

# **Community Matters Cincinnati, Inc. and Affiliate**

**Consolidated Financial Statements  
June 30, 2021 and 2020 and  
Independent Accountants' Review Report**

# COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

June 30, 2021 and 2020

## Contents

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	<u>Page(s)</u>
Independent Accountants' Review Report	1
Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 17

## Independent Accountants' Review Report

To the Board of Trustees of  
Community Matters Cincinnati, Inc.  
Cincinnati, Ohio

We have reviewed the accompanying consolidated financial statements Community Matters Cincinnati, Inc. and Affiliate (Organizations), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Consolidated 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 the consolidated financial statements that are free from material misstatement whether due to fraud or error.

### Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### Correction of Error

As discussed in Note 11 to the consolidated financial statements, an error resulting in the overstatement of previously reported program service fees revenue as of June 30, 2020 was discovered by management of Community Matters Cincinnati, Inc. and Affiliate subsequent to the issuance of our report on those financial statements dated October 29, 2020. Accordingly, an adjustment has been made to net assets as of July 1, 2019 to correct the error.



November 5, 2021  
Cincinnati, Ohio

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statements of Financial Position  
June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u> (Restated)
<b>Assets</b>		
Cash	\$ 290,343	\$ 166,989
Grants receivable	166,384	23,492
Other receivables	52,056	10,442
Other assets	2,914	3,079
Property and equipment, net	571,937	754,102
Property and equipment held for sale	118,170	-
	<u>1,201,804</u>	<u>958,104</u>
Total assets	<u>\$ 1,201,804</u>	<u>\$ 958,104</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 23,928	\$ 28,254
Due to others	43,514	46,233
Deferred rental income	51,882	31,006
Notes payable	101,583	225,551
	<u>220,907</u>	<u>331,044</u>
Total liabilities	<u>220,907</u>	<u>331,044</u>
<b>Net Assets</b>		
Without donor restrictions	710,243	534,918
With donor restrictions	270,654	92,142
	<u>980,897</u>	<u>627,060</u>
Total net assets	<u>980,897</u>	<u>627,060</u>
Total liabilities and net assets	<u>\$ 1,201,804</u>	<u>\$ 958,104</u>

See accompanying notes and independent accountants' review report

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statement of Activities  
Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and other support</b>			
Contributions	\$ 425,196	\$ 225,424	\$ 650,620
Rental income	77,709	-	77,709
Special events	64,043	-	64,043
Program service fees	35,003	-	35,003
Government grants and credits	80,871	-	80,871
Forgiveness of Paycheck Protection Program loan	60,100	-	60,100
Contribution received in donation of Healthy Homes Block By Block	71,417	-	71,417
Other Income	80,620	-	80,620
In-kind contributions	59,339	-	59,339
Net assets released from restriction	46,912	(46,912)	-
	<u>1,001,210</u>	<u>178,512</u>	<u>1,179,722</u>
<b>Expenses</b>			
Program	728,223	-	728,223
Management and general	26,495	-	26,495
Fundraising	71,167	-	71,167
	<u>825,885</u>	<u>-</u>	<u>825,885</u>
<b>Change in net assets</b>	175,325	178,512	353,837
<b>Net assets, beginning of year</b>	<u>534,918</u>	<u>92,142</u>	<u>627,060</u>
<b>Net assets, end of year</b>	<u>\$ 710,243</u>	<u>\$ 270,654</u>	<u>\$ 980,897</u>

See accompanying notes and independent accountants' review report

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statement of Activities  
Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u> (Restated)
<b>Revenue and other support</b>			
Contributions	\$ 338,552	\$ 16,700	\$ 355,252
Rental income	126,434	-	126,434
Special events	79,842	-	79,842
Program service fees	40,790	-	40,790
Other Income	63,967	-	63,967
In-kind contributions	7,180	-	7,180
Net assets released from restriction	88,598	(88,598)	-
	<u>745,363</u>	<u>(71,898)</u>	<u>673,465</u>
Total revenue and other support			
<b>Expenses</b>			
Program	613,536	-	613,536
Management and general	27,662	-	27,662
Fundraising	85,878	-	85,878
	<u>727,076</u>	<u>-</u>	<u>727,076</u>
Total expenses			
<b>Change in net assets</b>	<u>18,287</u>	<u>(71,898)</u>	<u>(53,611)</u>
<b>Net assets, beginning of year, as originally stated</b>	547,563	164,040	711,603
<b>Restatement of prior period financial statements</b>	<u>(30,932)</u>	<u>-</u>	<u>(30,932)</u>
<b>Net assets, beginning of year, restated</b>	<u>516,631</u>	<u>164,040</u>	<u>680,671</u>
<b>Net assets, end of year</b>	<u>\$ 534,918</u>	<u>\$ 92,142</u>	<u>\$ 627,060</u>

