Center for Disability Services

Where people get better at life

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

CENTER FOR DISABILITY SERVICES HOLDING CORPORATION AND RELATED ENTITIES

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Disability Services Holding Corporation
and Related Entities

We have audited the accompanying combined financial statements of Center for Disability Services Holding Corporation and Related Entities, which comprise the combined balance sheets as of December 31, 2018 and 2017, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

UHY LLP Certified Public Accountants

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Center for Disability Services Holding Corporation and Related Entities as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
May 22, 2019

CENTER FOR DISABILITY SERVICES HOLDING CORPORATION AND RELATED ENTITIES

COMBINED BALANCE SHEETS

	December 31,	
	2018	**2017**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 12,298,392**	$ 13,543,402
Accounts and grants receivable, net	**14,164,615**	14,808,070
Assets limited as to use	**14,110,461**	13,720,303
Investments	**7,227,398**	7,536,020
Prepaid expenses	**1,573,138**	1,398,261
Other current assets	**535,837**	484,367
Total current assets	**49,909,841**	51,490,423
Property and equipment, net	**27,794,417**	29,178,695
Assets limited as to use	**5,216,038**	5,391,222
Investments	**745,788**	860,754
Other assets	**268,860**	697,393
Total assets	**$ 83,934,944**	$ 87,618,487
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 3,528,783**	$ 3,892,231
Line of credit	**-**	181,320
Accounts payable and other accrued expenses	**10,409,999**	12,406,162
Accrued payroll and vacation benefits	**5,540,455**	5,254,929
Deferred revenue and other liabilities	**807,351**	1,229,262
Due to third party payors	**547,657**	571,875
Total current liabilities	**20,834,245**	23,535,779
Long-term debt, less current maturities and unamortized debt issuance costs	**7,108,372**	9,715,111
Other liabilities	**8,869,136**	8,834,842
Total liabilities	**36,811,753**	42,085,732
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restriction		
Board designated	**9,169,293**	9,169,202
Undesignated, capital assets	**17,289,402**	16,132,327
Undesignated, working capital	**13,226,753**	13,281,964
Total net assets without donor restriction	**39,685,448**	38,583,493
With donor restriction		
Time and purpose restricted	**7,305,717**	6,817,236
Perpetual in nature	**132,026**	132,026
Total net assets with donor restriction	**7,437,743**	6,949,262
Total net assets	**47,123,191**	45,532,755
Total liabilities and net assets	**$ 83,934,944**	$ 87,618,487

See notes to combined financial statements.

CENTER FOR DISABILITY SERVICES HOLDING CORPORATION AND RELATED ENTITIES
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

	Years Ended December 31, 2018	2017
Net assets without donor restriction		
Undesignated revenues, gains and other support:		
Net client service revenue	**$ 118,521,744**	$ 116,040,367
Contributions	**1,458,008**	1,469,630
Grants and contracts	**7,668,348**	6,967,829
Sales and services	**1,764,986**	1,516,106
Other revenue	**2,000,794**	2,134,666
Total revenues and gains	**131,413,880**	128,128,598
Net assets released from restrictions - used for operations	**519,091**	531,339
Total revenues, gains and other support	**131,932,971**	128,659,937
Expenses:		
Salaries	**79,644,911**	76,354,596
Fringe benefits	**16,828,360**	18,461,218
Contractual and purchased services	**9,913,692**	9,224,976
Occupancy	**4,726,792**	4,546,221
Supplies	**8,482,755**	8,377,663
Depreciation	**4,406,528**	4,388,335
Interest expense	**797,148**	808,679
Other	**5,418,044**	5,361,066
Total expenses	**130,218,230**	127,522,754
Operating income	**1,714,741**	1,137,183
Provision for income taxes	**(22,992)**	9,235
Operating income after taxes	**1,737,733**	1,127,948
Gain on disposal of property and equipment	**25,112**	35,527
Net realized and unrealized (loss) gain on investments	**(1,144,754)**	1,325,650
Other changes in unamortized items on defined benefit plan	**-**	191,814
Net gain on derivatives	**169,175**	195,897
Change in net assets without donor restriction	**787,266**	2,876,836
Net assets with donor restriction		
Contributions	**1,322,261**	1,288,455
Net assets released from restriction - operations	**(519,091)**	(531,339)
Change in time and purpose restricted net assets	**803,170**	757,116
Change in net assets	**1,590,436**	3,633,952
Net assets, beginning of year	**45,532,755**	41,898,803
Net assets, end of year	**$ 47,123,191**	$ 45,532,755

See notes to combined financial statements.

CENTER FOR DISABILITY SERVICES HOLDING CORPORATION AND RELATED ENTITIES

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 1,590,436**	$ 3,633,952
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**4,406,528**	4,388,335
Amortization of debt issuance costs	**128,244**	47,341
Gain on disposal of property and equipment	**(25,112)**	(35,526)
Net realized gain on sale of investment	**(181,322)**	(439,606)
Net unrealized loss (gain) on investments	**1,326,076**	(886,044)
Net unrealized gain on derivatives	**(169,175)**	(195,897)
Other changes in pension plans	**-**	(191,814)
Change in provision for doubtful accounts	**(402,800)**	(15,700)
Changes in:		
Accounts and grants receivable	**1,046,255**	(132,817)
Prepaid expenses and other current assets	**(226,347)**	23,698
Other assets	**428,533**	(50,401)
Accounts payable and other accrued expenses	**(1,996,163)**	12,467
Accrued payroll and vacation benefits	**285,526**	90,279
Other liabilities	**203,469**	341,129
Deferred revenue and other liabilities	**(421,911)**	264,289
Due to third party payors	**(24,218)**	(14,672)
Net cash provided by operating activities	**5,968,019**	6,839,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	**4,992,882**	4,792,407
Proceeds from sale of property and equipment	**21,936**	12,834
Purchase of investments	**(5,563,917)**	(6,727,758)
Purchase of property and equipment	**(3,520,878)**	(3,840,809)
Net cash used in investing activities	**(4,069,977)**	(5,763,326)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	**(181,320)**	(200,000)
Proceeds from issuance of long-term debt	**920,601**	2,029,318
Principal payments on long-term debt	**(3,882,333)**	(3,875,770)
Net cash provided by (used in) financing activities	**(3,143,052)**	(2,046,452)
Net change in cash and cash equivalents	**(1,245,010)**	(970,765)
Cash and equivalents (including restricted cash):		
Beginning	**13,543,402**	14,514,167
Ending	**$ 12,298,392**	$ 13,543,402
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for income and unrelated business income taxes	**$ 45,929**	$ 37,798

