

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 25
SUPPLEMENTAL SCHEDULES	26
Schedule of County Financial Awards	27
Schedule of Expenses Under Provisions of the Contract with Miami-Dade County Homeless Trust	28
Notes to Schedule of County Financial Awards and Schedule of Expenses Under Provisions of the Contract with Miami-Dade County Homeless Trust	29
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	30
INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTION	31
MANAGEMENT'S ASSERTION REPORT	32

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chapman Partnership, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chapman Partnership, Inc. and Affiliate (a non-profit organization), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chapman Partnership, Inc. and Affiliate as of September 30, 2019 and 2018, 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.

To the Board of Trustees of
Chapman Partnership, Inc. and Affiliate
Page Two

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedules on pages 27 - 29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of Chapman Partnership, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chapman Partnership, Inc. and Affiliate's internal control over financial reporting and compliance.

Monison, Brown, Aigiz & Tena

Miami, Florida
February 18, 2020

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
SEPTEMBER 30,

ASSETS	2019	2018
Cash and cash equivalents	\$ 4,076,850	\$ 3,361,211
Restricted cash equivalents	1,635,509	1,701,423
Grant and other receivables	858,538	504,982
Prepaid expenses and other assets	394,811	589,232
Pledges receivable, net	1,248,196	1,261,973
Investments	48,063,894	47,554,389
Property and equipment, net	14,124,489	14,211,832
TOTAL ASSETS	\$ 70,402,287	\$ 69,185,042
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 584,436	\$ 798,723
Deferred revenue	1,019,450	1,640,174
TOTAL LIABILITIES	1,603,886	2,438,897
NET ASSETS		
Without donor restrictions	16,134,847	15,656,190
With donor restrictions	52,663,554	51,089,955
TOTAL NET ASSETS	68,798,401	66,746,145
TOTAL LIABILITIES AND NET ASSETS	\$ 70,402,287	\$ 69,185,042

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Miami-Dade County Homeless Trust	\$ 10,748,828	\$ 952,800	\$ 11,701,628
Miami-Dade County Public Schools	119,206	-	119,206
State of Florida	193,366	-	193,366
OMNI Community Redevelopment Agency	171,880	-	171,880
TOTAL PUBLIC SUPPORT	11,233,280	952,800	12,186,080
REVENUES			
Revenues from private sources	4,815,642	206,808	5,022,450
Investment income, net	420,705	1,780,823	2,201,528
In-kind revenues	2,118,842	-	2,118,842
TOTAL REVENUES	7,355,189	1,987,631	9,342,820
NET ASSETS RELEASED FROM RESTRICTIONS	1,366,832	(1,366,832)	-
TOTAL PUBLIC SUPPORT AND REVENUES	19,955,301	1,573,599	21,528,900
EXPENSES			
Program	16,479,205	-	16,479,205
Management and general	1,482,202	-	1,482,202
Fundraising	1,515,237	-	1,515,237
TOTAL EXPENSES	19,476,644	-	19,476,644
CHANGE IN NET ASSETS	478,657	1,573,599	2,052,256
NET ASSETS AT BEGINNING OF YEAR	15,656,190	51,089,955	66,746,145
NET ASSETS AT END OF YEAR	\$ 16,134,847	\$ 52,663,554	\$ 68,798,401

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT			
Miami-Dade County Homeless Trust	\$ 9,848,828	\$ 833,000	\$ 10,681,828
Miami-Dade County Public Schools	116,222	-	116,222
State of Florida	248,709	-	248,709
Miami-Dade County Public Housing and Community Development	56,771	-	56,771
TOTAL PUBLIC SUPPORT	10,270,530	833,000	11,103,530
REVENUES			
Revenues from private sources	5,056,092	208,865	5,264,957
Investment income, net	17,880	2,967,647	2,985,527
In-kind revenues	2,035,165	-	2,035,165
TOTAL REVENUES	7,109,137	3,176,512	10,285,649
NET ASSETS RELEASED FROM RESTRICTIONS	1,047,918	(1,047,918)	-
TOTAL PUBLIC SUPPORT AND REVENUES	18,427,585	2,961,594	21,389,179
EXPENSES			
Program	15,679,029	-	15,679,029
Management and general	1,393,413	-	1,393,413
Fundraising	1,364,077	-	1,364,077
TOTAL EXPENSES	18,436,519	-	18,436,519
CHANGE IN NET ASSETS	(8,934)	2,961,594	2,952,660
NET ASSETS AT BEGINNING OF YEAR	15,665,124	48,128,361	63,793,485
NET ASSETS AT END OF YEAR	\$ 15,656,190	\$ 51,089,955	\$ 66,746,145

