

ARLINGTON THRIVE

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



Certified Public Accountants

Table of Contents

Independent Auditor's Report

Financial Statements

Statements of Financial Position.....	4
Statements of Activities.....	5 - 6
Statements of Functional Expenses.....	7 - 8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10 - 18



Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Arlington Thrive

We have audited the accompanying financial statements of **Arlington Thrive** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Arlington Thrive** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
November 15, 2019

Arlington Thrive

Statements of Financial Position June 30,

2019

2018

Assets

Current assets

Cash and cash equivalents	\$ 45,063	\$ 109,360
Restricted cash	228,315	175,811
Contributions receivable	32,825	-
Prepaid expenses	1,707	1,207
	<u>307,910</u>	<u>286,378</u>

Other assets

Certificates of deposit	184,640	181,868
Investments - endowment	817,377	805,388
	<u>1,002,017</u>	<u>987,256</u>
Total assets	<u>\$ 1,309,927</u>	<u>\$ 1,273,634</u>

Liabilities and net assets

Current liabilities

Accounts payable	\$ 6,502	\$ 3,749
Accrued expenses	15,655	14,271
Total liabilities	<u>22,157</u>	<u>18,020</u>

Net assets

Without donor restrictions, board designated reserve fund	181,590	181,868
Without donor restrictions	137,135	108,364
With donor restrictions		
Purpose restrictions	<u>969,045</u>	<u>965,382</u>
Total net assets	<u>1,287,770</u>	<u>1,255,614</u>
Total liabilities and net assets	<u>\$ 1,309,927</u>	<u>\$ 1,273,634</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Activities for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenue			
Arlington County funds	\$ 560,452	\$ 24,007	\$ 584,459
Contributions	307,611	64,890	372,501
Foundation grants	99,547	-	99,547
Investment income, net	3,341	52,252	55,593
Special events, net of direct expenses of \$12,096	15,035	-	15,035
United Way and CFC funding	11,625	-	11,625
Net assets released from restrictions	137,486	(137,486)	-
Total revenue	<u>1,135,097</u>	<u>3,663</u>	<u>1,138,760</u>
Expenses			
Emergency assistance	854,207	-	854,207
Management and general	106,398	-	106,398
Fundraising	145,999	-	145,999
Total expenses	<u>1,106,604</u>	<u>-</u>	<u>1,106,604</u>
Change in net assets	28,493	3,663	32,156
Net assets, beginning of year	290,232	965,382	1,255,614
Net assets, end of year	<u>\$ 318,725</u>	<u>\$ 969,045</u>	<u>\$ 1,287,770</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Activities for the year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Revenue			
Arlington County funds	\$ 533,649	\$ 9,000	\$ 542,649
Contributions	277,703	57,517	335,220
Foundation grants	89,400	43,000	132,400
Investment income, net	2,929	47,153	50,082
Special events, net of direct expenses of \$10,353	26,078	-	26,078
United Way and CFC funding	10,782	-	10,782
Net assets released from restrictions	44,770	(44,770)	-
Total revenue	<u>985,311</u>	<u>111,900</u>	<u>1,097,211</u>
Expenses			
Emergency assistance	863,321	-	863,321
Management and general	66,177	-	66,177
Fundraising	93,507	-	93,507
Total expenses	<u>1,023,005</u>	<u>-</u>	<u>1,023,005</u>
Change in net assets	(37,694)	111,900	74,206
Net assets, beginning of year	327,926	853,482	1,181,408
Net assets, end of year	<u>\$ 290,232</u>	<u>\$ 965,382</u>	<u>\$ 1,255,614</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Functional Expenses for the year ended June 30, 2019