See notes to combined financial statements.

NOTE 1 — ACTIVITIES OF THE CENTER AND RELATED ENTITIES

Center for Disability Services Holding Corporation ("CFDS") was incorporated in 1992 as a tax exempt not-for-profit holding corporation whose function is to centralize the management and control of all related corporations. Effective June 8, 2017, St. Margaret's House and Hospital for Babies (St. Margaret's), which is a not-for-profit skilled nursing facility that provides nursing care to developmentally disabled or chronically ill children and young adults, merged into CFDS, with CFDS being the surviving corporation that operates the nursing facility under the name St. Margaret's.

Entities related to CFDS (principally through membership rights under New York Not-For-Profit Corporation Law or shareholder rights under New York Business Corporation Law), together with a summary description of their activities, are as follows:

Center for Disability Services, Inc. (the "Association"), a not-for-profit corporation, provides a comprehensive range of services to the developmentally and neurologically impaired of all ages. These services include educational, medical, social, therapy, vocational and community residence programs. The Association's mission statement is to enable and empower people, primarily those with disabilities, to lead healthy and enriched lives. It serves persons having a need for programs and medical/clinical services, and to provide those programs and services regardless of the individual's ability to make payment, or whether government funding is available to meet the costs.

United Cerebral Palsy Association of the Tri-Counties, Inc. ("Prospect Center"), a not-for-profit corporation, provides evaluation, education, community residence, day programs, community outreach, and therapy to persons with intellectual and other developmental disabilities in Warren, Washington, Saratoga, Essex and Hamilton Counties in upstate New York.

Center Transportation Services Inc. ("Center Transportation"), a for-profit corporation, was incorporated in 2012 to provide automotive repairs and maintenance services, and contracted transportation services.

Center for Disability Services Foundation, Inc. ("CFDS Foundation"), a not-for-profit corporation, coordinates fund raising to support the operating activities of the not-for-profit entities.

Foundation for the Advancement of Developmentally Disabled Persons, Inc., ("FADDP"), a not-for-profit corporation, receives and administer funds for scientific, educational and charitable purposes.

Center for Disability Services Endowment, Inc. ("CFDS Endowment"), a not-for-profit corporation, was created to fund raise and obtain contributions to support the operating activities of the not-for-profit entities.

Center Commercial Services Corporation ("Commercial Services Corp."), a for-profit corporation, provides various printing and scanning services to customers located throughout New York State.

The Center Housing Development Fund Corporation ("Center Housing Corp."), Center Housing Development Fund Corporation II ("Center Housing Corp. II"), and *Center Housing Development Fund Corporation III ("Center Housing Corp. III")* are not-for-profit corporations that obtained grants from the U.S. Department of Housing and Urban Development ("HUD") for the purpose of providing housing for the disabled.

Center Residence Corporation ("Center Residence"), a not-for-profit corporation, holds title to a building used by the Association.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Combined Financial Statements

The combined financial statements include the accounts of CFDS and its related entities, the Association, Prospect Center, Center Transportation, CFDS Foundation, FADDP, CFDS Endowment, Commercial Services Corp., Center Housing Corp., Center Housing Corp. II, Center Housing Corp. III, and Center Residence, collectively referred to herein as the "Center." All inter-entity revenue, expenditures and balances have been eliminated in combination.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accounts of the Center are maintained on an accrual basis in accordance with generally accepted accounting principles.

Estimates

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

Contributions

Contributions received are recorded as with donor restriction or without donor contributions depending on the existence and/or nature of any donor restrictions.

Cash Equivalents

The Center considers highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of certificates of deposit and money market funds held in financial institutions and brokerage accounts.

Accounts and Grant Receivable

Accounts and grants receivable are recorded net of an allowance for uncollectible accounts. The allowance is developed based upon historical data and current outstanding accounts. Bad debts are written off against the allowance when an account is deemed uncollectible.

Assets Limited as to Use

Assets limited as to use consist of cash, cash equivalents and investments. These assets are segregated from other assets as a condition of donors, contracts, or as designated by the Board of Directors. These assets are to be used for capital improvement, debt service and other specific purposes. Changes in net unrealized and realized gains and losses are included on the statement of operations as realized and unrealized gains and loss.

CFDS purchased five membership unit of LIFEPlan CCO NY (“LIFEPlan”) at a cost of $100,000 per unit in February 2018. LIFEPlan is a parent-led Care Coordination Organization (“CCO”) serving a 38-county region in New York State. CFDS began providing sub-contract care coordination services to LIFEPlan during July 2018. CFDS will continue to provide these services, at an agreed upon fee, through June 2019. Revenues related to this arrangement were approximately $2.5 million in 2018.