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 5,502,036	\$ 789,831	\$ 364,410	\$ 6,656,277
Payroll taxes	385,911	55,961	22,789	464,661
Health and retirement benefits	1,106,597	135,396	91,050	1,333,043
Total salaries, taxes, and benefits	6,994,544	981,188	478,249	8,453,981
Professional fees	183,011	323,527	20,646	527,184
Security	392,754	-	-	392,754
Supplies	465,967	28,174	26,049	520,190
Food (excluding in kind)	951,932	-	-	951,932
Marketing and communications	2,588	-	381,822	384,410
Postage and shipping	3,873	1,056	1,115	6,044
Occupancy	1,371,843	4,495	-	1,376,338
Rental equipment	61,895	1,487	-	63,382
Transportation and travel	52,532	37,631	16,793	106,956
Membership and publications	3,037	515	8,898	12,450
Insurance	230,119	40,310	-	270,429
Conferences and meetings	83,761	39,405	-	123,166
Client expenses	1,356,667	-	-	1,356,667
In-kind expenses	2,118,842	-	-	2,118,842
Health services	932,329	-	-	932,329
Continuum of care	200,000	-	-	200,000
Development and event expenses	-	-	581,665	581,665
Bad debt	-	24,414	-	24,414
Depreciation	1,073,511	-	-	1,073,511
TOTAL EXPENSES	\$ 16,479,205	\$ 1,482,202	\$ 1,515,237	\$ 19,476,644

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 5,443,652	\$ 676,400	\$ 424,805	\$ 6,544,857
Payroll taxes	373,561	62,055	25,258	460,874
Health and retirement benefits	1,114,873	188,546	62,775	1,366,194
Total salaries, taxes, and benefits	6,932,086	927,001	512,838	8,371,925
Professional fees	310,729	284,892	19,423	615,044
Security	361,803	-	-	361,803
Supplies	459,714	17,135	69,008	545,857
Food (excluding in kind)	908,876	-	-	908,876
Marketing and communications	24,699	-	203,722	228,421
Postage and shipping	9,701	3,191	423	13,315
Occupancy	1,190,862	5,496	-	1,196,358
Rental equipment	81,402	6,466	-	87,868
Transportation and travel	89,910	78,361	12,188	180,459
Membership and publications	-	1,988	8,228	10,216
Insurance	440,932	41,555	-	482,487
Conferences and meetings	78,196	8,417	200	86,813
Client expenses	544,310	-	-	544,310
In-kind expenses	2,035,165	-	-	2,035,165
Health services	1,004,201	-	-	1,004,201
Continuum of care	200,000	-	-	200,000
Development and event expenses	-	-	538,047	538,047
Bad debt	-	18,911	-	18,911
Depreciation	1,006,443	-	-	1,006,443
TOTAL EXPENSES	\$ 15,679,029	\$ 1,393,413	\$ 1,364,077	\$ 18,436,519

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,052,256	\$ 2,952,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,073,511	1,006,443
Net realized and unrealized investment gains	(1,099,454)	(1,742,805)
Restricted cash for endowment	(206,808)	(208,865)
Bad debt expense	24,414	18,911
Discount on pledges receivable	(15,555)	(18,823)
Changes in operating assets and liabilities:		
Grant and other receivables	(353,556)	(10,320)
Prepaid expenses and other assets	194,421	(59,127)
Pledges receivable	4,918	(509,668)
Accounts payable, accrued expenses and other liabilities	(214,287)	245,167
Change in restricted cash	65,914	(254,048)
Deferred revenue	(620,724)	(848,885)
TOTAL ADJUSTMENTS	(1,147,206)	(2,382,020)
NET CASH PROVIDED BY OPERATING ACTIVITIES	905,050	570,640
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(986,168)	(956,616)
Net proceeds (purchases) of investments	589,949	(1,387,173)
NET CASH USED IN INVESTING ACTIVITIES	(396,219)	(2,343,789)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	206,808	208,865
NET CASH PROVIDED BY FINANCING ACTIVITIES	206,808	208,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	715,639	(1,564,284)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,361,211	4,925,495
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,076,850	\$ 3,361,211

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

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Chapman Partnership, Inc. ("Chapman"), incorporated in Florida on July 23, 1993, is a not-for-profit organization that was organized to build up to three Homeless Assistance Centers for the homeless, to organize the efforts of local organizations to create and implement a comprehensive plan to assist homeless individuals, and to educate residents on homeless issues, all in Miami-Dade County. The first center opened in October 1995. The second center opened in 1998. Chapman receives its support from the Miami-Dade County Homeless Trust, Miami-Dade County Public Schools, and other public and private organizations and individuals. Presently, there are no plans to build a third center.

