

First Steps Kent



Years Ended
September 30,
2019 and 2018

Financial
Statements

FIRST STEPS KENT

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INDEPENDENT AUDITORS' REPORT

January 15, 2020

To the Commission of
First Steps Kent
Grand Rapids, Michigan

We have audited the accompanying financial statements of *First Steps Kent* (the "Organization"), a Michigan not-for-profit organization, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based 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 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 Organization'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 Organization'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 ***First Steps Kent*** as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditor

The financial statements of the Organization as of and for the year ended September 30, 2018, were audited by other auditors whose report was dated January 18, 2019, expressed an unmodified opinion on those statements.

Rehmann Lobson LLC

FIRST STEPS KENT

Statements of Financial Position

	September 30	
	2019	2018
Assets		
Cash and cash equivalents	\$ 464,110	\$ 468,626
Pledges and grants receivables, net	819,782	888,005
Other receivables	135,446	231
Prepaid expenses and other assets	6,256	2,375
Property and equipment, net	40,747	20,243
Total assets	\$ 1,466,341	\$ 1,379,480
Liabilities		
Accounts payable	\$ 33,246	\$ 112,049
Accrued liabilities	32,609	34,459
Total liabilities	65,855	146,508
Net assets		
Without donor restrictions	323,253	141,654
With donor restrictions	1,077,233	1,091,318
Total net assets	1,400,486	1,232,972
Total liabilities and net assets	\$ 1,466,341	\$ 1,379,480

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

FIRST STEPS KENT

Statement of Activities

For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 471,649	\$ 733,184	\$ 1,204,833
Kent County Early Childhood Millage Contract	255,743	-	255,743
Other revenue	111,301	-	111,301
Loss on disposal of property and equipment	(14,843)	-	(14,843)
Total support and revenues	823,850	733,184	1,557,034
Net assets released from restrictions	747,269	(747,269)	-
Total support, revenues and net assets released from restrictions	1,571,119	(14,085)	1,557,034
Expenses			
Program services:			
Great Start Collaborative and Parent Liasons	115,657	-	115,657
Early Learning	400,187	-	400,187
Shared Services	5,150	-	5,150
Data Projects	187,725	-	187,725
Education Campaign / Millage	343,628	-	343,628
Total program services	1,052,347	-	1,052,347
Support services:			
Administration	242,050	-	242,050
Fundraising	95,123	-	95,123
Total support services	337,173	-	337,173
Total expenses	1,389,520	-	1,389,520
Change in net assets	181,599	(14,085)	167,514
Net assets, beginning of year	141,654	1,091,318	1,232,972
Net assets, end of year	\$ 323,253	\$ 1,077,233	\$ 1,400,486

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

FIRST STEPS KENT

Statement of Activities

For the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	\$ 1,256,728	\$ 626,673	\$ 1,883,401
Other revenue	8,998	-	8,998
Loss on disposal of property and equipment	(763)	-	(763)
Total support and revenues	1,264,963	626,673	1,891,636
Net assets released from restrictions	672,645	(672,645)	-
Total support, revenues and net assets released from restrictions	1,937,608	(45,972)	1,891,636
Expenses			
Program services:			
Great Start Collaborative and Parent Liasons	513,745	-	513,745
Early Learning	524,608	-	524,608
Data Projects	61,212	-	61,212
Education Campaign	383,708	-	383,708
Total program services	1,483,273	-	1,483,273
Support services:			
Administration	153,936	-	153,936
Fundraising	66,959	-	66,959
Total support services	220,895	-	220,895
Total expenses	1,704,168	-	1,704,168
Change in net assets	233,440	(45,972)	187,468
Net assets, beginning of year	(91,786)	1,137,290	1,045,504
Net assets, end of year	\$ 141,654	\$ 1,091,318	\$ 1,232,972

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

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Statement of Functional Expenses

For the Year Ended September 30, 2019

	Program Services		
	Great Start Collaborative and Parent Liasons	Early Learning	Shared Services
Salaries	\$ 59,572	\$ 255,420	\$ -
Payroll taxes and employee benefits	13,262	47,614	-
Total salaries and related expenses	72,834	303,034	-
Grants - pass through	-	88,868	-
Contractual and professional fees	4,334	-	5,150
Office supplies	4,444	-	-
Telephone	-	-	-
Postage and shipping	-	237	-
Minor equipment	-	476	-
Occupancy	5,282	4,441	-
Printing, publications, and promotion	100	600	-
Conferences, workshops, and meetings	28,663	-	-
Miscellaneous	-	1,820	-
Depreciation	-	711	-
Total expenses	\$ 115,657	\$ 400,187	\$ 5,150