Property and Equipment

Property and equipment, except equipment acquired through donation, is stated at cost less accumulated depreciation. Donated property and equipment is generally recorded as an unrestricted contribution at its estimated fair value. Depreciation is computed by the straight-line method, based upon the estimated useful lives of the assets which range from five to forty years. CFDS has a capitalization policy which states that all fixed assets purchased with a value over $1,000 ($150 for St. Margaret’s) and a useful life of over one year are to be capitalized. Property and equipment purchased through grants are recorded at cost less the portion paid by the grants.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Property and equipment operated under leases which transfer substantially all benefits and risks associated with the assets to the Center is capitalized and an asset and liability are recorded at the present value of minimum payments over the term of the lease. Amortization of the asset is determined using the straight-line method over the same estimated useful lives as owned equipment and included with depreciation. Expenses associated with all other leases (operating leases) are charged to rent expense as incurred.

Deferred Financing Costs

Certain financing costs incurred have been deferred and will be charged to expense in future periods. These costs are amortized on a straight-line basis over the loan term and are included with interest expense in the combined statements of operations and changes in net assets. Interest expense related to deferred financing costs approximated $32,700 and $46,600 for the years ended December 31, 2018 and 2017, respectively.

Deferred Revenue

Grants received for operating purposes are recognized as earned and reported as revenue when expenditures have been incurred in compliance with the terms of the grants. Amounts received but not yet earned are reported as deferred revenue.

Net Asset Policy

The Boards of Directors of the Center maintains a net asset policy to ensure the long term viability of the organization by monitoring the adequacy of resource allocation between the competing needs of program, personnel and fiscal strength. The policy establishes an acceptable range for the ratio of net assets without donor restriction for working capital (as defined by the policy) to total operating expenses of the organization. Based on that policy, the ratio of unrestricted net assets for working capital to total operating expenses less than 10% or more than 15% require management to adjust future budgets.

Net Assets With Donor Restriction

Time and Purpose Restricted Net Assets - Resources initially restricted by donors and/or by contract are reported as time and purpose restricted net assets. A reclassification from time and purpose restricted net assets to undesignated net assets is reported in the combined statements of operations and changes in net assets when expenditures are incurred for the purpose intended by the donor or contract.

Perpetually Restricted Net Assets - Revenues restricted by donors, the principal of which may not be expended by the governing board, are reported as perpetually restricted.

Donated Services

A substantial number of unpaid volunteers have contributed their time to assist in providing program services and fund raising activities. The value of this contributed time is not reflected in these financial statements since the services received do not meet the criteria required for financial statement recognition.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Client Service Revenue

The Center has operating authority and/or agreements with third-party payors that provide for payments to the Center at amounts different from established rates of private payors. A summary of the payment arrangements with major third-party payors follows:

- **State Education Department (SED).** Education services are paid in accordance with Article 89 of the New York State Education Law. The rate is established based on a cost reimbursement methodology. The Center is compensated for reimbursable costs at a tentative rate with final settlement determined after submission of annual cost reports by the Center and reconciliation thereof by SED. The Center's SED cost reports have been substantially reconciled by SED through June 2016.

- **Office for People with Developmental Disabilities (OPWDD).** Residential, day program, vocational and employment services are paid in accordance with regulations established by Mental Hygiene Law. The rates are established based on various cost reimbursement methodologies.

- **Medicaid.** Clinical and medical service rendered to Medicaid program beneficiaries are reimbursed under a prospective cost reimbursement methodology using Ambulatory Patient Group (APG) rates.

Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Net patient service revenue is adjusted as required in subsequent periods based on final settlements.

Differences between amounts accrued and final audit and retroactive adjustments are recognized in the period in which they are able to be estimated. Revenues received in the current period for services to be provided in the following period are deferred.

Charity Care

The Center's policy is not to refuse services to any individual that requires patient care that the Center is equipped to provide. Consequently, the Center provides a significant amount of partially or totally uncompensated patient care (charity care) through their Diagnostic and Treatment Center Clinic. The Center's clinic provides approximately 36% of their services as totally uncompensated care. The net cost of charity care was approximately $600,000 for the year ended December 31, 2018 ($700,000 for 2017). The total cost is estimated based on a ratio of cost to charges methodology.

The Center provides numerous benefits to the community to address the health needs of the residents, primarily those with disabilities, in 26 counties. Many of the benefits include services that operate at a deficit; programs that meet the needs of a special population; and services that would be discontinued if programs were operated based solely on a financial basis.

Defined Benefit Pension Plan

The Association has a non-contributory defined benefit pension plan that covers substantially all employees who meet certain age and employment requirements. The Center froze the defined benefit plan as of March 31, 2006. The Plan was terminated effective May 31, 2018 and is in the process of being paid out.

The Center follows the recognition provisions of FASB guidance on Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which requires employers to recognize the over or under-funded status of defined benefit pension and postretirement plans as assets or liabilities in its combined financial statements and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restriction.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

CFDS, Association, Center Housing, Center Housing II, Center Housing III, CFDS Endowment, and CFDS Foundation, Prospect Center, FADDP, and Center Residence are tax exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

The income tax position taken by the not-for-profit entities of the Center is that these entities continue to be exempt from income taxes by virtue of their tax exempt status. Management believes this tax position meets the more-likely-than-not threshold and, accordingly, the tax benefit of this income tax position (no income tax expense or liability) has been recognized for the years ended on or before December 31, 2018.