	Emergency assistance	Management and general	Fundraising	Total
Expenses				
Audit charges	\$ -	\$ 11,500	\$ -	\$ 11,500
Bank charges	-	358	1,670	2,028
Bookkeeping	-	10,087	-	10,087
Community outreach	297	507	2,477	3,281
Computer-related expense	22,575	2,868	-	25,443
Conferences and meetings	717	587	770	2,074
Direct fundraising expenses	-	-	12,096	12,096
Dues and subscriptions	-	2,381	4,945	7,326
Emergency assistance	759,410	-	-	759,410
Employee benefits	3,680	2,918	6,091	12,689
Fundraising	-	-	94	94
Insurance	-	3,428	-	3,428
Miscellaneous	-	406	-	406
Office rent	1,800	1,800	-	3,600
Office supplies and services	236	6,171	1,306	7,713
Payroll taxes	4,563	3,619	7,553	15,735
Postage and freight	-	752	6,261	7,013
Printing	428	465	8,375	9,268
Salaries	58,973	51,017	104,018	214,008
Staff training	-	753	1,641	2,394
Telephone	1,528	3,724	-	5,252
Travel	-	2,220	-	2,220
Website	-	837	798	1,635
Total expenses by function	854,207	106,398	158,095	1,118,700
Less expenses included with revenues on the statement of activities				
Direct fundraising expenses	-	-	(12,096)	(12,096)
Total expenses included in the expense section of the statement of activities	\$ 854,207	\$ 106,398	\$ 145,999	\$ 1,106,604

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statement of Functional Expenses for the year ended June 30, 2018

	Emergency assistance	Management and general	Fundraising	Total
Expenses				
Administrative support salaries	\$ 97,582	\$ 35,688	\$ 73,074	\$ 206,344
Audit charges	11,695	-	-	11,695
Bank charges	733	480	975	2,188
Bookkeeping	4,117	3,642	-	7,759
Community outreach	1,058	224	1,062	2,344
Computer-related expense	-	1,284	-	1,284
Conferences and meetings	2,007	534	1,191	3,732
Consulting	2,531	1,559	1,189	5,279
Direct fundraising expenses	-	-	10,535	10,535
Dues and subscriptions	687	3,746	1,521	5,954
Emergency assistance	717,379	-	-	717,379
Employee benefits	2,949	1,079	2,208	6,236
Fundraising	2,594	-	1,217	3,811
Insurance	210	3,178	-	3,388
Mass mailing costs	3,814	3,085	2,331	9,230
Miscellaneous	59	395	16	470
Office rent	1,509	1,509	-	3,018
Office supplies and services	501	2,663	-	3,164
Payroll taxes	7,949	2,883	5,986	16,818
Postage and freight	463	692	323	1,478
Printing	1,316	192	2,011	3,519
Staff training	-	571	12	583
Telephone	3,396	1,934	-	5,330
Travel	659	175	391	1,225
Website	113	664	-	777
Total expenses by function	863,321	66,177	104,042	1,033,540
Less expenses included with revenues on the statement of activities				
Direct fundraising expenses	-	-	(10,535)	(10,535)
Total expenses included in the expense section of the statement of activities	\$ 863,321	\$ 66,177	\$ 93,507	\$ 1,023,005

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Statements of Cash Flows for the years ended June 30,

2019**2018****Cash flows from operating activities**

Change in net assets	\$ 32,156	\$ 74,206
Adjustments to reconcile change in net assets to cash from operating activities		
Accrued interest on certificates of deposit	(2,772)	(277)
Unrealized and realized gain on investments	(38,941)	(36,322)
(Increase) decrease in operating assets		
Undeposited funds	-	12,135
Contributions receivable	(32,825)	6,830
Prepaid expenses	(500)	181
Increase (decrease) in operating liabilities		
Accounts payable	2,753	1,074
Accrued expenses	1,384	-
Net cash (used in) provided by operating activities	<u>(38,745)</u>	<u>57,827</u>

Cash flows from financing activities

Purchase of investments and reinvestments	(13,048)	(12,788)
Proceeds from sale of investments	40,000	-
Net cash (used in) provided by investing activities	<u>26,952</u>	<u>(12,788)</u>

Net change in cash and cash equivalents and restricted cash**(11,793)** **45,039****Cash and cash equivalents and restricted cash, beginning of year****285,171** **240,132****Cash and cash equivalents and restricted cash, end of year****\$ 273,378** **\$ 285,171****Supplemental cash flow information**

Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying independent auditor's report and notes are an integral part of the financial statements.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

1. Organization and purpose

Arlington Thrive (the Organization) is a nonprofit organization incorporated in 1975 to provide emergency financial help to residents of Arlington, Virginia. Arlington Thrive makes grants for rent, utility bills, medical and dental bills, prescriptions, and transportation.

Arlington Thrive's main sources of revenue include funding from Arlington County and contributions from individuals, churches, businesses, and foundations.

2. Significant accounting policies

Basis of accounting

The financial statements of Arlington Thrive are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned, and expenses are recognized in the period in which they are incurred. All revenue and expenses that are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

Financial statement presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are available for use in general operations. Net assets with donor restrictions generally result from assets donated with restrictions that are temporary in nature, such as those met by the passage of time or other events specified by the donor.

