

**COMMUNITY HEALTH CHARITIES
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

COMMUNITY HEALTH CHARITIES AND AFFILIATES
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Report of Independent Auditor

The Board of Directors
Community Health Charities and Affiliates
Alexandria, Virginia

We have audited the accompanying consolidated financial statements of Community Health Charities and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Financial Statement Presentation

As discussed in Note 1, the Organization adopted Accounting Standards Update ("ASU") 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Change in Reporting Entity

As discussed in Note 8, the Organization has restated its beginning net assets to consolidate entities not previously reported. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 14–19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Cherry BeKant LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
February 3, 2020

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 11,295,912
Investments	1,996,183
Pledges receivable:	
Pledges receivable, gross	22,014,844
Allowance for uncollectible pledges	<u>(4,123,198)</u>
Pledges receivable, net	<u>17,891,646</u>
Other member receivables	226,008
Prepaid expenses	71,080
Property and equipment, net	38,729
Deposits	<u>55,480</u>
Total Assets	<u><u>\$ 31,575,038</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 2,972,179
Campaign funds payable	<u>19,415,413</u>
Total Liabilities	22,387,592
Net Assets Without Donor Restrictions	<u>9,187,446</u>
Total Liabilities and Net Assets	<u><u>\$ 31,575,038</u></u>

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

Net Assets Without Donor Restrictions:	
Gross campaign revenue	\$ 27,523,830
Less donor designations	<u>(21,338,737)</u>
Net campaign revenue	6,185,093
Other Public Support and Revenue:	
Application fees	647,457
Contributions	481,021
Campaign service fee revenue	75,312
Management fees	66,124
Event sponsorships	133,153
Investment return, net	89,105
Other revenue	<u>103,654</u>
Total Public Support and Revenue	<u>7,780,919</u>
Expenses:	
Program services	<u>5,212,157</u>
Supporting Services:	
Management and general	765,931
Fundraising	<u>337,700</u>
Total Supporting Services	<u>1,103,631</u>
Total Expenses	<u>6,315,788</u>
Change in net assets before changes related to acquisition of affiliates	1,465,131
Excess of assets over liabilities acquired from affiliates	<u>271,077</u>
Change in net assets without donor restrictions	<u>1,736,208</u>
Net assets, beginning of year, as previously reported	7,428,719
Increase in net assets due to change in reporting entity	<u>22,519</u>
Net assets, beginning of year, as restated	<u>7,451,238</u>
Net assets, end of year	<u><u>\$ 9,187,446</u></u>

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total	
Personnel Expenses:					
Salaries	\$ 2,932,079	\$ 417,601	\$ 214,841	\$ 632,442	\$ 3,564,521
Payroll taxes	235,796	33,584	17,278	50,862	286,658
Employee benefits	338,389	48,196	24,794	72,990	411,379
Total Personnel Expenses	3,506,264	499,381	256,913	756,294	4,262,558
Other Expenses:					
Advertising	31,718	4,641	2,321	6,962	38,680
Depreciation	13,680	1,948	1,002	2,950	16,630
Dues and fees	152,680	21,745	11,187	32,932	185,612
Furniture and equipment	64,208	9,144	4,704	13,848	78,056
Insurance	63,603	9,058	4,660	13,718	77,321
Meetings	96,849	53,639	17,532	71,171	168,020
Occupancy	239,618	48,855	11,974	60,829	300,447
Printing and postage	51,457	7,330	3,770	11,100	62,557
Professional fees	307,792	54,316	-	54,316	362,108
Software	130,782	18,627	9,582	28,209	158,991
Supplies	353,977	6,914	3,556	10,470	364,447
Telephone and internet	29,854	5,100	364	5,464	35,318
Temporary services	31,339	5,530	-	5,530	36,869
Training	9,283	1,322	680	2,002	11,285
Travel	129,053	18,381	9,455	27,836	156,889
Total Other Expenses	1,705,893	266,550	80,787	347,337	2,053,230
Total Expenses	\$ 5,212,157	\$ 765,931	\$ 337,700	\$ 1,103,631	\$ 6,315,788