Commercial Services Corp. and Center Transportation are taxable non-stock entities, which account for taxes under the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable for future years to differences between financial statement and tax basis of existing assets and liabilities. Under this method, the effect of tax rate changes on deferred taxes is recognized in the income tax provision in the period that includes the enactment date. The provision for taxes is reduced by investment and other tax credits in the years such credits become available. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not those assets will be realized. De minimus provisions (benefits) for income taxes have been recognized for 2018 and 2017 due to unrelated business income tax expenses and net losses and operating loss carry forwards and the associated full valuation allowance offsetting the deferred tax assets. Net operating loss carry- forwards for Commercial Services Corp. approximate $7,627,000 as of December 31, 2018.

The net operating losses are scheduled to expire as follows:

Year Ended December 31,	Amount
2019	$ 349,000
2020	574,000
2021	681,000
2022	535,000
2023	720,000
Thereafter	4,768,000
	$ 7,627,000

The Center follows guidance issued by FASB regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

None of the Center's and its related entities federal or state income tax returns is currently under examination by the Internal Revenue Service ("IRS") or state authorities.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Swap Agreements

CFDS and the Association have interest rate swap agreements as cash flow hedges for interest rate volatility in connection with its variable rate IDA bond payable and other financing agreements (Note 8). Interest rate swaps are recorded on the balance sheet at fair value, included in other liabilities. Changes in fair value are recognized in operating income unless specific hedge criteria are met. If the interest rate swap is designated as a cash flow hedge, the effective portions of changes in fair value of the hedge are recorded in changes in net assets and are subsequently recognized in operating income when the hedged item affects operations; cash flows are classified consistent with the underlying hedged item. The fair value of the Association's and St. Margaret's interest rate swap agreements at December 31, 2018 and 2017 approximated $(137,400) and $(306,600), respectively. CFDS and the Association do not intend to terminate the interest rate swap agreements.

Recently Adopted Accounting Standard

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Center adopted ASU 2016-14 for the year ended December 31, 2018.

The main provisions of this update, which amend the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, require the Center to:

1. Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the previously required three classes. That is, the Center will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the previously required amount for total net assets.

2. Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the previously required three classes. The Center will continue to report the currently required amount of the change in total net assets for the period.

3. Provide the following enhanced disclosures about:

    a. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

    b. Qualitative information that communicates how the Center manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date, as described in Note 15.

    c. Quantitative information, and additional qualitative information in the notes as necessary, that communicates the availability of the Center's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date, as described in Note 15.

    d. Expenses by both natural and functional classifications as well as the method used to allocate costs among program and support functions, as described in Note 12.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Event

For purposes of preparing this financial statement, the Center considered events through May 22, 2019, the date the financial statements were available for issuance.

Reclassifications

Certain 2017 financial statement line items have been reclassified to conform to the 2018 presentation.

NOTE 3 — CONCENTRATIONS OF CREDIT RISK

The Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Center and related entities place cash and temporary cash investments with high quality credit institutions. The Center's cash and cash equivalents are consistently in excess of the $250,000 FDIC insurance limit. However, the Center does not anticipate any loss on excess deposits.

The Center routinely assesses the financial strength of its funding sources and, as a result, believes that its accounts receivable credit risk exposure is limited.

Accounts and grants receivable consist of approximately the following at December 31:

	2018	2017
Medicaid	$ 9,564,700	$ 9,776,700
New York State Education Department	2,804,200	2,010,100
Grants and contracts with other state agencies	1,882,900	2,732,800
Medicare and Third-Party Insurance	1,243,800	1,273,100
Private and other	171,500	122,900
U.S. Department of Housing and Urban Development	9,200	1,400
	15,676,300	15,917,000
Less allowance for doubtful accounts	1,511,700	1,108,900
	$ 14,164,600	$ 14,808,100

NOTE 4 — ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use that are required for current obligations are reported in current assets. The classification and composition of assets limited as to use as set forth in the following tables is at December 31:

	2018	2017
Assets limited as to use:		
By contractual obligations	$ 2,719,463	$ 2,993,061
By board designation	9,169,293	9,169,202
By temporary and permanent restriction	7,437,743	6,949,262
Total	19,326,499	19,111,525
Classified as current	14,110,461	13,720,303
Classified as non-current	$ 5,216,038	$ 5,391,222
Assets limited as to use are comprised of the following:		
Cash	$ 8,081,850	$ 6,601,288
Certificates of deposit	2,304,681	2,845,351
Stocks	720,914	961,307
Equity mutual funds	333,797	354,930
Fixed income mutual funds	7,885,257	8,348,649
	$ 19,326,499	$ 19,111,525

Fair value and cost of investments and assets limited to use as of December 31, 2018 and 2017 are as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Investment				
Short-term				
Equity mutual funds	$ 3,449,302	$ 2,506,466	$ 3,790,472	$ 2,344,974
Fixed income mutual funds	-	-	154,725	159,960
Stocks	3,253,096	3,009,209	3,590,823	2,960,063
Other investments	525,000	525,000	-	-
	7,227,398	6,040,675	7,536,020	5,464,997
Long-term				
Fixed income mutual funds	745,788	941,795	860,754	852,213
	$ 7,973,186	$ 6,982,470	$ 8,396,774	$ 6,317,210
Assets limited as to use				
Cash	$ 8,081,850	$ 8,081,850	$ 6,601,288	$ 6,601,288
Certificates of deposit	2,304,681	2,314,538	2,845,351	2,854,541
Stocks	720,914	810,193	961,307	898,377
Equity mutual funds	333,797	279,017	354,930	361,760
Bond mutual funds	7,885,257	8,031,867	8,348,649	8,349,297
	$ 19,326,499	$ 19,517,465	$ 19,111,525	$ 19,065,263

NOTE 4 — ASSETS LIMITED AS TO USE AND INVESTMENTS (Continued)

The change in net unrealized and realized gains and (losses), including changes in bond funds and equity securities classified as assets limited as to use, consist of the following for the year ended December 31, 2018 and 2017:

	2018	2017
Realized gain	$ 181,322	$ 439,606
Unrealized (loss) gain	(1,326,076)	886,044
	$ (1,144,754)	$ 1,325,650

NOTE 5 — FAIR VALUE MEASUREMENTS

The Center follows guidance issued by the Financial Accounting Standards Board ("FASB") regarding Fair Value Measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considered counterparty credit risk in its assessment of fair value.