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

Program Services			Support Services		Total
Data Projects	Education Campaign / Millage	Total Program Services	Administration	Fundraising	
\$ 8,970	\$ 15,569	\$ 339,531	\$ 62,620	\$ 25,786	\$ 427,937
2,001	2,595	65,472	16,015	7,297	88,784
10,971	18,164	405,003	78,635	33,083	516,721
-	-	88,868	-	-	88,868
167,900	277,583	454,967	83,609	35,886	574,462
-	722	5,166	7,564	3,450	16,180
-	-	-	4,911	2,105	7,016
237	27,178	27,652	239	237	28,128
476	476	1,428	2,574	876	4,878
4,441	8,885	23,049	33,650	14,057	70,756
600	5,325	6,625	1,976	823	9,424
-	2,764	31,427	16,064	-	47,491
1,820	1,820	5,460	9,849	3,360	18,669
1,280	711	2,702	2,979	1,246	6,927
\$ 187,725	\$ 343,628	\$ 1,052,347	\$ 242,050	\$ 95,123	\$ 1,389,520

FIRST STEPS KENT

Statement of Functional Expenses

For the Year Ended September 30, 2018

	Program Services		
	Great Start Collaborative and Parent Liasons	Early Learning	Data Projects
Salaries	\$ 198,716	\$ 205,181	\$ 6,000
Payroll taxes and employee benefits	25,406	50,808	615
Total salaries and related expenses	224,122	255,989	6,615
Grants - pass through	-	225,000	-
Contractual and Professional fees	23,001	38,543	49,521
Office supplies	22,208	-	-
Telephone	3,220	-	-
Postage and shipping	-	-	-
Minor equipment	10,056	-	-
Occupancy	26,310	2,689	2,689
Printing, publications, and promotion	21,920	-	-
Conferences, workshops, and meetings	180,708	-	-
Miscellaneous	1,300	1,488	1,488
Depreciation	900	899	899
Total expenses	\$ 513,745	\$ 524,608	\$ 61,212

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



Program Services		Support Services		
Education Campaign	Total Program Services	Administration	Fundraising	Total
\$ 5,000	\$ 414,897	\$ 48,356	\$ 19,911	\$ 483,164
1,382	78,211	13,069	5,227	96,507
6,382	493,108	61,425	25,138	579,671
160,000	385,000	-	-	385,000
171,866	282,931	47,922	25,391	356,244
-	22,208	5,150	1,630	28,988
-	3,220	9,693	4,090	17,003
5,193	5,193	723	310	6,226
-	10,056	933	-	10,989
2,688	34,376	8,893	3,723	46,992
8,001	29,921	2,311	2,957	35,189
27,191	207,899	8,000	-	215,899
1,488	5,764	4,921	2,060	12,745
899	3,597	3,965	1,660	9,222
\$ 383,708	\$ 1,483,273	\$ 153,936	\$ 66,959	\$ 1,704,168

FIRST STEPS KENT

Statements of Cash Flows

	Year Ended September 30	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 167,514	\$ 187,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,927	9,222
Loss on disposal of property and equipment	14,843	763
Changes in operating assets and liabilities that provided (used) cash:		
Contributions and grants receivables	68,223	(31,241)
Other receivables	(135,215)	1,832
Prepaid expenses and other	(3,881)	1,277
Accounts payable	(78,803)	47,119
Accrued liabilities	(1,850)	-
Net cash provided by operating activities	37,758	216,440
Cash flows from investing activities		
Purchases and construction of property and equipment	(42,274)	(371)
Net cash used in investing activities	(42,274)	(371)
Net increase (decrease) in cash and cash equivalents	(4,516)	216,069
Cash and cash equivalents, beginning of year	468,626	252,557
Cash and cash equivalents, end of year	\$ 464,110	\$ 468,626

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

NOTES TO FINANCIAL STATEMENTS

FIRST STEPS KENT

Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The mission of *First Steps Kent* ("First Steps", "FSK", or the "Organization") is to create a coordinated, integrated system of early childhood services that supports families in Kent County.

First Steps provides the following programs:

Great Start Collaborative and Parent Liaisons (GSC)

GSC is composed of interdisciplinary stakeholders that represent service providers, business, funders, government, elected officials and parents. They work to define systems needs and gaps and convene stakeholders to research best practice and recommend systems alignments and changes.

GSC, in conjunction with First Steps, surveys the needs of young children and families in their communities, identifies community assets for addressing those needs, and plans for systemic change. They implement efforts to address the gaps, strengthen what works, and knock down barriers that impede young children from arriving at kindergarten healthy and ready to succeed in school and life.

GSC collaborative is part of a network of 54 Great Start Collaboratives working in every county in Michigan, funded by The Office of Great Start and Michigan Department of Education. Technical assistance is provided by the Early Childhood Investment Corporation. The Memorandum of Understanding between Kent Intermediate School District (KISD), GSC, and FSK expired on September 30, 2018. The fiduciary and employer of record duties has transitioned to Heart of West Michigan United Way during fiscal year 2019.

