THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position 3
Statements of Activities 4
Statements of Cash Flows 5
Statements of Functional Expenses 6-7
Notes to the Financial Statements 8-18

Report of Independent Auditor

To the Board of Directors
The Association for Guidance, Aid, Placement and Empathy (AGAPE)
Nashville, Tennessee

We have audited the accompanying financial statements of The Association for Guidance, Aid, Placement and Empathy (AGAPE) (a nonprofit organization) (the "Association"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 the Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 2, the Association 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 has 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
December 17, 2019

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 158,449	$ 35,523
Investments	1,142,653	1,379,546
Accounts receivable, net	166,475	19,311
Prepaid expenses	18,259	22,040
Total Current Assets	1,485,836	1,456,420
Property and equipment, net	1,509,907	483,516
Investments, net of amounts shown as current	972,576	971,133
Total Assets	$ 3,968,319	$ 2,911,069
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 57,085	$ 15,028
Accrued expenses	58,441	45,717
Current portion of annuities payable	4,502	4,159
Current portion of note payable	7,140	-
Total Current Liabilities	127,168	64,904
Annuities payable, net of current portion	4,489	8,991
Note payable, net of current portion	177,666	-
Total Liabilities	309,323	73,895
Net Assets:		
Without donor restrictions	2,519,917	1,790,457
With donor restrictions	1,139,079	1,046,717
Total Net Assets	3,658,996	2,837,174
Total Liabilities and Net Assets	$ 3,968,319	$ 2,911,069

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions:		
Public Support:		
Individual support	$ 770,244	$ 630,613
Government grants	706,211	-
Corporate support	237,156	118,596
Congregational support	174,557	157,740
Memorial gifts	41,241	81,111
Estate gifts	20,085	13,820
Total Public Support	1,949,494	1,001,880
Service Revenue:		
Counseling fees	629,334	596,524
Adoption fees	8,000	22,050
Professional service fees	286,675	208,340
Total Service Revenue	924,009	826,914
Other Revenue:		
Investment income, net	80,497	58,757
Loss on disposal of assets	-	(3,105)
Miscellaneous income	27,746	10,574
Total Other Revenue	108,243	66,226
Net assets released from restrictions	166,300	210,815
Total Public Support, Service, and Other Revenue	3,148,046	2,105,835
Expenses:		
Program services	2,677,075	1,599,385
Supporting services	628,714	587,522
Total Expenses	3,305,789	2,186,907
Contribution of net assets from Morning Star Sanctuary	887,203	-
Change in Net Assets from Operations Without Donor Restrictions	729,460	(81,072)
Changes in Net Assets With Donor Restrictions:		
Contributions	202,000	97,000
Investment income, net	56,662	43,788
Net assets released from restrictions	(166,300)	(210,815)
Changes in Net Assets With Donor Restrictions	92,362	(70,027)
Change in net assets	821,822	(151,099)
Net assets, beginning of year	2,837,174	2,988,273
Net assets, end of year	$ 3,658,996	$ 2,837,174

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 821,822	$ (151,099)
Adjustments to reconcile change in net assets to cash flows used in operating activities:		
Depreciation	74,931	39,151
Contribution of net assets from Morning Star Sanctuary	(887,203)	-
Donated property and equipment	-	(5,409)
Loss on disposal of property and equipment	-	3,105
Net gain on investments	(116,397)	(82,837)
Changes in operating assets and liabilities:		
Accounts receivable	(90,565)	7,003
Prepaid expenses	3,781	(1,499)
Accounts payable	42,057	6,127
Accrued expenses	7,731	(23,456)
Annuities payable	(4,159)	(3,842)
Net cash used in operating activities	(148,002)	(212,756)
Cash flows from investing activities:		
Cash received from Morning Star Sanctuary	92,635	-
Proceeds from sale of property and equipment	-	1,002
Purchases of property and equipment	(165,015)	(37,153)
Proceeds from sale of investments	2,399,174	2,633,417
Purchases of investments	(2,047,327)	(2,540,852)
Net cash provided by investing activities	279,467	56,414
Cash flows from financing activities		
Repayments on notes payable	(8,539)	-
Net cash used in financing activities	(8,539)	-
Net increase (decrease) in cash and cash equivalents	122,926	(156,342)
Cash and cash equivalents, beginning of year	35,523	191,865
Cash and cash equivalents, end of year	$ 158,449	$ 35,523