<u>Investments</u>

Investments in equity and debt securities are measured at and carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the combined balance sheets. Investment income is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law, in which case the income or loss is reflected as a change in temporarily restricted net assets. Certain investments, which management does not intend to sell or otherwise liquidate, are classified as long-term.

<u>Assets limited as to use</u>

All investments are measured at and carried at fair value based on quoted in active markets (all Level 1 measurements) in the combined balance sheets. Certificates of deposit, which are generally short-term, are carried at cost, which approximates fair value (Level 2).

NOTE 5 — FAIR VALUE MEASUREMENTS (Continued)

Interest rate swap agreements

The fair value of the swap is determined from proprietary models based upon well recognized financial principals which provides a reasonable approximation of the fair value as of December 31, 2018 and 2017. The valuation is based on Level 2 inputs in the fair value hierarchy and captured as other liabilities on the combined balance sheets.

The following presents certain of the Center's assets and liabilities by fair value hierarchy and investment type at:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investment				
Short-term				
Equity mutual funds	$ 3,449,302	$ -	$ -	$ 3,449,302
Stocks	3,253,096	-	-	3,253,096
Other investments	-	-	525,000	525,000
Long-term				
Bond mutual funds	745,788	-	-	745,788
	$ 7,448,186	$ -	$ 525,000	$ 7,973,186
Assets limited as to use				
Cash	$ 8,081,850	$ -	$ -	$ 8,081,850
Certificates of deposit	-	2,304,681	-	2,304,681
Stocks	720,914	-	-	720,914
Equity mutual funds	333,797	-	-	333,797
Fixed income mutual funds	7,885,257	-	-	7,885,257
	$ 17,021,818	$ 2,304,681	$ -	$ 19,326,499
Interest rate swap agreements	$ -	$ (137,388)	$ -	$ (137,388)
	$ -	$ (137,388)	$ -	$ (137,388)

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investment				
Short-term				
Equity mutual funds	$ 3,790,472	$ -	$ -	$ 3,790,472
Stocks	3,590,823		-	3,590,823
Fixed income mutual funds	154,725	-	-	154,725
Long-term				
Bond mutual funds	860,754	-	-	860,754
	$ 8,396,774	$ -	$ -	$ 8,396,774
Assets limited as to use				
Cash	$ 6,601,288	$ -	$ -	$ 6,601,288
Certificates of deposit	-	2,845,351	-	2,845,351
Stocks	961,307	-	-	961,307
Equity mutual funds	354,930	-	-	354,930
Bond mutual funds	8,348,649	-	-	8,348,649
	$ 16,266,174	$ 2,845,351	$ -	$ 19,111,525
Interest rate swap agreements	$ -	$ (306,563)	$ -	$ (306,563)
	$ -	$ (306,563)	$ -	$ (306,563)

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2018	2017
Land and related improvements	$ 5,172,942	$ 5,171,387
Buildings and related improvements	68,867,218	67,323,982
Equipment	19,760,039	19,133,092
Vehicles	13,514,220	13,837,055
Total	107,314,419	105,465,516
Less accumulated depreciation and amortization	79,520,002	76,286,821
	$ 27,794,417	$ 29,178,695

The Association leases vehicles and copiers under capital leases with a combined capitalized cost of approximately $8,628,312 and $7,729,800 at December 31, 2018 and 2017, respectively. Accumulated depreciation in the combined balance sheets included approximately $4,775,420 and $3,499,300 as of December 31, 2018 and 2017, respectively, relating to those leased assets.

NOTE 7 — LINES OF CREDIT

The Association has three operating lines of credit totaling $13,250,000 (a working capital line of credit for $10,000,000, an equipment line of credit for $1,000,000, and a construction of credit for $2,250,000) with a bank. All lines expire on September 30, 2019. The working capital line of credit bears interest at variable rates based on Prime plus 0.75%. The interest rate for the equipment line of credit is determined at the time of borrowing. The interest rate for the construction line of credit is the prime rate. There was no outstanding balance on the working capital line of credit at both December 31, 2018 and 2017. There was no outstanding balance on the equipment line of credit at December 31 2018. The outstanding balance on the equipment line of credit was $181,320 at December 31, 2017, at an interest rate of 4.25%. The construction line of credit was opened during 2018 and had no outstanding balance at December 31, 2018. The lines are renewed on an annual basis.