COMMUNITY HEALTH CHARITIES AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:

Change in net assets	\$ 1,736,208
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	16,630
Loss on disposal of property and equipment	7,426
Decrease in allowance for pledges receivable	(1,211,290)
Reinvested dividends and interest	(72,101)
Realized and unrealized gains on investments, net of investment management expenses	(17,004)
Excess of assets over liabilities acquired from affiliates	(271,077)
Decrease (increase) in operating assets:	
Other member receivables	245,964
Pledges receivable	1,754,800
Prepaid expenses	113,779
Deposits	(18,188)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	1,930,267
Campaign funds payable	(5,879,888)
Due to affiliate	35,719
Net cash flows from operating activities	<u>(1,628,755)</u>

Cash flows from investing activities:

Purchases of property and equipment	(7,071)
Proceeds from sale of property and equipment	<u>157,831</u>
Net cash flows from investing activities	<u>150,760</u>

Net decrease in cash and cash equivalents	(1,477,995)
Cash and cash equivalents, beginning of year	<u>12,695,595</u>
Cash and cash equivalents, end of year	<u>\$ 11,217,600</u>

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – Community Health Charities and Affiliates (the “Organization”), through participation in the Combined Federal Campaign and certain corporate campaigns, serves as a vehicle through which federal (domestic and overseas) employees and employees in the private sector may make contributions to the Organization’s charity partners and their local chapters, which are not-for-profit charitable organizations performing medical research, providing community and patient services, and materials and programs for public and professional education in the health field. The Organization conducts business nationwide through a network of affiliated Community Health Charities’ local affiliates. Amounts raised in unaffiliated states are distributed directly to designated charitable organizations based on campaign designation reports.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Community Health Charities, Community Health Charities, Local, Christian Service Charities, Inc., Human Service Charities of America, Inc., and Neighbor to Nation. All inter-organization account balances and transaction are eliminated in the preparation of the consolidated financial statements.

Basis of Presentation – The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization presents information regarding its financial position and activities according to two classes of net assets described as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions generally result from revenues generated by providing services, receiving unrestricted contributions, and interest from banks, less expenses incurred in providing related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. CHC reported no net assets with donor restrictions as of June 30, 2019.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for uncollectible pledges and shrinkage.

Cash and Cash Equivalents – Cash and cash equivalents consist of operating, payroll, and money market accounts and certificates of deposit with a maturity of three months or less.

Total cash at June 30, 2019 includes the following:

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Nature of operations and summary of significant accounting policies (continued)

Property and Equipment – Property and equipment with unit values in excess of \$1,000 are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Cost and related accumulated depreciation are removed from the accounts when the assets are disposed of, with any gain or loss recognized currently. Repairs and maintenance are charged to expense when incurred.

Campaign Funds Payable – Campaign funds payable include funds not distributed as of year-end for donor pledges that are undesignated or designated to the Organization or charity partners. When pledges are received and processed from campaigns, the cash is allocated using the ratio of donor-designated funds combined with the pro rata share of undesignated funds to the total cash received.

Distribution Policy – The Policy of the Organization is to distribute, as of the Organization's scheduled distribution dates, all of the receipts from all contributing campaigns, less an agreed-upon fee, in accordance with gross designation reports provided by administrators of the various campaigns, to include the Combined Federal Campaign.

Designations to Member Agencies – The federation is honoring designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member, per CFC regulations at § 950.301(e)(2)(i).

Revenue Recognition – Administrative fees from amounts raised in campaigns represent the Organization's fee for processing collections from campaigns that have been passed through to specific member charities based on donor designations for the year ended June 30, 2019. These fees represent board-approved costs of raising funds on behalf of others and are recognized when the funds are received and processed for distribution. The campaign percentages vary based on individual agreements. Affiliation fees are based on audited results of amounts raised in workplace campaigns by affiliates using a board-approved rate and are recognized annually.