In December 2012, Chapman established a wholly-owned non-profit organization named CP 1551, Inc., for the purpose of acquiring real property.

Chapman offers a comprehensive, holistic approach to homeless assistance through onsite services and partnerships that help residents attain self-sufficiency and housing stability. These resources include a wide array of programs that go far beyond just emergency shelter, and include comprehensive case management; health, dental and mental health care; child care; job development, training and placement; and permanent housing assistance facilitated by a variety of social service agencies – all located under one roof.

Healthcare at Chapman encompasses medical, dental and mental health services. Health clinics located at Chapman Partnership North and Chapman Partnership South are designed to stabilize and address the immediate needs of residents, including acute health problems and chronic conditions, and serve as a resident's primary care provider during their stay. Through the operation of a Mobile Dental Unit, residents have access to preventive and restorative oral health care, including dental exams, X-rays, cleanings, fillings and tooth extractions. Mental health services help residents deal with common diagnoses, such as depression and anxiety disorders, bipolar disease and schizophrenia.

The Family Resource Centers at Chapman Partnership North and Chapman Partnership South empower the homeless by creating a nurturing environment where children can succeed. Family Resource Centers offer after school and full-day summer programming that promotes positive, healthy development among adolescents and teens; as well as year-round evening family enrichment activities that foster family bonding, contributing to the overall wellbeing of the family unit.

The job development programs operated at Chapman Partnership North and Chapman Partnership South include vocational training and education in culinary arts, environmental services, security, and other career fields; work readiness assistance (e.g., resume writing, interview skills, and computer training); and job placement, with the goal of assisting persons experiencing homelessness in securing full-time jobs paying above minimum wage.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Chapman Partnership, Inc. and its affiliate, CP 1551, Inc., collectively referred to as the "Organization." All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The consolidated financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Principles of Consolidation (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor to net assets without donor restrictions in the Consolidated Statements of Activities.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include investments with original maturities of three months or less. Included within cash and cash equivalents is a short term certificate of deposit with an original maturity of 2 months and a stated interest rate of 1.81%.

Restricted Cash Equivalents

Restricted cash equivalents represent cash restricted by donors for specific purposes and the endowment of the Organization.

Investments

The Organization reports its investments in marketable securities with readily determinable fair values and all investments in debt securities at fair value in the Consolidated Statements of Financial Position.

Investment income (loss), net (including realized and unrealized gains and losses on investments, interest and dividends) is included in the accompanying Consolidated Statements of Activities as increases (decreases) in net assets without donor restrictions unless income (loss) is restricted by donor or law.

Concentration of Credit and Market Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization limits its exposure by placing its deposits with quality financial institutions. At times, such balances may be in excess of the insurance limits of the FDIC. The Organization has not experienced losses in such accounts.

Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Organization's investments in equity and fixed income securities are considered a concentration of market risk as they are approximately 47% and 38%, respectively, of total investments at September 30, 2019 and approximately 58% and 37%, respectively, of total investments at September 30, 2018. The Organization has an investment policy and utilizes management oversight, and regularly reviews its investment portfolio to monitor these risks.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques, as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values due primarily to the short-term nature of their maturities.

Pledges Receivable and Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as support with donor restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions. Conditional promises to give are recognized when the conditions are substantially met.

Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received to the extent estimated to be collectible by the Organization. Pledges received with donor restrictions that limit the use of the donated assets are reported as support with donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, or when cash is collected on unconditional pledges in excess of current year pledge revenue, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Pledges receivable due in excess of one year are discounted at the present value of their estimated future cash flows. Unconditional promises and grants and other receivables are recorded in the Consolidated Statements of Financial Position at fair value estimated by discounted cash flow analysis, using an average discount rate of 5% for the years ended September 30, 2019 and 2018. Management reviews outstanding pledges on an ongoing basis. Management provides for probable uncollectible pledges through a provision for bad debt expense and an adjustment to the allowance based on its assessment of the current status of individual pledges receivable. Pledges receivable are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment, Net

Property and equipment is stated at cost of acquisition or fair value at the date of donation in the case of gifts. The Organization leases the land on which the first Homeless Assistance Center is located from the Miami-Dade County School Board over a period of 40 years at a cost of \$1 per year. The appraised value at the date of gift of this leasehold was \$425,000 and was recorded by the Organization as in-kind revenue in a prior year. The leasehold is being amortized over a period of 40 years. Leasehold improvements are capitalized on the basis of cost and equipment acquired or donated is capitalized at cost or fair value at the date of acquisition or donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. In the absence of donor-imposed restrictions on the use of an asset, gifts of long-lived assets are reported as without donor restrictions.