-

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Support Services			
	Domestic Violence Support and Advocacy	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and related expenses	$ 699,313	$ 527,134	$ 183,765	$ 188,771	$ 1,598,983	$ 165,642	$ 179,691	$ 345,333	$ 1,944,316
Clinical expenses	13,911	297,888	-	-	311,799	-	-	-	311,799
Foster care support	-	-	235,699	22	235,721	-	-	-	235,721
Equipment repairs and maintenance	23,532	44,761	6,555	4,858	79,706	5,952	16,201	22,153	101,859
Professional and legal	12,818	5,164	9,025	2,363	29,370	44,925	9,385	54,310	83,680
Depreciation	20,378	28,725	7,250	7,250	63,603	3,623	7,705	11,328	74,931
Insurance	17,399	20,209	3,940	2,463	44,011	2,463	26,300	28,763	72,774
Contract labor	14,000	-	17,333	-	31,333	29,289	-	29,289	60,622
Building repairs and maintenance	30,845	16,161	4,079	4,079	55,164	2,024	(795)	1,229	56,393
Payroll and bank fees	22,556	13,599	2,670	2,630	41,455	2,105	7,250	9,355	50,810
Golf tournament	17,240	-	-	-	17,240	-	33,406	33,406	50,646
Travel	10,641	5,965	14,893	4,376	35,875	3,568	8,795	12,363	48,238
Utilities	18,905	12,391	3,138	3,138	37,572	1,565	3,318	4,883	42,455
Annual dinner	-	-	-	-	-	-	29,084	29,084	29,084
Advertising and marketing	632	-	121	-	753	24,534	450	24,984	25,737
Office supplies	10,899	6,500	2,084	1,824	21,307	1,544	1,223	2,767	24,074
Telephone	7,971	6,945	2,706	2,146	19,768	1,474	2,161	3,635	23,403
Dues and subscriptions	1,721	3,369	1,367	600	7,057	2,987	4,291	7,278	14,335
Resident assistance	13,544	-	-	-	13,544	-	326	326	13,870
Miscellaneous	937	188	9,261	(120)	10,266	1,200	192	1,392	11,658
Postage	301	4,387	891	501	6,080	1,562	543	2,105	8,185
Interest expense	7,957	-	-	-	7,957	-	-	-	7,957
Resident supplies	7,503	-	-	-	7,503	-	-	-	7,503
Annuity payments	-	-	-	-	-	-	4,731	4,731	4,731
Bad debt	-	-	-	1,008	1,008	-	-	-	1,008
Total Expenses	$ 953,003	$ 993,386	$ 504,777	$ 225,909	$ 2,677,075	$ 294,457	$ 334,257	$ 628,714	$ 3,305,789

THE ASSOCIATION FOR GUIDANCE, AID, PLACEMENT AND EMPATHY (AGAPE)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services				Support Services			
	Counseling	Foster Care and Parental Education	Maternity Care and Adoption	Total Program Services	Management and General	Fundraising	Total Supporting Services	Grand Total
Salaries and related expenses	$ 487,538	$ 187,619	$ 179,506	$ 854,663	$ 219,591	$ 130,327	$ 349,918	$ 1,204,581
Clinical expenses	309,525	-	-	309,525	35	-	35	309,560
Foster care support	-	174,025	46	174,071	-	-	-	174,071
Professional and legal	7,366	20,509	3,557	31,432	45,538	45,134	90,672	122,104
Insurance	30,765	9,715	3,238	43,718	7,017	3,238	10,255	53,973
Equipment repairs and maintenance	27,336	4,575	2,530	34,441	6,801	3,704	10,505	44,946
Depreciation	20,615	5,203	5,203	31,021	5,530	2,600	8,130	39,151
Building repairs and maintenance	18,557	4,820	4,914	28,291	5,185	2,548	7,733	36,024
Golf tournament	-	-	-	-	-	29,537	29,537	29,537
Advertising and marketing	1,725	150	556	2,431	79	24,177	24,256	26,687
Utilities	13,630	3,539	3,539	20,708	3,741	1,835	5,576	26,284
Travel	3,876	7,027	6,754	17,657	6,143	1,909	8,052	25,709
Miscellaneous	1,269	3,429	552	5,250	12,147	618	12,765	18,015
Telephone	6,877	2,412	2,222	11,511	2,043	1,984	4,027	15,538
Office supplies	9,067	2,304	1,691	13,062	1,048	1,199	2,247	15,309
Payroll and bank fees	7,614	2,446	816	10,876	2,269	1,014	3,283	14,159
Dues and subscriptions	1,798	500	600	2,898	6,789	224	7,013	9,911
Postage	2,911	958	345	4,214	740	4,233	4,973	9,187
Annuity payments	-	-	-	-	5,038	-	5,038	5,038
Bad debt	1,816	-	1,800	3,616	-	-	-	3,616
Annual dinner	-	-	-	-	-	3,507	3,507	3,507
Total Expenses	$ 952,285	$ 429,231	$ 217,869	$ 1,599,385	$ 329,734	$ 257,788	$ 587,522	$ 2,186,907

