ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.

FINANCIAL STATEMENTS

As of and for Year Ended December 31, 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Board of Directors
St. Luke's Community House (Episcopal), Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of St. Luke's Community House (Episcopal), Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Luke's Community House (Episcopal), Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12, during 2018 management and the board of directors reviewed the Organization's net asset classifications and determined that certain reclassifications were necessary to properly reflect the balances of net asset categories as of December 31, 2017. Our opinion is not modified with respect to this matter.

Changes in Financial Statement Presentation

As discussed in Note 1, St. Luke's Community House (Episcopal), Inc. adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
May 20, 2019

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS		
Current Assets:		
Cash and cash equivalents	$	813,165
Contributions and accounts receivable, net		128,750
Prepaid expense		3,317
Total Current Assets		945,232
Beneficial interest in trust		35,169
Land, buildings, and equipment, net of accumulated depreciation of $2,667,503		3,207,793
Investments, at fair value		1,107,753
Total Assets	$	5,295,947
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$	85,936
Total Current Liabilities		85,936
Net Assets:		
Without donor restrictions		4,561,795
With donor restrictions		648,216
Total Net Assets		5,210,011
Total Liabilities and Net Assets	$	5,295,947

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public Support:			
Contributions	$ 789,762	$ 357,015	$ 1,146,777
United Way	231,885	-	231,885
Contributions - Thrift Shop	193,050	-	193,050
Net assets released from restrictions	499,933	(499,933)	-
Total Public Support	1,714,630	(142,918)	1,571,712
Revenue:			
Program services	485,268	-	485,268
Grants	54,838	-	54,838
Miscellaneous	57,576	-	57,576
Investment loss, net	(43,492)	-	(43,492)
Total Revenue	554,190	-	554,190
Total Public Support and Revenue	2,268,820	(142,918)	2,125,902
Expenses:			
Program Services:			
Preschool childcare	1,047,578	-	1,047,578
Senior services	163,262	-	163,262
Volunteers	83,764	-	83,764
Family Resource Center	271,849	-	271,849
Total Program Services	1,566,453	-	1,566,453
Supporting Services:			
Management and general	398,639	-	398,639
Fundraising	282,347	-	282,347
Total Supporting Services	680,986	-	680,986
Total Expenses	2,247,439	-	2,247,439
Change in net assets	21,381	(142,918)	(121,537)
Net assets, beginning of year, as previously reported	4,040,016	1,291,532	5,331,548
Restatement	500,398	(500,398)	-
Net assets, beginning of year, as restated	4,540,414	791,134	5,331,548
Net assets, end of year	$ 4,561,795	$ 648,216	$ 5,210,011

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			
	Preschool Childcare	Senior Services	Volunteers	Family Resource Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ 545,532	$ 64,581	$ 57,394	$ 75,567	$ 743,074	$ 249,807	$ 136,046	$ 385,853	$ 1,128,927
Benefits	115,521	8,060	13,081	11,714	148,376	44,536	25,093	69,629	218,005
Food	83,576	54,453	2,113	-	140,142	466	10,229	10,695	150,837
Professional	34,376	1,448	1,448	6,884	44,156	30,074	36,086	66,160	110,316
Equipment and maintenance	49,396	10,657	1,085	22,090	83,228	16,352	3,618	19,970	103,198
Utilities	34,371	6,649	1,462	39,231	81,713	10,232	5,118	15,350	97,063
Occupancy	32,566	3,881	1,204	21,308	58,959	7,861	24,024	31,885	90,844
Insurance	17,085	1,783	713	11,149	30,730	3,118	2,344	5,462	36,192
Program supplies	19,653	262	595	1,770	22,280	378	2,538	2,916	25,196
Miscellaneous	7,563	365	233	4,197	12,358	4,187	4,864	9,051	21,409
Contract labor	-	-	-	18,000	18,000	-	-	-	18,000
Licenses, fees, and permits	5,413	266	71	-	5,750	3,444	3,959	7,403	13,153
Printing	17	267	17	97	398	1,459	10,929	12,388	12,786
Transportation	2,378	888	-	3,337	6,603	4,013	242	4,255	10,858
Telephone	5,088	297	597	685	6,667	1,701	847	2,548	9,215
Conference and meetings	3,106	-	100	105	3,311	1,846	610	2,456	5,767
Equipment	4,250	127	-	-	4,377	-	515	515	4,892
Staff	2,237	46	46	76	2,405	2,137	215	2,352	4,757
Office supplies	753	222	-	700	1,675	528	420	948	2,623
Postage and shipping	2	-	1	142	145	282	2,036	2,318	2,463
Specific assistance	-	-	-	736	736	-	-	-	736
	962,883	154,252	80,160	217,788	1,415,083	382,421	269,733	652,154	2,067,237
Depreciation	84,695	9,010	3,604	54,061	151,370	16,218	12,614	28,832	180,202
	$ 1,047,578	$ 163,262	$ 83,764	$ 271,849	$ 1,566,453	$ 398,639	$ 282,347	$ 680,986	$ 2,247,439