Estimated useful lives of property and equipment are as follows:

Asset	Life
Buildings and leasehold improvements	Shorter of useful life or lease term
Furniture and fixtures	10 years
Computer equipment	3 years
Automobiles	3 years

Prepaid Expenses

Expenditures relating to programs for the next fiscal year are reported as a prepaid asset and are expensed during the next year as the related program function takes place.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

The Organization records deferred revenue for monies received in advance for special events and other programs that have not taken place as of year-end.

In-Kind Donations

The Organization receives food, office equipment, personal services, and other items as in-kind donations. These donations are recorded at management's estimate of fair market value at the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Expenses that can be directly identified with the program or supporting service are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

Income Taxes

Chapman Partnership, Inc. is a not-for-profit corporation whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state income taxes. Chapman Partnership, Inc. and CP 1551, Inc. are exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. federal jurisdiction and the State of Florida are the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2016.

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended September 30, 2019, the Organization adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Organization has applied the update retrospectively to all periods presented and adjusted the presentation of these consolidated financial statements accordingly. As a result, the Organization has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Organization's consolidated financial position and changes in net assets. In addition, the Organization has elected to continue to present the Consolidated Statements of Cash Flows using the indirect method and has continued to include separate Consolidated Statements of Functional Expenses in its consolidated financial statements.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The Organization does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The effective dates have been tentatively extended to fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its consolidated financial statements.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through February 18, 2020, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain items in the 2018 consolidated financial statements were reclassified to conform to the 2019 presentation.

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors its cash balances and also ensures spending is within budget guidelines.

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures as of September 30, 2019 are as follows:

Cash and cash equivalents	\$ 4,076,850
Restricted cash equivalents	1,635,509
Grant and other receivables	858,538
Pledges receivable, net	1,248,196
Investments	<u>48,063,894</u>
Total financial assets	<u>55,882,987</u>
Less amounts not available to be used within one year:	
Financial assets related to endowment	42,239,424
Other restricted assets	875,182
Long term pledges receivable, net	<u>402,756</u>
Total financial assets not available to be used within one year	<u>43,517,362</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,365,625</u>

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

3. PLEDGES RECEIVABLE, NET

Outstanding pledges receivable are due from various corporations, organizations and individuals. Pledges receivable, net are as follows at September 30,:

	2019	2018
Pledges due in:		
Less than one year	\$ 845,440	\$ 788,764
One to five years	457,905	543,913
Total	1,303,345	1,332,677
Less: Discount on long-term pledges	(34,649)	(50,204)
Less: Allowance for uncollectible pledges	(20,500)	(20,500)
Total discount and allowance	(55,149)	(70,704)
Pledges receivable, net	<u>\$ 1,248,196</u>	<u>\$ 1,261,973</u>

For the years ended September 30, 2019 and 2018, the Organization had approximately \$24,000 and \$19,000 of bad debt expense, respectively.

4. INVESTMENTS

Investments are presented in the consolidated financial statements consist of the following at September 30,:

	2019	2018
Domestic equity	\$ 12,724,843	\$ 16,881,000
International equity	10,066,428	10,749,201
Global fixed income:		
Corporate	1,078,031	804,543
Government	-	125,198
Domestic fixed income:		
Corporate	10,840,919	9,893,032
Government	6,402,365	6,538,342
Group variable annuity contract	2,564,490	-
Private equity	4,386,818	2,563,073
Total	<u>\$ 48,063,894</u>	<u>\$ 47,554,389</u>

During the year ended September 30, 2016, the Board of Trustees approved a long-term plan to invest in private equity funds. As of September 30, 2019, and 2018, investment in private equity funds was approximately 9% and 5%, respectively, of the investment portfolio.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the Organization's consolidated financial position and results of operations.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

4. INVESTMENTS (CONTINUED)

The following schedules summarize the investment income and its classification in the Consolidated Statements of Activities for the years ended September 30, 2019 and 2018:

2019	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 214,976	\$ 887,098	\$ 1,102,074
Net realized and unrealized income on investments	205,729	893,725	1,099,454
	\$ 420,705	\$ 1,780,823	\$ 2,201,528
2018	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 152,878	\$ 1,089,844	\$ 1,242,722
Net realized and unrealized (loss) income on investments	(134,998)	1,877,803	1,742,805
	\$ 17,880	\$ 2,967,647	\$ 2,985,527

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following at September 30,:

	2019	2018
Land	\$ 1,495,000	\$ 1,495,000
Buildings	146,960	146,960
Leasehold improvements	22,863,907	22,205,619
Furniture and fixtures	2,853,513	2,735,725
Computer equipment	2,272,010	2,111,981
Automobiles	1,017,904	967,841
	30,649,294	29,663,126
Less accumulated depreciation	(16,524,805)	(15,451,294)
Total	\$ 14,124,489	\$ 14,211,832

Depreciation expense was \$1,073,511 and \$1,006,443 for the years ended September 30, 2019 and 2018, respectively.

6. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification ("ASC") 820 *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:
 - Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
 - Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
 - Income approach – Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Domestic and international equity investments are valued at the closing price reported in the active market in which the individual securities are traded.

Domestic and global fixed income investments are primarily valued at the closing price reported in the active market in which the individual securities are traded.

The private equity investments are valued by the underlying investments of the funds, which are valued at fair value on a monthly basis. Certain funds are redeemable at their net asset value ("NAV") per share on a monthly basis. The Organization considers the length of time until the investment is redeemable, including notice and lock-up periods or any other restriction on the disposition of the investment. The Organization also considers the nature of the portfolios of the underlying investments and their ability to liquidate their underlying investments.

The group variable annuity contract is measured at contract value, which approximates fair value. The premiums paid into the annuity contract are invested in a master limited partnership, Harvest MLP Income Fund III, L.P. ("Harvest MLP"), which is valued at net asset value. The net asset value of the Harvest MLP fund is reported by the investment manager of Harvest MLP on a monthly basis. Contract value is determined using the underlying net asset value of the Harvest MLP fund.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 and 2018

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended September 30, 2019 and 2018.

Items Measured at Fair Value on a Recurring Basis

The following tables represent the Organization's financial instruments measured at fair value on a recurring basis at September 30, 2019 and 2018, for each of the fair value hierarchy levels:

Description	Fair Value 9/30/2019	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Domestic equity	\$ 12,724,843	\$ 12,724,843	\$ -	\$ -
International equity	10,066,428	10,066,428	-	-
Global fixed income:				
Corporate	1,078,031	1,078,031	-	-
Domestic fixed income:				
Corporate	10,840,919	10,840,919	-	-
Government	6,402,365	6,402,365	-	-
	41,112,586	\$ 41,112,586	\$ -	\$ -
Private equity investments at net asset value	4,386,818			
Group variable annuity contract at contract value	2,564,490			
	\$ 48,063,894			

Description	Fair Value 9/30/2018	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Domestic equity	\$ 16,881,000	\$ 16,881,000	\$ -	\$ -
International equity	10,749,201	10,749,201	-	-
Global fixed income:				
Corporate	804,543	804,543	-	-
Government	125,198	125,198	-	-
Domestic fixed income:				
Corporate	9,893,032	9,893,032	-	-
Government	6,538,342	6,538,342	-	-
	44,991,316	\$ 44,991,316	\$ -	\$ -
Private equity investments at net asset value	2,563,073			
	\$ 47,554,389			

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

6. FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value

The Organization uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their consolidated financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The Organization's private equity investments are in limited partnerships where the Organization does not have the right to withdraw the investments. The Organization is no longer subject to such lock-up periods. The underlying investments of the limited partnerships are valued at fair value on a monthly basis by the limited partnerships. The limited partnerships require initial capital call commitments.

The following table is for the investments valued using NAV:

	09/30/2019	09/30/2018	Unfunded Commitments as of 9/30/2019	Redemption Frequency	Redemption Notice Period
HarbourVest 2016 Global Fund (a)	\$ 1,670,976	\$ 1,620,338	\$ 1,320,000	N/A	N/A
HarbourVest 2017 Global Fund (a)	1,412,176	942,735	1,680,000	N/A	N/A
HarbourVest 2018 Global Fund (a)	566,456	-	2,460,000	N/A	N/A
NB Crossroads Fund XXII (b)	737,210	-	1,300,000	N/A	N/A
Total	\$ 4,386,818	\$ 2,563,073	\$ 6,760,000		

- (a) The objective of the fund is to make investments in limited partnerships or other pooled investment vehicles which, in turn, make private equity investments and to invest directly in private equity investments.
- (b) The objective of the fund is to invest substantially all of its assets in NBFOF XXII – Holdings LLP; which in turn invests substantially all of its assets in the NB Master Holdings Funds, a group of close-ended investment partnerships that are formed as series limited partnerships.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

7. NET ASSETS

Net assets without donor restrictions are used to support the operating activities of the Organization. The major program activities are described in NOTE 1.

Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions consist of assets which have been restricted by donor either as to the purpose or the passage of time. The time restrictions will be met in future periods and the purpose restrictions will be met when the net assets are used for the specific purpose.

Contributions received for the acquisition of property and equipment are reported as net assets with donor restrictions as long as those assets continue to be in service.

Net assets with donor restrictions also consist of endowment contributions to the Organization. The donors have instructed the Organization that the principal cannot be expensed; however, the earnings generated by the originally donated principal are available to be expended.