Note 1—Nature of operations

The Association for Guidance, Aid, Placement and Empathy (AGAPE) (the "Association") is a licensed, independent, nonprofit, family service agency providing (1) an educational program for teaching good family life and mental health; (2) counseling services for troubled marriages, family systems, and individuals; (3) children's services through foster care, placing children for adoption, and group experiences for children; and (4) refuge for victims of domestic violence and their children who have fled abusive situations. The Association is supported primarily by contributions from individuals, corporations, and churches, and government grants.

The financial statements reflect only the activities for which the Association is directly involved in the receipt and expending of funds and do not include indirect assistance to the Association's clients through other programs.

Note 2—Summary of significant accounting policies

The financial statements of the Association are presented on the accrual basis. The significant accounting policies followed are described below:

Basis of Presentation – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and 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 Association. These net assets may be used at the discretion of the Association'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 Association 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 specific programs.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. However, if a donor-imposed restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as without donor restrictions.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Association considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. During the years ended June 30, 2019 and 2018, the Association maintained deposits in financial institutions which, at times, exceeded federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2019 and 2018, the Association had no balances in excess of federally insured limits.

Investments – According to the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are recognized in the statements of activities. Fair values are based on quoted market prices on the last business day of the year.

Gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets and ordinary income from investments are accounted for as without donor restrictions unless restricted by the donor.

Note 2—Summary of significant accounting policies (continued)

Fair Value Measurements – The Association 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 Association 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 ("U.S. GAAP") 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.

Receivables and Credit Policy – Accounts receivable for counseling services, foster care and adoption contracts, and government grants for the support of victims of domestic violence are uncollateralized obligations due at the time the service is provided. Certain counseling clients have been granted extended payment terms. Late fees or interest charges are not assessed on delinquent accounts. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected.

Pledges Receivable – Pledges receivable are recorded when an unconditional promise to give is received. No discounts are recorded on the pledges receivable that are due within one year.

Property and Equipment – Property and equipment are stated at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Estimated useful lives for the various classes of assets are as follows:

Buildings and improvements	4 - 40 years
Furniture and equipment	3 - 7 years
Transportation equipment	5 years

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the statements of activities.

Note 2—Summary of significant accounting policies (continued)

Charitable Gift Annuities – The Association has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Association is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements where the Association is trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The portion of the funds attributable to the present value of the future benefits to be received by the Association was recorded in the statements of activities as contributions without donor restrictions in the periods the funds were received. There were no such gifts received during the years ended June 30, 2019 and 2018. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments ($8,991 and $13,150 at June 30, 2019 and 2018, respectively) has been recorded as a liability in the accompanying statements of financial position. The Association maintains investments with a fair market value at June 30, 2019 and 2018 of $5,986 and $4,200, respectively, with which to satisfy this obligation. According to the terms of the agreements, the Association is required to make quarterly payments totaling $2,223. The Association will use undesignated funds to the extent necessary to satisfy the obligations.

Income Taxes – The Association is exempt from federal income taxes under the provisions of Internal Revenue Code (“IRC”) Section 501(c)(3) and, accordingly, no provision for income taxes is included in the financial statements.