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:		
Change in net assets	$	(121,537)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contribution for endowment		(11,824)
Depreciation		180,202
Realized/unrealized loss on investments		70,432
Changes in operating assets and liabilities:		
Contributions receivable		1,972
Prepaid expenses		14,184
Beneficial interest in trust		11,824
Accounts payable and accrued expenses		41,477
Net cash provided by operating activities		186,730
Cash flows from investing activities:		
Purchases of equipment		(346,408)
Purchases of investments		(33,080)
Proceeds from liquidation of investments		46,808
Net cash used in by investing activities		(332,680)
Cash flows from financing activities:		
Contribution for endowment		11,824
Net cash provided by financing activities		11,824
Net decrease in cash and cash equivalents		(134,126)
Cash and cash equivalents, beginning of year		947,291
Cash and cash equivalents, end of year	$	813,165

The accompanying notes to the financial statements are an integral part of this statement.

Note 1—Nature of operations and summary of significant accounting policies

St. Luke's Community House (Episcopal), Inc. (the "Organization"), was founded in 1913 by the Daughters of the King, an order of the Episcopal Church. The Organization offers a diversity of services to the community, enabling people to maintain their lives in a more healthy and stable environment. The Organization concerns itself with the welfare and dignity of individuals and seeks to strengthen and support the family unit. The Organization is supported primarily through donor contributions and the United Way.

The following program services are offered by the Organization:

Preschool Childcare – The Organization offers a licensed preschool program with focus on kindergarten readiness, for children from six weeks of age through five years (pre-kindergarten).

Senior Services – The Organization provides free lunches Monday through Friday to low-income seniors, as well as sponsors social and recreational activities for West Nashville seniors.

Community – The Organization provides various services to the community, including food boxes, counseling services, tax return preparation, and emergency financial assistance.

Volunteers – The Organization provides organization and coordination of the significant number of volunteers serving the various programs and services provided by the Organization.

Family Resource Center – Various other programs and services are provided to the community through the Family Resource Center based on various needs.

Financial Statement Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported 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 Organization's management and the board of directors.

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, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent contributions receivable and amounts available for programs.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Contributions – The Organization accounts for contributions in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. In accordance with these standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under these standards, time or purpose restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Allowances for uncollectible promises to give are based on management's estimates based on prior collection history.

Investments – Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Unrealized gains and losses, as well as appreciation or depreciation in market value, are reflected in the accompanying financial statements.

Fair Value Measurements – The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while 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 estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The following is a description of the valuation methodology used for asset measurement at fair value at December 31, 2018:

> *Mutual Funds maintained as part of the Episcopal Endowment Corporation Common Trust Fund* – Valued at net asset value of shares held by the Organization at year-end.
>
> *Beneficial Interest in Trust* – Valued using information obtained from third-party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Organization expects to receive over the term of the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management 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.

Beneficial Interest in Trust – Accounting standards require that the following instrument be recorded as an asset at the present value of the Organization's ultimate interest:

> *Charitable Lead Trust* – A donor has established and funded a trust designating the Organization as a beneficiary of specific distributions to be made over a specified period. Upon termination of the trust, the remainder of the trust assets is to be paid to a beneficiary designated by the donor.

Restricted Endowment Funds – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds, a description of the Organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization's endowment investment policies, and additional disclosures not previously required.

Land, Buildings, and Equipment – Land, buildings, and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at estimated fair market value at date of gift. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. Depreciation is calculated using the straight-line basis with estimated useful lives ranging as follows:

Buildings and improvements	5 – 39 years
Equipment and furniture	3 – 10 years

Note 1—Nature of operations and summary of significant accounting policies (continued)

Donated Services – Donated services are recognized if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by persons possessing those skills and would be purchased if not donated.

Amounts have not been reported in the financial statements for certain donated services because they do not meet the criteria for recognition. However, a substantial number of volunteers have donated approximately 5,300 volunteer hours to the Organization's programs during the year ended December 31, 2018. Donated equipment, supplies, and other items are included in the accompanying financial statements at their estimated fair value.

Income Taxes – The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Center for the year ending December 31, 2019. The Center is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new accounting guidance is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. The ASU will require organizations that lease assets referred to as "Lessees" to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the financial statements. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet the new ASU will require both types of leases (i.e., operating and capital) to be recognized on the balance sheet. The FASB lessee accounting model will continue to account for both types of leases.

Note 1—Nature of operations and summary of significant accounting policies (continued)

The capital lease will be accounted for in substantially the same manner as capital leases are accounted for under existing GAAP. For operating leases there will have to be the recognition of a lease liability and a lease asset for all such leases greater than one year in term. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is evaluating the impact that this new leasing ASU will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through May 20, 2019, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Liquidity and availability

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program services, as well as general and administration, to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limited their use, within one year of the statement of financial position date, compromise the following at December 31, 2018.