NOTE 8 — LONG-TERM DEBT

Long-term debt at December 31 consists of the following:

	2018	2017
Loans payable, state financing agency, collateralized by specific community residences and a security interest in all receivables and revenues related to the residences. The state financing agency has the option to acquire the properties for the unpaid loan balance in the event programs for developmentally disabled are no longer operated at the community residences. Payable in monthly installments of principal and interest ranging from 5.14% to 6.34%, maturing at various dates through January 2019.	$ 6,732	$ 122,671
Bank term loans for vehicles, collateralized by the assets, payable in monthly installments of principal plus interest at a variable rate of prime announced by the lender (approximately 5.5% at December 31, 2018) or fixed rate from 2.99% to 5.50%, maturing at various dates through 2023.	3,834,796	4,759,218

Continued …

NOTE 8 — LONG-TERM DEBT (Continued)

	2018	2017
Mortgage notes payable to banks, collateralized by the mortgaged real property and personal property related to the program operated at the mortgaged property location. Payable in monthly installments of principal and interest rate ranging from 1.68% to 8.25%, maturing at various dates through October 2030. Certain mortgages contain financial covenants, which were met at December 31, 2018 and 2017. In connection with the mortgage notes payable to banks, in 2003, 2006, 2009 and 2010, the Center became a party to interest rate swap agreements with banks with remaining notional values ranging from $625,721 to $3,712,795 to reduce the impact of changes in interest rate exposure. These agreements effectively changed the interest rate exposure to fixed rates from 6.21% to 7.10%. These swap agreements mature at various dates through October 2030. The Center is exposed to credit loss in the event of nonperformance by the banks, however, the Center does not anticipate nonperformance. Interest rate swap transactions generally involve exchanges of fixed and floating interest payment obligations without exchanges of underlying principal amounts. Consequently, the Association's exposure to credit loss is significantly less than the note principal amount. The cash flows in the interest rate swap agreements align with principal and interest payments on its debt.	5,879,187	6,913,166
The IDA bond was subject to a partial redemption and refinancing followed by its reissuance on December 29, 2010 in the principal amount of $4,945,000 which was bank qualified and purchased by the bank. The bond matures on December 1, 2019 and bears interest at an adjusted LIBOR rate (2.46% as of December 31, 2017). The annual payments include interest only payments through 2012 and principal payments ranging from $730,000 to $810,000 plus interest which started in 2013. In connection with the IDA bond, the Association is a party to an interest rate swap agreement with the bank, effective November 2010, with a notional amount of $835,000 as of December 31, 2018. This agreement reduces the impact of changes in interest rate exposure on the debt by fixing the interest rate at 3.63% through maturity in December 2019. The Association is exposed to credit loss in the event of nonperformance by the bank, however, the Association does not anticipate nonperformance. Interest rate swap transactions generally involve exchanges of fixed and floating interest payment obligations without exchanges of underlying principal amounts. Consequently, the Association's exposure to credit loss is significantly less than the bond principal amount. The cash flows in the interest rate agreements align with the principal and interest payments on its debt.	850,000	1,670,000
Master lease agreements with banks providing lease financing for phone system, collateralized by the equipment. Payments under the master lease agreement, including interest at 3.79%, are $16,490, maturing in December 2019. (Net of imputed interest of approximately $4,123 at December 31, 2018).	195,422	381,844
Total	10,766,137	13,846,899
Less current maturities	3,528,783	3,892,231
Long-term debt, net of current portion	7,237,354	9,954,668
Less unamortized debt issuance costs	128,982	239,557
Long-term debt, net of current portion and unamortized debt issuance costs	$ 7,108,372	$ 9,715,111

Long-term debt matures as follows as of December 31, 2018:

Year ending December 31	Debt
2019	$ 3,528,783
2020	1,907,933
2021	1,332,609
2022	908,395
2023	548,054
Thereafter	2,540,363
	$ 10,766,137

Total interest costs, including lines of credit, incurred during 2018 and 2017 were approximately $797,000 and $808,000 respectively.

NOTE 9 — LEASE OBLIGATIONS

The Association leases certain commercial and residential facilities under operating lease agreements with rental periods ranging from month to month to multiple years. The total minimum future lease obligations, for leases with a term of one year or longer, are approximately as follows as of December 31, 2018:

Years ending December 31	
2019	$ 1,171,495
2020	655,268
2021	586,761
2022	476,920
2023	386,718
Thereafter	244,785
	$ 3,521,947

Lease expense for 2018 and 2017 was approximately $1,352,400 and $1,299,400, respectively.

NOTE 10 — TIME AND PURPOSE RESTRICTED NET ASSETS

Time and purpose restricted net assets are available for the following purposes at December 31:

	2018	2017
CFDS Endowment	$ 4,895,366	$ 4,754,378
CFDS Foundation	2,087,917	1,949,579
Bus Purchase - FTA Grant	295,893	86,738
Other	26,541	26,541
Specific programs and services for the disabled	$ 7,305,717	$ 6,817,236

NOTE 11 — PENSION PLANS

Defined Benefit Plan – The Association

The Association had a non-contributory defined benefit pension plan that covers substantially all employees of the Association who meet certain age and employment requirements.

The Association elected to freeze the defined benefit plan as of March 31, 2006. The plan's status is frozen as of December 31, 2018 and 2017.

Effective May 31, 2018, the Association terminated the pension plan. The Association expects to settle all benefit liabilities in 2019. Benefit payments have been determined using 2019 IRC 417 (e) mortality/interest and include an allowance for the cost of annuities for participants who opt to receive an annuity instead of a lump sum. Actual benefit payments will depend on participant elections and distribution dates.

NOTE 11 — PENSION PLANS (Continued)

Defined Benefit Plan – The Association (Continued)

The plan calls for benefits to be paid to employees at retirement based primarily upon years of service with the Association and compensation rates. Contributions to the plan reflect benefits attributable to each employee's service date, as well as services expected to be earned in the future. All plan assets are held in trust, and consist of money market funds, government securities, mutual funds, and corporate stock. The Association makes the required contributions to the plan based on the minimums established by the Employee Retirement Income Security Act (ERISA) of 1974.

The projected benefit obligation (PBO) as of December 31, 2018 and 2017 is the actuarial present value of all benefits attributed by the plan's benefit formula to employee service rendered prior to those dates utilizing an assumption as to future compensation levels. The funded status of the plan, measured by comparing the fair value of the plan's assets to the PBO as of a date, represents the excess or shortfall of the fair value of the plan's assets to meet the actuarial present value of the plan's projected obligation.