See accompanying notes and independent accountants' review report

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021**

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 309,260	\$ 15,325	\$ 31,567	\$ 356,152
Occupancy	120,947	825	1,456	123,228
Benefits and taxes	79,180	4,889	8,310	92,379
Utilities	43,557	1,182	2,090	46,829
Supplies and materials	44,654	107	171	44,932
In-kind goods	37,282	-	-	37,282
Special events	-	-	22,973	22,973
Depreciation	37,639	1,406	2,486	41,531
Professional services	15,549	1,538	-	17,087
Insurance	17,802	658	1,163	19,623
Office expenses	9,677	374	613	10,664
Interest expense	7,153	-	-	7,153
Travel and meetings	5,523	191	338	6,052
Total expenses	<u>\$ 728,223</u>	<u>\$ 26,495</u>	<u>\$ 71,167</u>	<u>\$ 825,885</u>

See accompanying notes and independent accountants' review report

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020**

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u> (Restated)
Salaries	\$ 257,370	\$ 13,317	\$ 24,000	\$ 294,687
Occupancy	118,028	860	1,421	120,309
Benefits and taxes	45,183	2,996	5,019	53,198
Utilities	45,024	2,042	3,373	50,439
Supplies and materials	44,619	179	184	44,982
Special events	-	-	44,084	44,084
Depreciation	35,280	3,442	4,302	43,024
Professional services	24,094	3,106	652	27,852
Insurance	16,741	1,004	1,659	19,404
Office expenses	12,829	374	619	13,822
Interest expense	8,671	-	-	8,671
Travel and meetings	5,697	342	565	6,604
	<u>\$ 613,536</u>	<u>\$ 27,662</u>	<u>\$ 85,878</u>	<u>\$ 727,076</u>
Total expenses	<u>\$ 613,536</u>	<u>\$ 27,662</u>	<u>\$ 85,878</u>	<u>\$ 727,076</u>

See accompanying notes and independent accountants' review report



**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Consolidated Statements of Cash Flows  
Years Ended June 30, 2021 and 2020**

	2021	2020
		(Restated)
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 353,837	\$ (53,611)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,531	43,024
Amortization of debt issuance costs included in interest expense	416	416
Gain on disposal of property and equipment	(27,536)	-
Forgiveness of Paycheck Protection Program loan	(60,100)	-
Contribution received in donation of Healthy Homes Block by Block	(71,417)	-
Changes in:		
Grants receivable	(142,892)	40,264
Other receivables	(41,614)	-
Other assets	165	4,941
Accounts payable and accrued expenses	(4,326)	10,276
Due to others	(2,719)	(24,550)
Deferred rental income	20,876	74
Net cash provided by operating activities	66,221	20,834
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(5,000)
Proceeds from sale of property and equipment	50,000	-
Acquisition of Healthy Homes Block By Block	71,417	-
Net cash provided (used) by investing activities	121,417	(5,000)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of note payable	-	60,100
Principal payments on notes payable	(64,284)	(20,173)
Net cash provided (used) by financing activities	(64,284)	39,927
<b>Net change in cash</b>	123,354	55,761
<b>Cash, beginning of year</b>	166,989	111,228
<b>Cash, end of year</b>	\$ 290,343	\$ 166,989
<b>Supplemental cash flows information</b>		
Cash paid for interest	\$ 6,737	\$ 8,255

See accompanying notes and independent accountants' review report

# COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

Community Matters Cincinnati, Inc. (which was formerly known as Opportunity Matters, Inc. (dba Community Matters) until amended in 2018) was incorporated as a not-for-profit organization under the laws of the state of Ohio in 2014. Its mission is to create a thriving and more just community by removing barriers to opportunity in the Cincinnati, Ohio area. Community Matters Cincinnati, Inc.'s revenue and other support are derived principally from contributions, rental income and program service fees. Its main programs consist of the following:

Family Stabilization – partner with families to achieve their goals

Resident Leadership – invest in the skills, interests, and talents of Lower Price Hill residents to lead community initiatives, develop business, and lead community development

Thriving Community – transform physical spaces and buildings to ensure Lower Price Hill is an affordable and vibrant place to live

Community Matters Holdings, LLC is a single purpose Ohio limited liability company formed by Community Matters Cincinnati, Inc. for the purpose of acquiring real property. Pursuant to the operating agreement effective December 2014, Community Matters Cincinnati, Inc. is the sole member. All capital contributions have been eliminated in consolidation.