The following is a summary of net assets with donor restrictions as of September 30,:

	2019	2018
Restricted by donors with specific purpose/time restrictions:		
Perpetual endowment	\$ 19,749,063	\$ 19,542,255
Endowment assets not restricted in perpetuity	23,720,361	22,245,901
Property, equipment, and other	9,194,130	9,301,799
	<u>\$ 52,663,554</u>	<u>\$ 51,089,955</u>

8. ENDOWMENT

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The Organization has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by the FUPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with the FUPMIFA.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

8. ENDOWMENT (CONTINUED)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

For the years ended September 30, 2019 and 2018, the Organization has elected not to add appreciation for cost of living or other spending policies to its donor restricted endowment for inflation and other economic conditions.

Summary of Endowment Assets:

Endowment assets are comprised of the following at September 30,:

	2019	2018
Restricted cash equivalents	\$ 760,327	\$ 839,228
Pledges receivable, net	167,971	186,162
Investments	41,311,126	40,962,766
Land	1,230,000	-
Interfund receivable	200,000	-
Deferred revenue	(200,000)	(200,000)
	<u>\$ 43,469,424</u>	<u>\$ 41,788,156</u>

Summary of Endowment Net Assets at September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 43,469,424</u>	<u>\$ 43,469,424</u>

Summary of Endowment Net Assets at September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 41,788,156</u>	<u>\$ 41,788,156</u>

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

8. ENDOWMENT (CONTINUED)

Changes in endowment net assets during the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 41,788,156	\$ 41,788,156
Contributions	-	206,808	206,808
Interest and dividends	-	874,056	874,056
Net investment income	-	893,725	893,725
Amounts appropriated for expenditure	-	(293,321)	(293,321)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 43,469,424</u>	<u>\$ 43,469,424</u>

Changes in endowment net assets during the year ended September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 38,654,917	\$ 38,654,917
Contributions	-	208,865	208,865
Interest and dividends	-	1,088,046	1,088,046
Net investment income	-	1,877,803	1,877,803
Amounts appropriated for expenditure	-	(41,475)	(41,475)
Endowment net assets, ending	<u>\$ -</u>	<u>\$ 41,788,156</u>	<u>\$ 41,788,156</u>

Permanently restricted net assets at September 30:

	2019	2018
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or law	<u>\$ 19,749,063</u>	<u>\$ 19,542,255</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the FUPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as net assets without donor restrictions. There were no such deficiencies as of September 30, 2019 and 2018.

Return Objectives and Risk Parameters

The Organization has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

8. ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

As approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that are commensurate with an intermediate-long term investment time horizon. This is expected to be achieved by assuming a moderate level of risk. The Organization expects its endowment funds, over time, to provide a rate of return in excess of the original donor restricted principal. Actual returns in any given year may vary.

The endowment funds are managed with the following objectives:

- a) Maintain the safety of the principal
- b) Maintain the necessary liquidity to ensure funds are available to support operational needs
- c) Obtain a reasonable return for a prudent level of risk.

Spending Policy and How the Investment Objectives Related to Spending Policy

The amount that will be set aside for spending annually will be half of the real return of the endowment fund. Real return is defined as the nominal annual return minus inflation. The annual amount set aside will be capped at an amount no greater than the rolling average of the last three fiscal year's private support. Set aside funds may only be used to seed strategic initiatives and/or program expansion. Funded programs must achieve sustainability within three years. Approval for funding will be via vetting of the Executive Committee and ratification by the Board of Trustees. The amount distributed under the above described formula shall however be subject to the following limitations: Such distributions shall be limited in that it shall not cause the remaining balance of the Endowment Fund principal to be less than the fund balance at the beginning of the fiscal year to which the distribution was attributable. Historically, the Organization has not used any of its endowment earnings to fund operations. During the year ended September 30, 2019, the Board of Trustees approved for the endowment to invest in real estate, and as a result, the endowment paid the operating fund \$1,230,000 for land purchased in 2012. The land is adjacent to the homeless assistance center in Miami, Florida.

9. RELATED PARTY TRANSACTIONS

Certain members of the Board of Trustees made contributions of approximately \$500,000 and \$279,000 during the years ended September 30, 2019 and 2018, respectively. The amounts outstanding in pledges receivable from members of the Board of Trustees at September 30, 2019 and 2018, was approximately \$156,000 and \$114,000, respectively.

10. AGREEMENTS WITH MIAMI-DADE COUNTY

Miami-Dade County Homeless Trust

The Board of County Commissioners of Miami-Dade County (the "County Board") imposes a 1% food and beverage sales tax on any business that has liquor licenses that gross in excess of \$400,000 of revenue and dedicates a portion of such proceeds to benefit persons who are or are about to become homeless. The County Board adopted a plan for the expenditure of the tax proceeds and created the Miami-Dade County Homeless Trust (the "Trust").