Early Learning

Early Learning Communities (ELC) is a collaborative, community-based initiative to enrich the quality early learning experiences of young children by strengthening the skills of early childhood caregivers and educators. First Steps and the Grand Rapids Public Schools have worked together with other community partners to demonstrate the effectiveness of this model.

The Early Learning Communities are focused on the neighborhoods around Aberdeen, Burton, Coit Creative Arts Academy, Congress, Harrison Park, and Martin Luther King, Jr. schools.

Caregivers and parents have the opportunity to attend Play & Learn groups in which children participate in literacy-based activities, and providers watch coaches model best-practice instruction. The curriculum for the Play & Learn groups is aligned with Michigan Department of Education expectations for kindergarten readiness. ELC has also developed a variety of strategies to teach caregivers how to access community resources and strengthen the transition to kindergarten for participating preschool aged children.

As of summer 2017, First Steps no longer directly operates this program, but rather contracts with Grand Rapids Community College to operate this program. First Steps continues to provide funding for the Early Learning Communities program.

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Notes to Financial Statements

Shared Services

In 2019, FSK was selected as the convening entity to incubate and implement a quality childcare service model for Kent County, Michigan. The shared services initiative helps improve child outcomes by increasing access to affordable, quality childcare for working families with young children while improving early childhood provider capacity through business support and resources, as well as through promoting best early childhood education practices.

Data Projects

First Steps Kent supports community-wide data initiatives to support and understand the early childhood landscape within Kent County. Data projects examine how all early childhood services collectively reach children (prenatally to age 5) within Kent County, understand the gaps with services, and support collective initiatives to improve outcomes for children.

Education Campaign

First Steps Kent seeks to increase the community's awareness by voicing how research-based investments in high-quality, early childhood services positively impact later school success and ultimately contribute to a higher-skilled local workforce. This campaign seeks to reach two main audiences: (a) the greater Kent County "public," including parents, grandparents, advocates, family members, and professionals involved with early childhood and (b) community leaders who have influence to create meaningful change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market funds. The Organization maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. At times during 2019 and 2018, the Organization's bank balance in these accounts may have exceeded the insured limit. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Pledges and Grants Receivable

The Organization's grants receivable are composed primarily of grants and allocations committed from various funding sources for use in the Organization's activities. The Organization has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full. Pledges receivable are recorded at the net present value of the expected future cash flows using a discount rate of 2%. No allowance for uncollectible pledges was considered necessary as of September 30, 2019 or 2018.

Property and Equipment

Furniture and equipment and leasehold improvements are recorded at cost or, if donated, at fair value on the date of the gift. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management reviews assets to determine whether carrying values have been impaired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, or the lease term if shorter, which generally range from 5 to 10 years.

Revenue Recognition

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions of the without donor restrictions net asset class.

Unconditional promises to give that are expected to be collected in periods in excess of one year are recognized at the present value of the estimated future cash flows at the time the pledge is received. The change in the present value due to the passage of time is recognized as contributions or grant revenue. Management annually reviews these assets to determine the net realizable value of the pledge.

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Notes to Financial Statements

Certain grants are determined to be exchange transactions, and revenue is recorded when services are provided. Funds received in advance of earning are recorded as deferred revenue, and accounts receivable are recorded when funds have been earned but not yet received.

On November 16, 2018, a countywide voter-approved millage not to exceed .25 mills was passed that provides funding for provision of community-based early childhood development services for families with children up to age five and expectant mothers. On July 25, 2019 the Kent County Board of Commissioners signed a contract with First Steps Kent to serve as the childhood millage administrator. The contract was effective May 1, 2019. Under terms of the contract, the Organization receives a monthly administration fee which is recorded as revenue as services are provided. The contract also calls for start up funding which is an exchange transaction and revenue is recorded as services are provided. As of September 30, 2019 First Steps Kent had received a total of \$135,446 of funding from the millage for administration and \$120,327 for startup funding. The revenue from this contract is included within the Kent County Early Childhood Millage Contract revenue in the 2019 statement of activities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses which apply to more than one functional category have been allocated among the respective functions based upon the time spent on these functions by specific employees as estimated by management and applied on a consistent basis. Other expenses have been allocated between program and support service classifications based upon square footage, estimates of usage and other relevant measures as determined by management. Accordingly, certain costs have been allocated among the programs and supporting services benefited as detailed in the statements of functional expenses. Dedicated program support expenses consist primarily of personnel functions directly associated with several different programs. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Taxes

First Steps Kent is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.”