The Association follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. The Association had no uncertain tax positions at June 30, 2019 and 2018.

Revenue Recognition – Cash contributions are recognized as revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Service revenue is recognized at the time the services are provided. In-kind contributions are recorded at estimated fair value at the date of donation.

Valuation of Long-Lived Assets – The carrying values of long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of 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.

Endowment Funds – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The *Not-for-Profit Entities* topic of the 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 requires that the amount of net assets with donor restrictions cannot be reduced by losses on investments of funds or by an organization's expenditures from the fund unless the donor required the gift to be held in specific investments. 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.

Subsequent Events – The Association evaluated subsequent events through December 17, 2019, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statements of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

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 has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Future Pronouncements – In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Association for the year ending June 30, 2022. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with practical expedients available. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements. See Note 12 for disclosure regarding the Association's current operating leases.

Note 2—Summary of significant accounting policies (continued)

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 June 30, 2020.

The Association is currently evaluating the effect that these standards will have on its financial statements and related disclosures.

Note 3—Liquidity and availability

The Association 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 Association considers all expenditures related to its ongoing activities of domestic violence support and advocacy, counseling, foster care and parental education, and maternity care and adoption, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, compromise the following at June 30, 2019.

Financial assets:	
Cash and cash equivalents	$ 158,449
Investments	1,142,653
Accounts receivable	166,475
Total financial assets, at year-end	1,467,577
Less amounts unavailable for general expenditures within one year, due to:	
Contributions restricted for specific programs	(77,987)
Contributions restricted for future year operations	(90,000)
Board designations	(302,854)
Financial assets available to meet cash needs for general expenditures within one year	$ 996,736

Note 4—Credit risk and other concentrations

The Association utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Note 5—Investments

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at June 30:

	2019	2018
Marketable equity securities	$ 1,242,122	$ 1,270,303
Mutual funds	347,439	643,739
Government securities	208,480	238,804
Corporate bonds	104,162	133,922
Cash and short-term investments	213,026	63,911
Total investments	2,115,229	2,350,679
Less amounts shown as current	(1,142,653)	(1,379,546)
Investments, net of amounts shown as current	$ 972,576	$ 971,133

The following schedule summarizes the net investment income in the statements of activities for the years ended June 30:

	2019	2018
Dividend income	$ 41,438	$ 42,054
Interest income	8,911	10,542
Net gain on investments	116,397	82,837
Investment expenses	(29,587)	(32,888)
Investment income, net	$ 137,159	$ 102,545

Net gain on investments is presented in the accompanying statements of activities as follows:

	2019	2018
Unrestricted gain on investments	$ 80,497	$ 58,757
Donor restricted gain on investments	56,662	43,788
Investment income, net	$ 137,159	$ 102,545

Note 6—Property and equipment

A summary of property and equipment is as follows at June 30:

	2019	2018
Land	$ 552,790	$ 139,790
Buildings and improvements	1,481,357	877,997
Furniture and equipment	238,470	161,982
Transportation equipment	10,085	5,409
	2,282,702	1,185,178
Accumulated depreciation	(772,795)	(701,662)
Property and equipment, net	$ 1,509,907	$ 483,516

Note 7—Note Payable

On July 1, 2018, the Association assumed a note payable of $193,345 as part of the Morning Star Starctuary combination (See Note 13) and subsequently on September 18, 2019 entered into an agreement with the financial institution to refinance the existing debt and extend the maturity date by three years to September 12, 2022. The note requires monthly payments of $1,445 and bears interest at 4.875% per annum. The note is secured by a deed of trust and assignment of rents.

