223 |

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Target of Opportunity Program
 Schedule of Grant Activity S-S-19-7FT-1
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|--|---------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 71,000 | 57,000 | - | 39,150 |
| | | | | |
| | <u>Budget</u> | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Training and technical assistance and housing dev/info/counseling | \$ 24,000 | 16,150 | 16,150 | 7,850 |
| Downpayment assistance | 40,000 | 16,000 | 16,000 | 24,000 |
| General administration | 7,000 | 7,000 | 7,000 | - |
| Total expenditures | \$ 71,000 | 39,150 | 39,150 | 31,850 |

Ohio CDC Association, Inc.
 Low and Moderate-Income Housing Trust Fund
 Target of Opportunity Program
 Schedule of Grant Activity S-S-19-7FT-2
 Grant Activity January 1, 2020 through December 31, 2020

| | <u>Budget</u> | <u>Cash Received FY 2020</u> | <u>Accounts Receivable at 12/31/2020</u> | <u>Total Revenue Recognized</u> |
|-----------------------------------|---------------|--|--|---|
| Revenue | | | | |
| Ohio Development Services Agency | \$ 115,000 | 81,000 | 12,991 | 93,991 |
| | | | | |
| | <u>Budget</u> | <u>Expenses Incurred FY 2020</u> | <u>Total Expenses Incurred</u> | <u>Budget Balances</u> |
| Expenditures | | | | |
| Training and technical assistance | \$ 4,500 | 3,222 | 3,222 | 1,278 |
| Housing dev/info/counseling | 99,000 | 79,269 | 79,269 | 19,731 |
| General administration | 11,500 | 11,500 | 11,500 | - |
| | | | | |
| Total expenditures | \$ 115,000 | 93,991 | 93,991 | 21,009 |

See independent auditors' report.