Expenses – Expenses are recognized by the Organization during the period in which they are incurred. Expenses which are paid in advance and not yet incurred are deferred to the applicable period.

Program services consist of costs associated with managing, maintaining, and increasing revenue sources for the Organization's charity partners from existing workplace fundraising campaigns; increasing overall recognition and representation of charity partners; and costs that benefit the overall campaign. Management and general expenses consist of costs directly related to the overall operations of the Organization and maintenance of its corporate existence, including general office management, reception, and financial reporting. Fundraising includes those costs associated with accessing new workplace fundraising campaigns.

Functional Allocation of Expenses – The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. Professional fees, software, temporary services and meetings expenses were allocated based on management's best estimate of which benefit was derived. Occupancy expenses were allocated based on square footage. All remaining expenses were allocated based on estimated time and effort.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, the Organization is classified by the Internal Revenue Service ("IRS") under Section 509(a)(1) as an organization that is not a private foundation and is required to report unrelated business income to the IRS and the State of Virginia taxing authorities. For the year ended June 30, 2019, there was no unrelated business income earned.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Nature of operations and summary of significant accounting policies (continued)

Accounting for Uncertainty in Income Taxes – The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s federal and state tax returns are generally open for examination for three years following the date filed.

Adopted Pronouncements – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses. The Organization adopted this pronouncement during the current fiscal year and has adjusted these statements accordingly.

Subsequent Events – The Organization has evaluated subsequent events through February 3, 2020, which is the date the financial statements were available to be issued.

Note 2—Property and equipment

Property and equipment consisted of the following as of June 30, 2019:

Cost:

Office/computer equipment	\$	58,485
Software		44,925
		<u>103,410</u>
Less accumulated depreciation		<u>(64,681)</u>
Net property and equipment	\$	<u>38,729</u>

Depreciation expense for the year ended June 30, 2019 was \$16,630.

Note 3—Commitments

The Organization has commitments under operating leases for its headquarters office as well as leases still in effect for several of their local affiliates which were acquired in prior years. These leases expire at various dates through October 2027.

The Organization also leases equipment under an operating lease which has a monthly rent payment of \$346 and expires in April 2020.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3—Commitments (continued)

Future minimum rental payments, by fiscal year and in the aggregate, under the operating leases are as follows:

<u>Years Ending June 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Totals</u>
2020	\$ 261,026	\$ 3,460	\$ 264,486
2021	268,212	-	268,212
2022	275,577	-	275,577
2023	283,145	-	283,145
2024	290,943	-	290,943
2025 and later	1,028,100	-	1,028,100
	<u>\$ 2,407,003</u>	<u>\$ 3,460</u>	<u>\$ 2,410,463</u>

Rent expense for the year ended June 30, 2019 was \$282,952.

Note 4—Pension plan

The Organization has a defined-contribution plan under Section 403(b) of the IRC covering all employees who have completed at least one year of service. Under the plan, the Organization made discretionary contributions to the plan equal to 6.5% of each eligible employee's salary. Contributions of \$157,559 were made during the year ended June 30, 2019.

Note 5—Concentration of credit risk and financial instruments

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of short-term investments maintained at creditworthy financial institutions. These account balances, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. Credit risk with respect to pledges receivable is limited because the Organization deals with a significant number of campaigns whose participants are spread over a wide geographical area.

Note 6—Investments and fair value measurements

The Organization established 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability 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. The inputs into the determination of fair value require significant management judgment or estimation. At this time, the Organization does not hold any investments which would be included in this category.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Investments and fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

The following table summarizes investments as of June 30, 2019:

	Fair Value	Cost
Corporate bonds	\$ 683,286	\$ 697,409
Mutual funds	858,614	842,633
Equities	280,667	194,649
Certificates of deposit	80,033	81,369
Money market funds	93,583	10,078
	<u>\$ 1,996,183</u>	<u>\$ 1,826,138</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 683,286	\$ -	\$ 683,286
Mutual funds	858,614	-	-	858,614
Equities	280,667	-	-	280,667
Certificates of deposit	80,033	-	-	80,033
Money market funds	93,583	-	-	93,583
	<u>\$ 1,312,897</u>	<u>\$ 683,286</u>	<u>\$ -</u>	<u>\$ 1,996,183</u>