Revenue recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is classified as with donor restriction when the donor has designated it for future use or specified an event that must transpire before it is available for use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, purpose restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Other revenue is recognized when earned.

Cash and cash equivalents

For purposes of the statements of cash flows, Arlington Thrive considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Arlington Thrive maintains its cash in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. FDIC insurance is \$250,000 per depositor, per insured bank. Arlington Thrive has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2019 and 2018, uninsured bank balances amounted to \$54,618 and \$29,154, respectively.

Restricted cash

Restricted cash consists of funds from donors with restrictions for specific types of emergency services.

Property and equipment

Property and equipment is recorded at cost. Arlington Thrive's policy is to capitalize purchases of property and equipment with a cost of \$1,000 or more. Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment, generally three years to seven years.

Investments

Investments are carried at their fair market values based on publicly available market data obtained from services independent of Arlington Thrive. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

Accrued vacation

Employees of Arlington Thrive are entitled to paid vacation depending on job classification, length of service and other factors. Upon termination, an employee is compensated for any accrued but unpaid vacation pay. Accrued vacation balances were \$2,654 and \$2,654 as of June 30, 2019 and 2018, respectively, and are included with accounts payable and accrued expenses on the accompanying statements of financial position.

Functional classification of expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are charged to programs and supporting services based on a combination of specific identification and allocation by management. Certain categories of expenses are attributed to more than one function and have been allocated on a reasonable basis that is consistently applied. Expenses that are allocated on a time-and-effort basis include salaries, payroll taxes, and benefits.

Use of estimates

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

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, restricted cash, contributions receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities.

Income taxes

Arlington Thrive is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. For the years ended June 30, 2019 and 2018, Arlington Thrive did not have unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements.

Arlington Thrive is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the United States and Virginia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on Arlington Thrive's results of operations. Tax years that remain subject to examination by the IRS are the fiscal years ended June 30, 2016 through June 30, 2019.

Contributions receivable

The Organization considers the need for an allowance for uncollectible contributions receivable based on a review of contributions receivable balances and historical collection experience. For the years ended June 30, 2019 and June 30, 2018, the receivable balances were \$32,825 and \$0, respectively.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

Recently adopted accounting pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 represents phase 1 of FASB's Not-for-Profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information on liquidity, retains the option to present the cash flow statement on a direct or indirect method, and includes various other additional disclosure requirements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 with retrospective application. The Organization adopted this ASU as of and for the year ended June 30, 2019. The changes related to the presentation of functional expenses and information on liquidity were not made to the financial statements for the year ended June 30, 2018, as the ASU provides for optional application to prior periods in the period of adoption.

The FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows - Restricted Cash (Topic 230), which requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The Organization adopted the standard for the year ended June 30, 2019 and applied the standard retrospectively with no effect on beginning net assets.

New accounting pronouncements

The FASB has issued ASU 2014-09 (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2019.

The FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2019.

The FASB has issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. The Organization plans to adopt the standard on its effective date, which for the Organization is July 1, 2020.

Reclassifications

Certain reclassifications, such as presenting investment expenses as a reduction of investment income on the statement of activities, have been made to the June 30, 2018 financial statement presentation to correspond to the current year's format due to the adoption of ASU 2016-14 and ASU 2016-18. Net assets and changes in net assets are unchanged due to these reclassifications.

3. Certificates of deposit

As of June 30, 2019 and 2018, the Organization maintained four certificates of deposit with one bank. The interest rates on these CDs range from 0.65 percent to 1.74 percent. These certificates of deposit and associated accrued interest totaled \$184,640 and \$181,868 as of June 30, 2019 and 2018, respectively.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

4. Property and equipment

Property and equipment and related depreciation were as follows as of June 30:

	<u>2019</u>	<u>2018</u>	<u>Useful life</u>
Equipment	\$ 1,591	\$ 1,591	5 - 7 years
Accumulated depreciation	<u>(1,591)</u>	<u>(1,591)</u>	
	<u>\$ -</u>	<u>\$ -</u>	

There was no depreciation expense for the years ended June 30, 2019 and 2018.