#### *Principles of Consolidation*

The consolidated financial statements include Community Matters Cincinnati, Inc. and its wholly owned and controlled affiliate, Community Matters Holdings, LLC. The two entities are collectively referred to in this report as the "Organization." All significant inter-organizational transactions have been eliminated.

#### *Financial Statement Presentation*

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### *Cash / Concentration of Credit Risk*

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

## COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Property and Equipment***

Property and equipment are recorded at cost and include all direct costs of acquisition and construction. If donated or impaired, property and equipment are recorded at fair value at the time of the gift or determination. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Depreciation will be provided once the property or equipment is placed in service.

Under applicable GAAP for property and equipment, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at June 30, 2021 and 2020.

##### ***Due to Others***

The Organization shares management and support staff, contract services and other fees with Education Matters, Inc., an Ohio not-for-profit corporation, which allows both parties to advance their missions more effectively. Total shared costs with Education Matters, Inc. for 2021 and 2020 was \$117,738 and \$105,450, respectively. Amounts due to Education Matters, Inc. as of June 30, 2021 and 2020 were \$43,514 and \$46,233, respectively.

##### ***Contributions***

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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 statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as net assets without donor restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

##### ***In-Kind Contributions***

In-kind contributions consist primarily of donated goods and contributed services requiring specialized skill, both of which are recorded as revenues and expenditures at estimated fair value.

## COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Government Grants***

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audits, adjustment could be required.

The Organization has grants for which the grantor agencies' promise to give are conditioned upon the Organization incurring certain qualifying expenses under the grant program. At June 30, 2021 and 2020, the Organization has remaining available award balances on conditional government grants of \$6,667 and \$-0-, respectively. These award balances are not recognized as assets and will be recognized as revenue as the conditions are met, generally as qualifying expenses are incurred.

##### ***Rental Income***

The Organization rents space and equipment under short-term operating leases. Deposits and payments received in advance of rental term are recognized as deferred rental income in the consolidated statement of activities.

##### ***Revenue Recognition***

Revenue from customers is primarily recognized from laundromat services. In 2021, approximately \$35,003 of revenue from laundromat services was recognized at the point in time service was provided to the customer and payment was collected. The amount is included in program service fees on the consolidated statement of activities.

##### ***Income Taxes***

Community Matters Cincinnati, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, it is subject to federal income tax on any unrelated business taxable income. Community Matters Holdings, LLC is treated as a disregarded entity of Community Matters Cincinnati, Inc. for tax purposes and profits and losses pass-through directly to Community Matters Cincinnati, Inc.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the consolidated financial statements.

##### ***Functional Classification of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by Organization personnel. The most significant allocations are salaries and related expenses, which were allocated based upon estimates of time spent by Organization personnel, and depreciation and occupancy, which were allocated based on an estimate of square footage of space used by function.

## COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Use of Estimates***

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

##### ***Effect of Adopting New Accounting Standard***

During 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the ASU using the modified retrospective approach to all contracts that were not completed as of the beginning of 2021. Results for reporting periods beginning after June 30, 2020 are presented under Topic 606, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The most significant impact of the adoption of Topic 606 is expanded disclosures for revenue recognition.

##### ***Recently Issued Accounting Standards***

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending June 30, 2023.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. This standard will be effective for the Organization fiscal year ended June 30, 2022.

The Organization is evaluating the impact of these ASUs on its consolidated financial statements.

##### ***Reclassifications***

Certain amounts were reclassified in 2020 to conform to the 2021 presentation.

##### ***Subsequent Events***

In preparing its consolidated financial statements, the Organization has evaluated events subsequent to the statement of financial position date through November 5, 2021, which is the date the consolidated financial statements were available to be issued.