The following table summarizes investment returns, net for the year ended June 30, 2019:

Interest and dividends	\$ 72,101
Realized losses	(61)
Unrealized gains	23,730
Investment management expenses	(6,665)
	<u>\$ 89,105</u>

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 7—Liquidity and availability of resources

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers all general expenditures to be all program services, management and general, and fundraising costs incurred in the ordinary course of the advancement of the Organization's mission. The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 9,772,145
Investments	1,996,183
Other member receivables	<u>226,008</u>
Total financial assets	<u>11,994,336</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 11,994,336</u></u>

Note 8—Change in reporting entity

The financial statements reflect an increase in beginning net assets of \$22,519 due to Community Health Charities, Local ("Local") being consolidated with Community Health Charities as of and for the year ended June 30, 2019. Prior to fiscal year 2019, Local's operations differed from that of CHC and were immaterial. Local has returned to administration of combined campaigns and management determined it was more meaningful to consolidate with CHC's financial statements. Beginning net assets were increased \$22,519 as a result of the consolidation.

Note 9—Acquisition of affiliates

Consistent with the goal of building greater efficiencies and increasing member charity support, the Board of Directors of Community Health Charities voted on October 12, 2018 to proceed with an opportunity to assume management and administrative control, including fiduciary oversight, of Christian Service Charities, Inc., Human Service Charities of America, Inc. and Neighbor to Nation. The boards of the three entities separately approved the acquisitions with an effective date of November 1, 2018. As part of these acquisitions, Community Health Charities assumed all assets and liabilities of the three entities as of November 1, 2018, resulting in a one-time increase in net assets in the amount of \$291,077, which is shown as a separate line item on the consolidated statement of activities and changes in net assets.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 9—Acquisition of affiliates (continued)

Community Health Charities did not transfer any consideration to any of the entities as part of the acquisition, and accordingly, no goodwill has been recognized. Community Health Charities acquired the following assets and assumed the following liabilities of the entities as part of the acquisition:

	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Total
Cash	\$ 1,170,324	\$ 107,192	\$ 275,016	\$ 1,552,532
Receivables	263,312	38,019	396	301,727
Property and equipment, net	711,538	-	-	711,538
Other assets	1,286	-	-	1,286
Accounts payable and accrued expenses	(55,585)	(25)	(3,050)	(58,660)
Campaign funds payable	(1,336,721)	(164,618)	(182,300)	(1,683,639)
Debt	(533,707)	-	-	(533,707)
Excess (deficiency) of assets over liabilities acquired in acquisition of affiliates	<u>\$ 220,447</u>	<u>\$ (19,432)</u>	<u>\$ 90,062</u>	<u>\$ 291,077</u>

Note 10—Upcoming accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018 for all non-SEC filers, including not-for-profit entities. The Organization has not yet selected a transition method and is currently evaluating the effect the standard will have on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires lessees to record most leases on their balance sheets as a lease liability with a corresponding right-of-use asset, but continue to recognize the related leasing expense within net income. The guidance also eliminates real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. ASU No. 2016-02 becomes effective for the Organization in 2022 with early adoption permitted and will be applied under a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The calculation of the lease liability and right-of-use asset requires further analysis of the underlying leases to determine which portion of the underlying lease payments are required to be included in the calculation. The Organization is currently evaluating ASU No. 2016-02 to determine the potential impact that adopting this standard will have on its consolidated financial statements.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2019