The accumulated benefit obligation as of December 31, 2018 and 2017 is the actuarial present value of all benefits attributed by the plan's pension benefit formula to employee service rendered prior to those dates and is based on past compensation levels.

The following table sets forth additional required information regarding the Plan's funded status at December 31:

	2018	2017
Accumulated benefit obligation at beginning of year	$ 12,407,437	$ 11,756,842
Interest cost	406,740	430,492
Actuarial loss	852,215	1,076,343
Benefit payments and expected expenses	(7,094,751)	(856,240)
Accumulated benefit obligation at end of year	6,571,641	12,407,437
Fair value of plan assets at beginning of year	10,867,626	10,108,836
Actual return on plan assets	248,194	1,615,030
Employer contributions	1,652,000	-
Benefit payments and actual expenses	(7,094,751)	(856,240)
Fair value of plan assets at end of year	5,673,069	10,867,626
Funded status at end of year-included in other liabilities - on the combined balance sheets	$ (898,572)	$ (1,539,811)
Amounts in net assets not yet recognized as net periodic pension cost:		
Net actuarial loss	$ 1,149,189	$ 2,203,499
	$ 1,149,189	$ 2,203,499

Continued …

NOTE 11 — PENSION PLANS (Continued)

Defined Benefit Plan – The Association (Continued)

	2018	2017
Weighted average assumptions used for net pension cost:		
Discount rate	3.30%	3.30%
Expected long-term return on plan assets	2.00%	6.00%
Rate of compensation increase	0.00%	0.00%
Weighted average assumptions used for pension obligations:		
Discount rate	3.30%	3.30%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	0.00%	0.00%
Components of net periodic pension (benefit) cost:		
Service cost	$ -	$ 2,500
Interest cost	406,740	430,492
Expected return on plan assets	(217,704)	(601,471)
Amortization of net actuarial loss	103,821	122,939
Net periodic pension benefit	$ 292,857	$ (45,540)

Other changes in unamortized items recognized in other changes in net assets during 2018 and 2017 were as follows:

	2018	2017
Current year loss	$ (821,725)	$ (60,285)
Amortization of actuarial loss	103,821	122,939
Total recognized in other changes in net assets	$ (717,904)	$ 62,654

There are no estimated amounts expected to be amortized from net assets into net periodic benefit costs in 2018 or 2017.

The Center's pension plan weighted average asset allocations were invested entirely in mutual funds at December 31, 2018 and substantially all in mutual funds at December 31, 2017.

The expected long-term rate of return on plan assets reflect long-term earnings expectations on existing plan assets and those contributions expected to be received during the current plan year. In estimating that rate, consideration was given to historical returns earned by plan assets and the rates of return expected to be available for reinvestment. Rates of return were adjusted to reflect current capital market assumptions and changes in investment allocations.

The Association's investment policy requires prudent investing in equity and debt securities.

NOTE 11 — PENSION PLANS (Continued)

<u>Defined Benefit Plan – The Association</u> (Continued)

The following presents the Center's pension plan assets by fair value hierarchy and investment type at:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Group annuity contract	$ -	$ 5,673,069	$ -	$ 5,673,069

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Group annuity contracts	$ -	$ 90,792	$ -	$ 90,792
Bond funds	-	2,670,784	-	2,670,784
Large/mid cap value equity funds	-	2,826,350	-	2,826,350
Large/mid cap blend equity funds	-	1,049,942	-	1,049,942
Large/mid cap growth equity funds	-	2,393,329	-	2,393,329
Small company equity funds	-	281,593	-	281,593
Global equity funds	-	787,596	-	787,596
International equity funds	-	422,765	-	422,765
Specialty funds	-	344,476	-	344,476
	$ -	$ 10,867,626	$ -	$ 10,867,626

Contributions to the plan are made on an annual basis, if required. Contributions to plan totaled $1,652,000 during 2018. There were no contributions made to the plan during 2017. The Association expects to fully fund the plan in 2019.

Benefit payments totaling $6,571,641 are expected to be fully paid out during 2019.

<u>Defined Contribution Plans</u>

The Center has a 401(k) defined contribution plan covering eligible employees from the Association and St. Margaret's. The Center accrued for a discretionary contribution of 3% of all eligible full time employees' salary that are participating in the plan at December 31, 2018 and 2017. The Center also matches 75% of the first 4% of the eligible participants annual salary contributed to the plan. Total expenses relating to the defined contribution plan approximated $2,321,500 and $2,268,500 for the years ended December 31, 2018 and 2017, respectively.

<u>Other Benefits Plans</u>

The Center has a non-qualified 457 deferred compensation plan covering certain employees. Eligible employees may defer up to 100% of their annual compensation not to exceed the limit of $18,500 and $18,000 for the years ended December 31, 2018 and 2017, respectively.

The Center is the owner and beneficiary of $1,000,000 of split dollar term life insurance policies on the lives of several key officers. The Center provides limited postretirement health care benefits to certain key officers, for which there was no related unfunded liability at December 31, 2018 and 2017.