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Notes to Consolidated Financial Statements  
(Continued)**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available within one year of the statement of financial position date for general expenditures, that is, without donor or other restrictions limiting their use, are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Cash	\$ 290,343	\$ 166,989
Grants receivable	166,384	23,492
Other receivables	52,056	10,442
Other assets	<u>2,914</u>	<u>3,079</u>
Financial assets, at year-end	511,697	204,002
Less financial assets unavailable for general expenditures due to: Restricted by donor with time or purpose restrictions	<u>(270,654)</u>	<u>(92,142)</u>
Financial assets available to meet general expenditures	<u>\$ 241,043</u>	<u>\$ 111,860</u>

As part of the Organization's liquidity management, it is policy to maintain financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Organization has access to a \$25,000 line of credit to meet financial needs (see Note 5).

**NOTE 3 GRANTS RECEIVABLE**

Grants receivable at June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Jacob G. Schmidlapp Trust	\$ 100,000	\$ -
City of Cincinnati	33,333	-
United Way	15,919	-
Santa Maria Community Services	15,616	18,400
Other	<u>1,516</u>	<u>5,092</u>
	<u>\$ 166,384</u>	<u>\$ 23,492</u>

All grants receivable are expected to be received within one year of the consolidated statement of financial position date for both 2021 and 2020.

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Notes to Consolidated Financial Statements  
(Continued)**

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Buildings	\$ 385,010	\$ 536,974
Leasehold improvements	110,213	111,213
Equipment and vehicles	<u>175,991</u>	<u>175,991</u>
	671,214	824,178
Less accumulated depreciation	<u>201,522</u>	<u>184,111</u>
	469,692	640,067
Land	67,210	79,000
Construction in progress	<u>35,035</u>	<u>35,035</u>
	<u><u>\$ 571,937</u></u>	<u><u>\$ 754,102</u></u>

At June 30, 2021, the Organization planned to sell its properties at 2122 and 2131 Saint Michael Street in Cincinnati Ohio during the next fiscal year. These properties sold on July 27, 2021 for a combined sale price of \$143,431. No gain or loss on the assets held for sale has been recognized as of June 30, 2021 or 2020. The carrying amount of major classes of assets classified as held for sale consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 129,053	\$ -
Less accumulated depreciation	<u>20,113</u>	<u>-</u>
	108,940	-
Land	<u>9,230</u>	<u>-</u>
	<u><u>\$ 118,170</u></u>	<u><u>\$ -</u></u>

**NOTE 5 LINE OF CREDIT**

The Organization has a \$25,000 on-demand line of credit that bears interest the bank's Prime Rate plus 2.2% (5.5% as of June 30, 2021 and 2020). As of June 30, 2021 and 2020, there was no balance outstanding on the line of credit. The line of credit is guaranteed by the President of the Board of Directors.

**NOTE 6 NOTES PAYABLE**

During 2016, the Organization entered into an unsecured term note for \$100,000. The note has a fixed interest rate of 3% per annum with principal payments commencing on April 1, 2017 and all unpaid principal and interest due on January 1, 2021. The balance at June 30, 2021 and 2020 was \$-0- and \$56,582, respectively.

## COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 6 NOTES PAYABLE (CONTINUED)

During 2017, the Organization entered into a term note for \$105,150 with a maturity date of August 1, 2031. The Organization is jointly and severally liable for the debt with Education Matters, Inc. The note has a fixed interest rate of 5.375% per annum with monthly interest-only payments required through August 31, 2021. Beginning September 1, 2021, the interest rate will be recalculated to a fixed rate based on the greater of (1) United States Treasury obligations with a maturity date of August 1, 2031 plus 2.00%, and (2) 5.00% ("Recalculated Rate") and monthly principal payments will be required based on amortizing the remaining principal balance over 120 months. Commencing on September 1, 2026, the interest rate will be recalculated using the Recalculated Rate and will be fixed through note maturity. The balance of the note at both June 30, 2021 and 2020 was \$105,150.

During 2017, the Organization entered into a term note for \$34,850 with a maturity date of August 1, 2021. The Organization is jointly and severally liable for the debt with Education Matters, Inc. The note has a fixed interest rate of 5.375% per annum with monthly principal and interest payments. The balance at June 30, 2021 and 2020 was \$661 and \$8,363, respectively.

On April 30, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$60,100 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization elected to apply debt guidance pursuant to Accounting Standards Codification 470 to recognize the PPP Loan as debt until legally forgiven and made a policy election to classify the full amount of the PPP Loan as long-term debt. On February 14, 2021, the Organization received notification from the PPP Lender that the PPP Loan was fully forgiven, at which point the Organization recognized a gain from extinguishment of debt in the consolidated statement of activities. The outstanding balance for this note payable was \$- and \$60,100 as of June 30, 2021 and 2020, respectively.