5. Investments

Investment income consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Realized and unrealized gains	\$ 38,941	\$ 36,322
Interest and dividend income	26,379	23,543
Fees	<u>(9,727)</u>	<u>(9,783)</u>
	<u>\$ 55,593</u>	<u>\$ 50,082</u>

6. Arlington County funding

According to the provisions of the agreement with Arlington County, funds received must be matched by \$232,315 in private funding for both the years ended June 30, 2019 and 2018. Arlington Thrive met this requirement during both years.

7. Security deposit program

The Section 8 Security Deposit Program was initiated to assist Section 8 housing clients by providing loans for security deposits. Arlington County provides Arlington Thrive with funds to implement this program. Individuals repay the loans over a period of time through monthly payments to the County Section 8 program. For the years ended June 30, 2019 and 2018, Arlington Thrive disbursed \$9,789 and \$5,208, respectively, in funding for new loans for this program. No receivable has been recorded for the years ended June 30, 2019 and 2018, as Arlington County holds the promissory notes with these individuals and pursues collection.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

8. Purpose restrictions

Arlington Thrive received contributions in support of specific programs for the years ended June 30, 2019 and 2018. These contributions have been reflected in the statements of activities as purpose-restrictions contributions. To the extent those funds have been disbursed in support of these programs, amounts have been recorded as net assets released from restrictions. Funds that were received and the restrictions met in the same fiscal year are reported as net assets without donor restrictions. Any funds that have not been expended are included as net assets with donor restrictions as of June 30, 2019 and 2018. Additional expenditures to maintain these programs are provided from the net asset without donor restrictions balance.

Net assets with donor restrictions consisted of the following as of June 30, 2019:

	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
Arlington County funds				
Section 8 Security Deposits	\$ 6,385	\$ 24,007	\$ (23,594)	\$ 6,798
Youth in Transition	18,000	15,032	(5,714)	27,318
Permanent Supportive Housing				
Emergency Fund	20,474	49,858	(38,693)	31,639
Restricted grants and contributions	25,000	-	(25,000)	-
Risk reduction	55,606	176	(3,002)	52,780
PSH Maintenance Reserve	34,529	87	(1,483)	33,133
Emergency Medical and Dental				
Assistance Fund	805,388	51,989	(40,000)	817,377
Total	<u>\$ 965,382</u>	<u>\$ 141,149</u>	<u>\$ (137,486)</u>	<u>\$ 969,045</u>

Net assets with donor restrictions consisted of the following as of June 30, 2018:

	<u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>2018</u>
Arlington County funds				
Section 8 Security Deposits	\$ 11,453	\$ 9,000	\$ (14,068)	\$ 6,385
Youth in Transition	-	18,000	-	18,000
Permanent Supportive Housing				
Emergency Fund	17,601	32,517	(29,644)	20,474
Restricted grants and contributions	-	25,000	-	25,000
Risk reduction	31,008	25,098	(500)	55,606
PSH Maintenance Reserve	35,000	87	(558)	34,529
Emergency Medical and Dental				
Assistance Fund	758,420	46,968	-	805,388
Total	<u>\$ 853,482</u>	<u>\$ 156,670</u>	<u>\$ (44,770)</u>	<u>\$ 965,382</u>

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

9. Board designated net assets

Arlington Thrive maintains an operating reserve fund for board designated net assets, the purpose of which is to provide an internal source of resources. The balance in the fund was \$184,640 and \$181,868 as of June 30, 2019 and 2018, respectively.

10. Endowment funds

Arlington Thrive's endowment funds consist of donor-restricted funds established by Mitchel E. Davis, MD for emergency medical and dental assistance. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Arlington Thrive has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Arlington Thrive classifies its investments as donor-restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Arlington Thrive considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Arlington Thrive and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Arlington Thrive
7. The investment policies of Arlington Thrive

Return Objectives and Risk Parameters

Arlington Thrive has adopted investment and spending policies in accordance with the Investment Policy of the Arlington Community Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Arlington Thrive must hold in perpetuity as well as board-designated funds.

Strategies employed for achieving objectives

Arlington County has chosen a balanced option with Arlington Community Foundation. The asset allocation for this investment option is approximately 50 percent equities, 10 percent real estate securities, and 40 percent fixed income. The objective is to provide a balance between current income and growth of principal. This investment option is best suited for funds that desire an income stream and growth of principal through some exposure to the equity market. There is exposure to both equity market risk and interest rate risk.