The Organization entered into a service agreement on December 14, 1993 with Miami-Dade County through the Trust. The agreement has been renewed several times since 1993 and most recently in March 2017, the Trust extended the agreement until December 15, 2033. The agreement is renewable for two (2) five (5) year terms permitting an extension of this Agreement until December 15, 2043.

In connection with the service agreement entered into with the Trust in 1993, the Organization fund raised the required \$8.5 million within the specified time frame to site, design, construct, and operate up to three Homeless Assistance Centers for the homeless population of Miami-Dade County. Upon termination of the service agreement, assets acquired with tax proceeds and/or the \$8.5 million are required to be returned to the Trust. Cash, in-kind contributions, and property raised by the Organization in excess of this \$8.5 million are outside the scope of the service agreement.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

10. AGREEMENTS WITH MIAMI-DADE COUNTY (CONTINUED)

Miami-Dade County Homeless Trust (Continued)

Amounts received from the Trust for the operation of the homeless assistance centers, specific programs, and capital expenditures were \$11,701,628 and \$10,681,828, for the years ended September 30, 2019 and 2018, respectively.

Miami-Dade County Public Schools

On May 5, 1994, the Miami-Dade County School Board (the "School Board") leased, to the Organization, the land where the first Homeless Assistance Center was constructed. The lease has a 40-year term, for which the Organization pays \$1 per year rent. In June 2018, the lease was extended through May 4, 2044.

The Organization also entered into an agreement on November 22, 1994 with the School Board whereby the Organization agreed to construct approximately 7,000 square feet of space within the first Homeless Assistance Center pursuant to the School Board's educational specifications and needs. It also agreed that this space would be reserved for use by the School Board as an education component for a term of 40 years. In exchange, the School Board agreed to pay the Organization for its proportionate share of construction and equipment costs, which amounted to approximately \$769,000 and was received by the Organization during 1995.

On September 20, 1995, the Organization and the School Board entered into a third agreement whereby the School Board agreed to reimburse the Organization for its share of operational costs related to its educational facilities. An amendment to the educational facilities operation agreement for the homeless facility in Homestead was signed on July 15, 2004. Both parties agreed upon a fixed amount of reimbursement to the Organization for its share of operational costs related to its educational facilities. Total reimbursements to the Organization during the years ended September 30, 2019 and 2018, amounted to approximately \$119,000 and \$116,000, respectively.

The Organization pays \$1 per year rent to Miami-Dade County for the Homestead facility.

11. CONCENTRATIONS OF PLEDGES RECEIVABLE, SUPPORT AND REVENUES

Concentrations of risk exist with respect to contributions and pledges made to the Organization during the year. Revenues from private sources totaling approximately \$2,060,000 and \$1,100,000 from two and one donors were made during each of the years ended September 30, 2019 and 2018, respectively. The Organization received approximately 55% and 51% of its total public support and revenues from Miami-Dade County during the years ended September 30, 2019 and 2018, respectively.

12. RETIREMENT PLANS

On January 1, 1997, the Organization initiated a 401(k) tax-deferred savings plan, administered by an independent trustee, covering substantially all employees meeting a 90-day minimum service requirement. Contributions made by the Organization to the 401(k) plan are based on a specified percentage of employee contributions. The Organization's contribution to the plan for the years ended September 30, 2019 and 2018, totaled \$172,498 and \$186,893, respectively.

On September 12, 2011, the Organization adopted a 457(f) non-qualified deferred compensation plan for the President & Chief Executive Officer ("CEO"). The Organization's initial contribution of \$95,000 was contributed on September 26, 2011. Thereafter, effective October 1, 2011, bi-weekly contributions of 7.5% of the President & CEO's base salary were deposited by wire into a retirement account at a financial institution for the benefit of the President & CEO. The agreement called for the President & CEO to remain with the Organization at least through September 2017. Upon separation from service, retirement, disability or death, the plan assets were to be transferred to the President & CEO or his beneficiary.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

12. RETIREMENT PLANS (CONTINUED)

The assets set aside to fund the plan were owned by the Organization and were included as an asset within "Prepaid expenses and other assets" and as a corresponding liability within "Accounts payable, accrued expenses and other liabilities" in the Consolidated Statements of Financial Position as of September 30, 2018. The balance in the deferred compensation account was approximately \$277,000 at September 30, 2018. The Organization's contribution to the plan for the year ended September 30, 2018 totaled \$17,818. There were no contributions to the plan during the 2019 fiscal year. The President & CEO retired from the Organization during the year ended September 30, 2019 and, as a result, the Organization paid out the balance in full to the President & CEO.