	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	\$ 10,412,473	\$ -	\$ 467,004	\$ 63,801	\$ 352,634	\$ -	\$ 11,295,912
Investments	1,996,183	-	-	-	-	-	1,996,183
Pledges receivable:							
Pledges receivable	16,671,729	2,950,892	1,897,491	161,754	332,978	-	22,014,844
Allowance for uncollectible pledges	(3,347,268)	(433,072)	(278,698)	(24,935)	(39,225)	-	(4,123,198)
Pledges receivable, net	13,324,461	2,517,820	1,618,793	136,819	293,753	-	17,891,646
Other member receivables	226,008	-	-	-	-	-	226,008
Prepaid expenses	71,080	-	-	-	-	-	71,080
Due from affiliate	-	35,719	-	-	-	(35,719)	-
Property and equipment, net	38,729	-	-	-	-	-	38,729
Deposits	55,480	-	-	-	-	-	55,480
Total Assets	\$ 26,124,414	\$ 2,553,539	\$ 2,085,797	\$ 200,620	\$ 646,387	\$ (35,719)	\$ 31,575,038
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and accrued expenses	\$ 2,805,933	\$ 27,000	\$ 78,312	\$ 11,484	\$ 49,450	\$ -	\$ 2,972,179
Campaign funds payable	14,787,475	2,517,820	1,618,852	135,825	355,441	-	19,415,413
Due to affiliate	35,719	-	-	-	-	(35,719)	-
Total Liabilities	17,629,127	2,544,820	1,697,164	147,309	404,891	(35,719)	22,387,592
Net Assets, Without Donor Restrictions	8,495,287	8,719	388,633	53,311	241,496	-	9,187,446
Total Liabilities and Net Assets	\$ 26,124,414	\$ 2,553,539	\$ 2,085,797	\$ 200,620	\$ 646,387	\$ (35,719)	\$ 31,575,038

See report of independent auditor.

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Consolidated Total
Gross campaign revenue	\$ 20,774,370	\$ 3,198,082	\$ 2,469,090	\$ 249,079	\$ 833,209	\$ -	\$ 27,523,830
Less donor designations	(15,624,113)	(2,756,474)	(2,079,546)	(163,656)	(714,948)	-	(21,338,737)
Net campaign revenue	5,150,257	441,608	389,544	85,423	118,261	-	6,185,093
Other Public Support and Revenue:							
Application fees	645,563	-	1,894	-	-	-	647,457
Contributions	481,021	-	-	-	-	-	481,021
Campaign service fee revenue	-	-	13,453	-	61,859	-	75,312
Management fees	507,732	-	-	-	-	(441,608)	66,124
Event sponsorships	133,153	-	-	-	-	-	133,153
Investment return, net	89,105	-	-	-	-	-	89,105
Other revenue	26,021	-	76,145	1,488	-	-	103,654
Total Public Support and Revenue	7,032,852	441,608	481,036	86,911	180,120	(441,608)	7,780,919
Expenses:							
Program services	4,922,508	387,097	241,603	11,834	24,482	(375,367)	5,212,157
Supporting Services:							
Management and general	722,833	68,311	35,421	1,875	3,732	(66,241)	765,931
Fundraising	320,943	-	15,826	459	472	-	337,700
Total Supporting Services	1,043,776	68,311	51,247	2,334	4,204	(66,241)	1,103,631
Total Expenses	5,966,284	455,408	292,850	14,168	28,686	(441,608)	6,315,788
Change in net assets before changes related to acquisition of affiliates	1,066,568	(13,800)	188,186	72,743	151,434	-	1,465,131
Excess (deficiency) of assets over liabilities acquired from affiliates	-	-	200,447	(19,432)	90,062	-	271,077
Change in net assets	1,066,568	(13,800)	388,633	53,311	241,496	-	1,736,208
Net assets, beginning of year, as previously reported	7,428,719	-	-	-	-	-	7,428,719
Increase in net assets due to change in reporting entity	-	22,519	-	-	-	-	22,519
Net assets, beginning of year, as restated	7,428,719	22,519	-	-	-	-	7,451,238
Net assets, end of year	\$ 8,495,287	\$ 8,719	\$ 388,633	\$ 53,311	\$ 241,496	\$ -	\$ 9,187,446

See report of independent auditor.