Financial Assets:	
Cash and cash equivalents	$ 813,165
Contributions and accounts receivable	
Financial assets available to meet cash needs for general expenditures within one year	128,750
	$ 941,915

Note 3—Investments

Investments (Level 1) consist of the following at December 31:

In perpetuity fund	$ 656,140
Board designated fund	225,560
Magruder family endowment fund	226,053
	$ 1,107,753

Note 3—Investments (continued)

Investment income is comprised of the following for the year ended December 31:

Interest	$	26,940
Realized and unrealized (loss) gain		(70,432)
	$	(43,492)

Note 4—Contributions receivable

Contributions receivable are summarized below at December 31:

Receipts expected within one year	$	131,750
Less allowance for estimated uncollectible amounts		(3,000)
	$	128,750

Note 5—Beneficial interest in trust

A donor has established a trust held by a third party naming the Organization as a beneficiary of a charitable lead trust. Under terms of the split-interest agreement, the Organization is to receive 3% of the net fair market value of the trust principal for a period of 10 years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 3% over the life of the trust and a 3.04% discount rate, the present value of future benefits expected to be received by the Organization totaled approximately $35,169 at December 31, 2018.

Note 6—Land, buildings, and equipment

Land, buildings, and equipment consist of the following at December 31:

Land	$	243,746
Building and improvements		4,964,810
Equipment and furniture		615,360
Construction in progress		51,380
		5,875,296
Accumulated depreciation		(2,667,503)
	$	3,207,793

Note 7—Net assets with donor restrictions

The Organization receives specific contributions for expenses associated with the mission of the Organization. These contributions are classified as net assets with donor restrictions until the restricted purpose has been fulfilled.

The following table represents a summary of net assets with donor restrictions for the year ended December 31, 2018:

Endowment	$	470,626
Unconditional promise to give due in future periods, net		125,375
Capital improvements		30,740
Cultural enrichment		9,475
Database development		12,000
	$	648,216

Note 8—Endowment

The Organization's endowment consists of donor restricted gifts as well as assets designated by the board which are held in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restriction	With Donor Restrictions	Total
Board designated endowment funds	$ 780,896	$ -	$ 780,896
Donor restricted endowment funds	-	470,626	470,626
	$ 780,896	$ 470,626	$ 1,251,522

Note 8—Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 307,313	$ 971,024	$ 1,278,337
Contributions	11,824	-	11,824
Investment return	(21,484)	-	(21,484)
Distributions, net	(17,155)	-	(17,155)
Restatement	500,398	(500,398)	-
Endowment net assets, end of year	$ 780,896	$ 470,626	$ 1,251,522

Interpretation of Relevant Law
The board of directors of the Organization has interpreted the UPMIFA 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 donor restricted endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. To the extent unrealized losses exceed original permanently restricted net assets plus gains earned in prior periods and earnings for which donor restrictions have not been met, such losses are recognized as losses in the unrestricted net asset class. Future increases in earnings of permanently restricted net assets will be first used to offset losses previously recognized in the unrestricted net asset class, and then increase permanently restricted.

Endowment Investment Policy and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets to support the Organization and to enable it to more completely fulfill its mission by providing funds for (a) capital needs, (b) operating expenses, (c) programs and special projects, and (d) such other purposes as specifically designated by donors. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as amounts designated by the board of directors to be held in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to achieve a reasonable return on the assets, while limiting the risk exposure to ensure the preservation of capital. Investment funds are to be maintained as cash or as publicly traded securities.

Note 8—Endowment (continued)

Strategies Employed for Achieving Investment Objectives
To satisfy its long term objectives, the Organization relies on a strategy meant to preserve the corpus while providing a reasonable return on assets. The Organization has established a long-term investment goal of earning a minimum real rate of return equal to 5% per annum in excess of the rate of inflation, as measured by the greater of the Consumer Price Index or the GNP Deflator. This goal is measured over 5- to 10-year time periods.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization determines expendable funds on the basis of a total return principle. The funds available for distribution during any one year shall be determined at the beginning of such year and are limited to 4% of the average value of the corpus. The average value is determined by computing a three-year rolling average of the 12 end-of-quarter market values. Any expended funds from those available for distribution for a given year are accrued and continue to be considered available for distribution in subsequent years, unless otherwise designated by the action of the board of directors.

Note 9—Contributions - thrift shop and associated organizations

The Organization receives support from income generated by a local thrift shop. Such contributions totaled $193,050 for the year ended December 31, 2018. The Organization's executive director serves as a board member of the thrift shop.

In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these organizations totaled $204,722 for the year ended December 31, 2018.

Note 10—Benefit plan

Effective February 2001, the Organization established a 401(k) Retirement Savings Plan. Under the plan, the Organization will match up to 6% of employees' contributions to the plan. Retirement plan contributions totaled $42,204 for the year ended December 31, 2018.

Note 11—Concentrations

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

Note 12—Restatement

During the year ended December 31, 2018, the board of directors and management reviewed its net asset balances and determined that restrictions had been inappropriately interpreted in prior years. As a result, $500,398 of previously reported donor restricted endowment funds have been reclassified to net assets without donor restrictions at December 31, 2017. The reclassification had no effect on total net assets previously reported at December 31, 2017.