13. COMMITMENTS AND CONTINGENCIES

The Organization has contracts and grants with various grantors. These grants are subject to review and audit. However, management is of the opinion that any disallowance of costs by the grantors would not have a material adverse effect on the Organization's consolidated financial position.

SUPPLEMENTAL SCHEDULES

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

SCHEDULE OF COUNTY FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Grantor/ Program Title	Amount
County Financial Awards:	
Miami-Dade County Homeless Trust Share	\$ 9,496,728
Miami-Dade County Homeless Trust Share - Rapid Rehousing	900,000
Miami-Dade County Homeless Trust Share - Revenue Maximization Grant	352,100
Miami-Dade County Homeless Trust Share - Capital	952,800
Miami-Dade County Public Schools Board Share	<u>119,206</u>
Total County Financial Awards	<u>\$ 11,820,834</u>

See accompanying notes to schedule.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

SCHEDULE OF EXPENSES UNDER PROVISIONS OF THE
CONTRACT WITH MIAMI-DADE COUNTY HOMELESS TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Salaries	\$ 6,656,277
Payroll taxes	464,661
Health and retirement benefits	<u>1,333,043</u>
Total salaries, taxes, and benefits	<u>8,453,981</u>
Professional fees	527,184
Security	392,754
Supplies	520,190
Food	951,932
Marketing and communications	384,410
Postage and shipping	6,044
Occupancy	1,376,338
Rental equipment	63,382
Transportation and travel	106,956
Membership and publications	12,450
Insurance	270,429
Conferences and meetings	123,166
Client expenses	1,356,667
In-kind expenses	2,118,842
Health services	932,329
Continuum of care	200,000
Development and event expenses	581,665
Bad debt	24,414
Depreciation	<u>1,073,511</u>
Total other expenses	<u>11,022,663</u>
Total expenses including in-kind	19,476,644
Less: In-kind	<u>(2,118,842)</u>
Total expenses excluding in-kind	<u>\$ 17,357,802</u>
Miami-Dade County Homeless Trust share	<u>\$ 10,748,828</u>
Chapman Partnership, Inc. share	<u>\$ 6,608,974</u>

See accompanying notes to schedule.

CHAPMAN PARTNERSHIP, INC. AND AFFILIATE

NOTES TO SCHEDULE OF COUNTY FINANCIAL AWARDS AND SCHEDULE OF EXPENSES UNDER PROVISIONS OF THE CONTRACT WITH MIAMI-DADE COUNTY HOMELESS TRUST FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. GENERAL

The accompanying Schedule of County Financial Awards presents the activity of all financial awards received by the Organization during the year ended September 30, 2019 from Miami-Dade County Homeless Trust and Miami-Dade County Public School Board. The Schedule of Expenses Under Provisions of the Contract with Miami-Dade County Homeless Trust presents the expenses of the Organization during the year ended September 30, 2019. The Schedule of County Financial Awards and Schedule of Expenses Under Provisions of the Contract with Miami-Dade County Homeless Trust are collectively referred to as the "Schedules."

2. BASIS OF ACCOUNTING

The accompanying Schedules are presented using the accrual basis of accounting. The information in the Schedules is presented in accordance with the requirements of the contract with Miami-Dade County Homeless Trust.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Chapman Partnership, Inc. and Affiliate

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Chapman Partnership, Inc. and Affiliate (the "Organization") (a non-profit organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Miami, Florida
February 18, 2020

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INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S ASSERTION

To the Board of Trustees of
Chapman Partnership, Inc. and Affiliate

We have examined management's assertion, included in the accompanying "Management's Assertion Report," that Chapman Partnership, Inc. and Affiliate (the "Organization") has complied with the requirements for allowable costs and activities, matching, and financial reporting established in grant agreements applicable to Miami-Dade County Homeless Trust identified in the supplemental Schedule of County Financial Awards during the year October 1, 2018 through September 30, 2019. The Organization's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the criteria set forth above.

This report is intended solely for the information and use of management, the Board of Trustees, and Miami-Dade County Homeless Trust and is not intended to be and should not be used by anyone other than these specified parties.

Monison, Brown, Aging & Fena

Miami, Florida
February 18, 2020

MANAGEMENT'S ASSERTION REPORT

I, Howard S. Rubin, hereby assert that Chapman Partnership, Inc. and Affiliate complied with allowable costs and activities, matching, and financial reporting requirements of the grants identified in the attached Schedule of County Financial Awards for the year ended September 30, 2019.

A handwritten signature in cursive script that reads "Howard S. Rubin".

Chief Financial Officer
February 18, 2020