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services						
	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Program Services Total
Personnel Expenses:							
Salaries	\$ 2,801,385	\$ -	\$ 130,694	\$ -	\$ -	\$ -	\$ 2,932,079
Payroll taxes	190,765	-	45,031	-	-	-	235,796
Employee benefits	332,629	-	5,760	-	-	-	338,389
Total Personnel Expenses	3,324,779	-	181,485	-	-	-	3,506,264
Other Expenses:							
Advertising	23,988	-	7,730	-	-	-	31,718
Depreciation	13,680	-	-	-	-	-	13,680
Dues and fees	138,041	-	8,328	2,976	3,335	-	152,680
Furniture and equipment	61,180	-	3,028	-	-	-	64,208
Insurance	49,873	-	8,510	2,135	3,085	-	63,603
Meetings	96,849	-	-	-	-	-	96,849
Occupancy	235,983	-	3,635	-	-	-	239,618
Printing and postage	51,140	-	261	28	28	-	51,457
Professional fees	256,372	387,097	18,167	5,576	15,947	(375,367)	307,792
Software	129,877	-	905	-	-	-	130,782
Supplies	350,000	-	1,890	-	2,087	-	353,977
Telephone and internet	24,802	-	5,052	-	-	-	29,854
Temporary services	29,421	-	1,918	-	-	-	31,339
Training	9,283	-	-	-	-	-	9,283
Travel	127,240	-	694	1,119	-	-	129,053
Total Other Expenses	1,597,729	387,097	60,118	11,834	24,482	(375,367)	1,705,893
Total Expenses	\$ 4,922,508	\$ 387,097	\$ 241,603	\$ 11,834	\$ 24,482	\$ (375,367)	\$ 5,212,157

See report of independent auditor.

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2019

	Management and General						
	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Management and General Total
Personnel Expenses:							
Salaries	\$ 398,987	\$ -	\$ 18,614	\$ -	\$ -	\$ -	\$ 417,601
Payroll taxes	27,170	-	6,414	-	-	-	33,584
Employee benefits	47,375	-	821	-	-	-	48,196
Total Personnel Expenses	473,532	-	25,849	-	-	-	499,381
Other Expenses:							
Advertising	3,510	-	1,131	-	-	-	4,641
Depreciation	1,948	-	-	-	-	-	1,948
Dues and fees	19,660	-	1,186	424	475	-	21,745
Furniture and equipment	8,713	-	431	-	-	-	9,144
Insurance	7,103	-	1,212	304	439	-	9,058
Meetings	53,639	-	-	-	-	-	53,639
Occupancy	48,106	-	749	-	-	-	48,855
Printing and postage	7,284	-	38	4	4	-	7,330
Professional fees	45,242	68,311	3,206	984	2,814	(66,241)	54,316
Software	18,498	-	129	-	-	-	18,627
Supplies	6,713	-	201	-	-	-	6,914
Telephone and internet	4,248	-	852	-	-	-	5,100
Temporary services	5,192	-	338	-	-	-	5,530
Training	1,322	-	-	-	-	-	1,322
Travel	18,123	-	99	159	-	-	18,381
Total Other Expenses	249,301	68,311	9,572	1,875	3,732	(66,241)	266,550
Total Expenses	\$ 722,833	\$ 68,311	\$ 35,421	\$ 1,875	\$ 3,732	\$ (66,241)	\$ 765,931

See report of independent auditor.