Scheduled principal maturities are as follows:

Years Ending June 30,	
2020	$ 7,140
2021	8,872
2022	9,314
2023	159,480
	$ 184,806

Note 8—Net assets

The Board of Directors has designated that certain types of support received not be used for current operating purposes. Such designation may be terminated at the discretion of the board and does not represent donor restrictions. A summary of net assets without donor restrictions at June 30 is as follows:

	2019	2018
Board designated:		
Heffington	$ 179,276	$ 185,247
Kresge Foundation	123,578	116,765
	302,854	302,012
Undesignated	2,217,063	1,488,445
Total net assets without donor restrictions	$ 2,519,917	$ 1,790,457

Net assets with donor restrictions consist of contributions with donor-imposed restrictions for the following purposes at June 30:

	2019	2018
Justiss endowment	$ 971,092	$ 971,092
Subsequent year operations	90,000	40,000
Counseling Affordability Initiative	47,250	18,185
Hispanic counseling	7,520	17,440
Morning Star housing	10,000	-
Morning Star playground	5,000	-
Domestic violence assistance	5,513	-
Justiss earnings	2,704	-
Total net assets with donor restrictions	$ 1,139,079	$ 1,046,717

Note 9—Donor restricted endowment

The Association's endowment consists of donor-restricted gifts held in investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association 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 Association classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent 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 net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed inflation by 4% while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating for distribution each year 5% or less of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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 Association to retain as a fund of perpetual duration. However, there were no such deficiencies as of June 30, 2019 and 2018.

Note 9—Donor restricted endowment (continued)

The following is a schedule of the activity of the endowment funds for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions, Investment Gains	With Donor Restrictions in Perpetuity	Total
Endowment net assets, June 30, 2018	$ -	$ -	$ 971,092	$ 971,092
Investment return:				
Investment income	-	9,519	-	9,519
Net appreciation (realized and unrealized)	-	47,143	-	47,143
Net investment return	-	56,662	-	56,662
Appropriation of endowment assets for expenditure	-	(53,958)	-	(53,958)
June 30, 2019	$ -	$ 2,704	$ 971,092	$ 973,796

The following is a schedule of the activity of the endowment funds for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions, Investment Gains	With Donor Restrictions in Perpetuity	Total
Endowment net assets, June 30, 2017	$ -	$ -	$ 971,092	$ 971,092
Investment return:				
Investment income	-	11,146	-	11,146
Net appreciation (realized and unrealized)	-	32,642	-	32,642
Net investment return	-	43,788	-	43,788
Appropriation of endowment assets for expenditure	-	(43,788)	-	(43,788)
June 30, 2018	$ -	$ -	$ 971,092	$ 971,092

Note 10—Retirement plan

The Association sponsors a defined contribution retirement plan for its employees, which was established under the provisions of IRC Section 403(b). Employees may begin participation upon inception of employment. Employee contributions of up to 5% of wages are matched by the Association. The Association's matching contributions of $61,486 and $48,592 for the years ended June 30, 2019 and 2018, respectively, are included in salary and related expenses in the accompanying statements of functional expenses.

Note 11—Advertising expenses

The Association's advertising efforts involve social media, printed marketing materials, booth sponsorships, outdoor, and magazine advertisements to the general public. Costs associated with the advertising totaled $13,374 and $12,514 for the years ended June 30, 2019 and 2018, respectively, and are included as advertising and promotion expenses in the accompanying statements of functional expenses.

Note 12—Lease commitments

The Association leases certain equipment under noncancellable operating leases. Future minimum lease payments under the noncancellable leases at June 30, 2019 are as follows:

Years Ending June 30,	
2020	$ 22,246
2021	22,723
2022	13,849
2023	5,709
	$ 64,527

Total rental expense for the years ended June 30, 2019 and 2018 totaled $20,912 and $16,888, respectively.

Note 13—Supplemental cash flow information

The following is supplemental cash flow information required by accounting principles generally accepted in the United States of America.

	2019	**2018**
Interest paid	$ 7,957	$ -
Donated property and equipment	$ -	$ 5,409

Note 13—Supplemental cash flow information (continued)

The Boards of Directors of Morning Star Sanctuary ("MSS") and the Association voted to combine the net assets and operation of MSS with those of the Association effective July 1, 2018. The Board of Directors of the Association believe the acquisition is in the best interest of its clients and the community it serves. Net assets were contributed by MSS to the Association as follows:

Assets transferred from MSS:	
Cash	$ 92,635
Grants receivable	56,599
Property and equipment	936,307
	1,085,541
Liabilities assumed from MSS:	
Accrued wages	4,993
Note payable	193,345
	198,338
Net assets contributed by MSS to the Association:	
Without donor restrictions	816,166
With donor restrictions	71,037
	$ 887,203