The Organization analyzes its income tax filing positions in the jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization concluded that there are no significant uncertain tax positions requiring recognition in these financial statements. The Organization does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTB at September 30, 2019 or 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

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Notes to Financial Statements

Change in Accounting Principle

As of October 1, 2017, the Organization adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and requires quantitative and qualitative disclosures about liquidity and availability of financial assets.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentations.

Subsequent Events

In preparing these financial statements, the Organization has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2019, the most recent statement of financial position presented herein, through January 15, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified.

2. PLEDGES RECEIVABLE

Included in pledges and grants receivable are several unconditional promises to give. They are summarized as follows at September 30:

	2019	2018
Gross grants and promises to give	\$ 824,932	\$ 892,515
Less unamortized discount using 2 percent discount rate	<u>(5,150)</u>	<u>(4,510)</u>
Net pledges and grants receivable	<u>\$ 819,782</u>	<u>\$ 888,005</u>
Net pledges and grants receivable expected to be collected in:		
Less than one year	\$ 562,282	\$ 662,515
One to five years	<u>257,500</u>	<u>225,490</u>
Total	<u>\$ 819,782</u>	<u>\$ 888,005</u>

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Notes to Financial Statements

3. PROPERTY AND EQUIPMENT

Property and equipment, net is summarized as follows at September 30:

	2019	2018
Furniture and equipment	\$ 57,962	\$ 154,163
Leasehold improvements	9,150	-
Total	67,112	154,163
Less accumulated depreciation	(26,365)	(133,920)
Property and equipment, net	<u>\$ 40,747</u>	<u>\$ 20,243</u>

4. LINE OF CREDIT

Under a line of credit agreement with a bank, the Organization has available borrowings of up to \$150,000. There were no borrowings on this line of credit at September 30, 2019 and 2018. The note bears interest at a rate equal to the bank's prime rate plus 0.50 percent, with a minimum rate of 4.00 percent, and matures during July 2020. The line of credit is secured by substantially all assets.

5. LEASES

The Organization leases office space and certain equipment under operating lease agreements that expire through July 2021. The Organization leases office space managed by a nonrelated party beginning on December 1, 2018 and continuing through December 31, 2023. The following is a schedule of future minimum payments for the years ending September 30 under the new lease agreement:

Year Ended September 30,	Amount
2020	\$ 65,052
2021	66,440
2022	65,484
2023	66,771
2024	<u>16,773</u>
Total	<u>\$ 280,520</u>

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Notes to Financial Statements

Total rent expense on the leases for 2019 and 2018 was approximately \$71,000 and \$47,000, respectively. On November 1, 2018, the Organization entered into a shared space agreement related to a portion of its office space with the nonprofit entity K- Connect. The agreement runs concurrent with the Organization's lease agreement above. Under the terms of the shared space agreement, K-Connect reimburses the Organization for its share of common costs including rent, utilities and other costs. The amount of rent and other shared occupancy costs received under the shared space agreement from K Connect for the year ended September 30, 2019 was approximately \$21,400 and \$6,000 respectively. The revenue from this shared space agreement is shown as other revenue on the 2019 statement of activities.

6. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) defined contribution retirement plan covering substantially all employees of First Steps Kent. All employees who have reached the age of 21 and are employed on the last day of the plan year are eligible to participate in the plan. The Organization matches 50 percent of a participant's elective deferral up to a maximum of 6 percent of gross pay, as well as a discretionary annual contribution, as limited by the Internal Revenue Service. The Organization made contributions of \$10,140 and \$9,979 to the plan for the years ended September 30, 2019 and 2018, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30 are restricted for the following purposes or time:

	2019	2018
Purpose and time restrictions:		
Contributions & grants - time restricted	\$ 345,000	\$ 440,000
Various program restrictions:		
Education campaign	80,000	308,136
Diaper drive	-	1,409
Data projects	302,383	321,773
Early learning	-	20,000
Shared services	349,850	-
	<u>349,850</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 1,077,233</u>	<u>\$ 1,091,318</u>

8. RELATED PARTY TRANSACTIONS

Revenue in the amount of \$205,250 and \$532,072 was earned from related parties of members of the commission during the fiscal years ended September 30, 2019 and 2018, respectively. Pledges receivable balances of \$50,000 and \$160,000 at year end for fiscal years 2019 and 2018, respectively, are from related parties of members of the commission.

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Notes to Financial Statements

9. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30, 2019:

Cash and cash equivalents	\$ 464,110
Grants, pledges and other receivables	<u>955,228</u>
Subtotal	1,419,338
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with time and purpose restrictions	<u>(1,077,233)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 342,105</u>

The Organization has \$342,105, as of September 30, 2019, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization manages its liquidity required to meet its operating needs while also trying to maximize the investment of its available funds. To help manage unanticipated liquidity needs, the Organization has a line of credit with an available balance of \$150,000, which it could draw upon.