COMMUNITY HEALTH CHARITIES AND AFFILIATES
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2019

	Fundraising							
	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Fundraising Total	Consolidated Total
Personnel Expenses:								
Salaries	\$ 205,265	\$ -	\$ 9,576	\$ -	\$ -	\$ -	\$ 214,841	\$ 3,564,521
Payroll taxes	13,978	-	3,300	-	-	-	17,278	286,658
Employee benefits	24,372	-	422	-	-	-	24,794	411,379
Total Personnel Expenses	243,615	-	13,298	-	-	-	256,913	4,262,558
Other Expenses:								
Advertising	1,755	-	566	-	-	-	2,321	38,680
Depreciation	1,002	-	-	-	-	-	1,002	16,630
Dues and fees	10,115	-	610	218	244	-	11,187	185,612
Furniture and equipment	4,482	-	222	-	-	-	4,704	78,056
Insurance	3,654	-	624	156	226	-	4,660	77,321
Meetings	17,532	-	-	-	-	-	17,532	168,020
Occupancy	11,791	-	183	-	-	-	11,974	300,447
Printing and postage	3,747	-	19	2	2	-	3,770	62,557
Professional fees	-	-	-	-	-	-	-	362,108
Software	9,516	-	66	-	-	-	9,582	158,991
Supplies	3,453	-	103	-	-	-	3,556	364,447
Telephone and internet	278	-	86	-	-	-	364	35,318
Temporary services	-	-	-	-	-	-	-	36,869
Training	680	-	-	-	-	-	680	11,285
Travel	9,323	-	49	83	-	-	9,455	156,889
Total Other Expenses	77,328	-	2,528	459	472	-	80,787	2,053,230
Total Expenses	\$ 320,943	\$ -	\$ 15,826	\$ 459	\$ 472	\$ -	\$ 337,700	\$ 6,315,788

See report of independent auditor.

COMMUNITY HEALTH CHARITIES AND AFFILIATES

CONSOLIDATING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Community Health Charities	Community Health Charities, Local	Christian Service Charities, Inc.	Human Service Charities of America, Inc.	Neighbor to Nation	Eliminations	Consolidated Total
Cash flows from operating activities:							
Change in net assets	\$ 1,066,568	\$ (13,800)	\$ 388,633	\$ 53,311	\$ 241,496	\$ -	\$ 1,736,208
Adjustments to reconcile change in net assets to net cash flows from operating activities:							
Depreciation	16,630	-	-	-	-	-	16,630
Loss on disposal of property and equipment	7,426	-	-	-	-	-	7,426
Increase (decrease) in allowance for pledges receivable	(1,168,841)	(385,307)	278,698	24,935	39,225	-	(1,211,290)
Reinvested dividends and interest	(72,101)	-	-	-	-	-	(72,101)
Realized and unrealized gains on investments, net of investment management expenses	(17,004)	-	-	-	-	-	(17,004)
(Excess) deficiency of assets over liabilities acquired from affiliates	-	-	(200,447)	19,432	(90,062)	-	(271,077)
Decrease (increase) in operating assets:							
Other member receivables	245,964	-	-	-	-	-	245,964
Pledges receivable	3,455,865	389,431	(1,634,179)	(123,735)	(332,582)	-	1,754,800
Prepaid expenses	112,493	-	1,286	-	-	-	113,779
Deposits	(18,188)	-	-	-	-	-	(18,188)
Increase (decrease) in operating liabilities:							
Accounts payable and accrued expenses	1,914,193	13,800	(55,585)	11,459	46,400	-	1,930,267
Campaign funds payable	(6,302,243)	(4,124)	282,131	(28,793)	173,141	-	(5,879,888)
Due to affiliate	35,719	-	-	-	-	-	35,719
Net cash flows from operating activities	(723,519)	-	(939,463)	(43,391)	77,618	-	(1,628,755)
Cash flows from investing activities:							
Purchases of property and equipment	(7,071)	-	-	-	-	-	(7,071)
Proceeds from sale of property and equipment	-	-	157,831	-	-	-	157,831
Net cash flows from investing activities	(7,071)	-	157,831	-	-	-	150,760
Net increase (decrease) in cash and cash equivalents	(730,590)	-	(781,632)	(43,391)	77,618	-	(1,477,995)
Cash and cash equivalents, beginning of year	11,143,063	-	1,170,324	107,192	275,016	-	12,695,595
Cash and cash equivalents, end of year	\$ 10,412,473	\$ -	\$ 388,692	\$ 63,801	\$ 352,634	\$ -	\$ 11,217,600

See report of independent auditor.