NOTE 12 — FUNCTIONAL EXPENSES

The following presents the Center's functional expenses for the years ended December 31,

	2018					
	Program Activities	Commercial Services	HUD Grants	Fundraising	Management and General	Total Functional Expenses
Salaries	$ 72,950,571	$ 203,164	$ 24,679	$ 343,072	$ 6,123,425	$ 79,644,911
Fringe benefits	15,208,758	41,131	4,810	106,279	1,467,382	16,828,360
Contractual and purchased services	7,647,989	1,627,456	52,210	121,590	464,447	9,913,692
Occupancy	3,975,702	138,184	164,362	41,901	406,643	4,726,792
Supplies	6,905,226	89,526	17,842	268,651	1,201,510	8,482,755
Depreciation	3,995,535	147,436	6,199	10,350	247,008	4,406,528
Interest expense	780,793	655	687	174	14,839	797,148
Other	4,202,159	306,454	36,731	375,570	497,130	5,418,044
	$ 115,666,733	$ 2,554,006	$ 307,520	$ 1,267,587	$ 10,422,384	$ 130,218,230

	2017					
	Program Activities	Commercial Services	HUD Grants	Fundraising	Management and General	Total Functional Expenses
Salaries	$ 69,687,949	$ 310,589	$ 29,242	$ 362,360	$ 5,964,456	$ 76,354,596
Fringe benefits	16,968,103	63,339	7,122	93,519	1,329,135	18,461,218
Contractual and purchased services	7,556,977	673,821	48,671	143,019	802,488	9,224,976
Occupancy	3,882,808	145,100	82,602	31,672	404,039	4,546,221
Supplies	6,762,872	151,344	7,793	232,611	1,223,043	8,377,663
Depreciation	3,963,290	154,929	6,093	8,357	255,666	4,388,335
Interest expense	782,368	2,820	514	62	22,915	808,679
Other	4,202,582	207,657	35,178	379,805	535,844	5,361,066
	$ 113,806,949	$ 1,709,599	$ 217,215	$ 1,251,405	$ 10,537,586	$ 127,522,754

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits, when requiring allocation are based on estimates of time and effort, occupancy and other expenses not directly charged are allocated using acceptable methods such as Square foot, number of lines, meals served, or full time equivalent.

NOTE 13 — ENDOWMENT FUNDS

FASB Accounting Standards Codification provides guidance regarding Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for all Endowment Funds. The guidance requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

NOTE 13 — ENDOWMENT FUNDS (Continued)

New York adopted a version of the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The Center has interpreted NYPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not recorded in permanently restricted net assets is recorded as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Changes in endowment funds for the years ended December 31, 2018 and 2017 are as follows:

	Net Assets With Donor Restriction	Net Assets Without Donor Restriction	Total
Endowment net assets, January 1, 2017	$ 3,922,388	$ 785,862	$ 4,708,250
Contributions	541,311	-	541,311
Investment income / (loss)	181,463	36,357	217,820
Appreciation / (depreciation)	337,894	67,698	405,592
Amounts appropriated for expenditure	(96,652)	-	(96,652)
Endowment net assets, December 31, 2017	4,886,404	889,917	5,776,321
Contributions	455,732	-	455,732
Investment income / (loss)	232,968	42,429	275,397
Appreciation / (depreciation)	(430,759)	(78,450)	(509,209)
Amounts appropriated for expenditure	(116,953)	-	(116,953)
Endowment net assets, December 31, 2018	$ 5,027,392	$ 853,896	$ 5,881,288

NOTE 14 — COMMITMENTS AND CONTINGENCIES

Regulatory

The Center is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for non-compliance by individual service providers. The Center is frequently subjected to funding source audits and reviews. The Center's compliance with laws and regulations continues to be subject to government review, interpretation or actions of which are unknown and unasserted at this time.

Litigation

The Center is at times a defendant in litigation and potential litigation matters which involve claims for unspecified damages. The ultimate resolution of these matters is not presently determinable, however, when appropriate estimates of losses are accrued. The Center routinely refers all asserted and unasserted claims to its insurance company.

NOTE 14 — COMMITMENTS AND CONTINGENCIES (Continued)

Self Insurance

Prior to 2012, the Center was a member of a self-insured workers' compensation trust. The Trust is currently in run-off status, and the outcome of the run-off status of the Trust is not determinable at the date of the financial statements. During 2015, run-off status for the trust was extended through 2025.

Capital Advance Program

The Center Housing Corps participate in HUD's Capital Advance Program under Section 811 of the National Affordable Housing Act. The Act provides capital advances to non-profit owners of housing occupied by disabled persons between the ages of 18 and 62. Capital advances under the program bear no interest and need not be repaid so long as the housing remains available for HUD eligible participants for at least 40 years. Failure to keep the housing available for disabled persons would result in HUD billing the Corporation for the entire capital advance plus interest since the date of the first advance. The total original advances from HUD under this program was approximately $3,200,000.

NOTE 15 — 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:

	2018	2017
Cash and cash equivalents	$ 12,298,392	$ 13,543,402
Accounts and grants receivable, net	14,164,615	14,808,070
Assets limited as to use	11,452,610	11,463,330
Investments	4,248,155	4,238,197
Financial assets available to meet cash needs within one year	$ 42,163,772	$ 44,052,999

Cash and cash equivalents contain highly liquid financial instruments with original maturities of three months or less. Short-term Investment consist of equity mutual funds, fixed income mutual funds and stocks. Assets limited as to use consist of cash, certificates of deposit, stocks, and both equity and bond mutual funds. To help management liquidity needs, the Center has two operating lines of credit totaling $11,000,000 (Note 7).

The Center's Board of Directors maintains a net asset policy to ensure the long term viability of the organization by monitoring the adequacy of resource allocation between the competing needs of program, personnel and fiscal strength. The policy establishes an acceptable range for the ratio of unrestricted net assets for working capital (as defined by the policy) to total operating expenses of the organization. Based on that policy, the ratio of unrestricted net assets for working capital to total operating expenses less than 10% or more than 15% require management to adjust future budgets.

Refer to the statement of cash flows, which identifies the sources and uses of the Center's cash.