Debt issuance costs consisting of closing and financing costs totaled \$6,239 as of both June 30, 2021 and 2020, respectively. These costs are amortized using the straight-line method over the term of the loans. For the years ended June 30, 2021 and 2020, amortization of the debt issuance costs in the amount of \$416, in both years respectively, has been recorded as interest expense. Accumulated amortization as of June 30, 2021 and 2020 totaled \$2,011 and \$1,595, respectively.

Notes payable were as follows as of June 30:

	2021	2020
Total notes payable principal amount	\$ 105,811	\$ 230,195
Less: unamortized debt issuance costs	(4,228)	(4,644)
	\$ 101,583	\$ 225,551



**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Notes to Consolidated Financial Statements  
(Continued)**

**NOTE 6 NOTES PAYABLE (CONTINUED)**

Future minimum principal maturities of the notes over the next five years are as follows as of June 30, 2021:

	2022	\$	7,433
	2023		8,536
	2024		9,007
	2025		9,503
	2026		10,226
	Thereafter		61,106
		<b>\$</b>	<b>105,811</b>

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2021	2020
Subject to expenditure for specified purpose:		
Lower Price Hill Thrives project	\$ 175,000	\$ -
Opportunity hub	51,534	58,400
Washing well	26,470	29,000
Community engagement	14,650	3,430
Other	3,000	1,312
	\$ 270,654	\$ 92,142

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the occurrence of other events specified by donors as follows:

	2021	2020
Purpose restriction accomplished:		
Opportunity hub	\$ 38,400	\$ 45,783
Washing well	4,000	1,000
Community engagement	3,200	4,968
Other	1,312	4,719
Sanctuary arts	-	30,000
Community transportation	-	2,128
	\$ 46,912	\$ 88,598

## COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 8 OPERATING LEASE

On September 25, 2015 the Organization began leasing space at 2104 St. Michael Street under a nine and one half year operating lease. Lease payments are set forth in the agreement and are payable in quarterly installments during the lease year. Occupancy expense recognized in 2021 and 2020 related to the lease payments was \$83,180 and \$83,181, respectively.

Future minimum rental payments as of June 30, 2021 are as follows:

2022	\$	83,182
2023		83,182
2024		83,182
2025		62,387
		<hr/>
	\$	311,933
		<hr/> <hr/>

#### NOTE 9 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in the Organization’s programs in 2020 and 2021.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization’s business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

#### NOTE 10 BUSINESS COMBINATION

The Organization acquired the assets of Healthy Homes Block By Block (HHBBB) on June 30, 2021. The acquisition was made to further its purpose of investing in a thriving and more just Price Hill community. The transaction was accounted for using the acquisition method, with the acquired assets recorded at their estimated fair values as of the acquisition date. The Organization received cash with a fair value of \$71,417 and recognized an inherent contribution for the same amount as the Organization did not exchange any consideration in the transaction. Costs related to the acquisition have been charged directly to operations and are included in the statement of activities.

**COMMUNITY MATTERS CINCINNATI, INC. AND AFFILIATE**

**Notes to Consolidated Financial Statements  
(Continued)**

**NOTE 11 CORRECTION OF ERROR**

During 2021, the Organization corrected the accounting for advanced payments related to rental income to be in accordance with GAAP by deferring revenue until completion of rental terms. The following shows the effects on the preceding period change in net assets for the correction as well as the cumulative effect of the change on net assets as of the beginning of 2020. Amounts in the previously issued financial statements have been restated as follows:

<b>Effect on Change in Assets, Liabilities and Net Assets as of June 30, 2020</b>	As Previously Reported	Prior Period Adjustment	As Restated
Effect on deferred rental income	\$ -	\$ 31,006	\$ 31,006
Cumulative effect on the change on net assets without donor restrictions as of July 1, 2019	547,563	(30,932)	516,631
<b>Effect on Change in Revenues and Expenses Without Donor Restrictions for the year ending June 30, 2020</b>	As Previously Reported	Prior Period Adjustment	As Restated
Effect on rental income	\$ 126,508	\$ (74)	\$ 126,434
Total effect on the change in net assets without donor restrictions - 2020	18,361	(74)	18,287