Spending policy and how the investment objectives relate to spending policy

The amounts appropriated for distribution by Arlington Thrive is based on donor imposed restrictions for distribution each year up to five percent of the endowment fund's fair value. However, the endowment fund allows Arlington Thrive to use more than five percent of the value in cases of extreme financial need.

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

Endowment net asset composition by type of fund

The endowment net assets consisted of the following as of:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2019			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	<u>\$ -</u>	<u>\$ 817,377</u>	<u>\$ 817,377</u>
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2018			
Donor-restricted endowment funds			
Emergency Medical and Dental Assistance Fund	<u>\$ -</u>	<u>\$ 805,388</u>	<u>\$ 805,388</u>

Changes in endowment net assets

The endowment net activity consisted of the following:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds as of June 30, 2017	<u>\$ -</u>	<u>\$ 758,420</u>	<u>\$ 758,420</u>
Investment return			
Investment income	-	20,429	20,429
Net appreciation	-	36,322	36,322
Investment fees	-	(9,783)	(9,783)
Total investment return	<u>-</u>	<u>46,968</u>	<u>46,968</u>
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	-	-
Endowment funds as of June 30, 2018	<u>\$ -</u>	<u>\$ 805,388</u>	<u>\$ 805,388</u>
Investment return			
Investment income	\$ -	\$ 22,775	\$ 22,775
Net appreciation	-	38,941	38,941
Investment fees	-	(9,727)	(9,727)
Total investment return	<u>-</u>	<u>51,989</u>	<u>51,989</u>
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	-	(40,000)	(40,000)
Endowment funds as of June 30, 2019	<u>\$ -</u>	<u>\$ 817,377</u>	<u>\$ 817,377</u>

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Arlington Thrive to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 and 2018.

11. Fair value measurements

Arlington Thrive classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Arlington Thrive's investments consist of certificates of deposit held in a bank and funds held in a community foundation. The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of the fund investments as reported by the community foundation. These are considered Level 3 measurements.

Assets measured at fair value on a recurring basis are summarized below as of:

June 30, 2019:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ -	\$ -	\$ 2,452	\$ 2,452
Certificates of deposit	184,640	-	-	184,640
High yield bonds	-	-	73,564	73,564
Interim-term bonds	-	-	261,561	261,561
Equity				
BM equity - core	-	-	205,161	205,161
SC equity - core	-	-	15,530	15,530
M/F equity	-	-	98,903	98,903
Real estate	-	-	85,007	85,007
M/F international equity	-	-	75,199	75,199
Total investments, at fair value	<u>\$ 184,640</u>	<u>\$ -</u>	<u>\$ 817,377</u>	<u>\$ 1,002,017</u>

June 30, 2018:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ -	\$ -	\$ 1,289	\$ 1,289
Certificates of deposit	181,868	-	-	181,868
High yield bonds	-	-	72,324	72,324
Interim-term bonds	-	-	257,724	257,724
Equity				
BM equity - core	-	-	200,300	200,300
SC equity - core	-	-	15,946	15,946
M/F equity	-	-	96,163	96,163
Real estate	-	-	81,103	81,103
M/F international equity	-	-	80,539	80,539
Total investments, at fair value	<u>\$ 181,868</u>	<u>\$ -</u>	<u>\$ 805,388</u>	<u>\$ 987,256</u>

See independent auditor's report.

Arlington Thrive

Notes to Financial Statements June 30, 2019 and 2018

The following table presents activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 805,388	\$ 758,420
Contributions	-	-
Total gains (realized/unrealized) including changes in net assets	11,989	46,968
Ending balance	<u>\$ 817,377</u>	<u>\$ 805,388</u>

12. Commitments

Arlington Thrive maintains an operating lease for office space with a church in Arlington. The agreement began March 1, 2011 and continues until terminated by either party. Base rental payments are \$300 per month. Rental expense was \$3,600 and \$3,018 for the years ended June 30, 2019 and 2018, respectively.

13. Concentrations

Arlington County funds accounted for 51 percent and 49 percent of revenue for the years ended June 30, 2019 and 2018, respectively.

14. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

	<u>2019</u>
Cash and cash equivalents	\$ 273,378
Contributions receivable	32,825
Certificates of deposit	184,640
Investments - endowment	<u>817,377</u>
Financial assets, at year end	1,308,220
Less amounts unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	(969,045)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 339,175</u>

15. Subsequent events

Arlington Thrive assessed events occurring subsequent to June 30, 2019 through November 15, 2019, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.