2019

Financial Statements

GRACEWORKS MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

(With Independent Auditor's Report Thereon)

GRACEWORKS MINISTRIES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

CONTENTS

PHB
PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of GraceWorks Ministries, Inc.

We have audited the accompanying financial statements of GraceWorks Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 GraceWorks Ministries, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the GraceWorks Ministries, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

October 18, 2019

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GRACEWORKS MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

ASSETS

	2019	2018
Current Assets:		
Cash	$ 472,483	$ 219,508
Accounts receivable	2,100	-
Inventory	532,849	574,917
Prepaid expenses	16,255	22,172
Total current assets	1,023,687	816,597
Property and Equipment:		
Vehicles	265,387	138,596
Property and equipment	91,296	69,668
Leasehold improvements	39,352	40,712
	396,035	248,976
Less: accumulated depreciation	(150,222)	(135,717)
Total property and equipment, net	245,813	113,259
Assets Whose Use is Limited:		
Cash	271,789	580,782
Investment - endowment	577,907	498,041
Total assets whose use is limited	849,696	1,078,823
Total assets	$ 2,119,196	$ 2,008,679

LIABILITIES AND NET ASSETS

	2019	2018
Current Liabilities:		
Accounts payable	$ 1,860	$ -
Payroll liabilities	26,580	25,232
Sales tax payable	5,063	3,794
Deferred revenue	50,349	55,880
Accrued expenses	18,547	15,167
Total current liabilities	102,399	100,073
Total liabilities	102,399	100,073
Net Assets:		
Without donor restrictions	1,365,745	1,136,012
With donor restrictions	651,052	772,594
Total net assets	2,016,797	1,908,606
Total liabilities and net assets	$ 2,119,196	$ 2,008,679

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Public Support and Revenue:				
Gross special event revenue	$ 588,125	$ -	$ 588,125	$ 427,809
Less direct cost of special events	133,130		133,130	100,292
Net special events revenue	454,995	-	454,995	327,517
Public Support:				
In-kind donation	4,060,554	-	4,060,554	3,531,091
Grants	155,867	-	155,867	544,400
Individual contributions	246,599	245,012	491,611	521,297
Business donations	82,084	-	82,084	47,980
Church contributions	322,757	-	322,757	295,891
Net assets released from temporarily restricted	394,529	(394,529)	-	-
Total public support	5,717,385	(149,517)	5,567,868	5,268,176
Program and Other Revenue:				
Store income	1,089,338	-	1,089,338	1,005,560
Neighbor assistance payments	96,925	-	96,925	-
Investment income, net	482	27,975	28,457	(361)
Other income	-	-	-	5,838
Gain on sales of assets	7,043	-	7,043	-
Total program and other revenue	1,193,788	27,975	1,221,763	1,011,037
Total revenue	6,911,173	(121,542)	6,789,631	6,279,213
Expenses:				
Program services				
Family support	1,651,195	-	1,651,195	1,628,784
Instructional programs	115,978	-	115,978	156,121
Seasonal needs	374,204	-	374,204	429,923
Hunger prevention	3,806,768	-	3,806,768	3,011,230
Total program services	5,948,145	-	5,948,145	5,226,058
Supporting Services				
Management and general	402,217	-	402,217	327,315
Fundraising & special events	331,078	-	331,078	310,005
Total supporting services	733,295	-	733,295	637,320
Total expenses	6,681,440	-	6,681,440	5,863,378
Increase (decrease) in net assets	229,733	(121,542)	108,191	415,835
Net assets - beginning of year	1,136,012	772,594	1,908,606	1,492,771
Net assets - end of year	$ 1,365,745	$ 651,052	$ 2,016,797	$ 1,908,606

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

	Program Services					Supporting Services		Total	Total
	Family Support	Instructional Programs	Seasonal Needs	Hunger Prevention	Total Program	Management and General	Fundraising & Special Events	2019	2018
Salaries	$ 342,011	$ 14,159	$ 52,770	$ 198,739	$ 607,679	$ 247,950	$ 171,645	$ 1,027,274	$ 978,541
Payroll taxes and benefits	53,467	2,213	8,249	31,068	94,997	38,643	27,374	161,014	95,359
Total payroll and related expenses	395,478	16,372	61,019	229,807	702,676	286,593	199,019	1,188,288	1,073,900
Advertising	-	-	-	-	-	-	899	899	3,621
Bad debt expense	-	-	-	-	-	598	-	598	3,073
Client services	561,578	1,011	114,445	78,894	755,928	-	-	755,928	776,067
Continuing education, memberships, and volunteer	-	-	-	-	-	-	5,319	5,319	1,636
Depreciation and amortization	14,214	2,031	4,061	20,306	40,612	2,256	2,256	45,124	24,976
Dues and subscriptions	-	-	-	-	-	4,233	-	4,233	9,619
Fundraising	-	-	-	-	-	-	133,130	133,130	100,292
General & IT repairs and maintenance	17,809	2,538	5,076	25,380	50,803	15,063	15,063	80,929	57,364
General administration expenses	11,223	1,350	2,701	13,505	28,779	4,229	2,760	35,768	33,868
In-kind expenses	523,463	76,252	152,503	3,274,274	4,026,492	42,100	53,808	4,122,400	3,385,069
Insurance	13,049	1,864	3,728	18,641	37,282	2,071	2,071	41,424	36,454
Licenses and fees	-	-	-	-	-	538	-	538	6,325
Merchant and bank fees	9,559	1,599	3,198	15,990	30,346	4,929	14,724	49,999	51,414
Mileage and expense reimbursement	3,314	255	664	2,911	7,144	3,212	2,450	12,806	11,117
Miscellaneous	-	-	-	-	-	-	-	-	-
Office supplies	2,357	337	674	3,367	6,735	4,438	1,495	12,668	26,746
Outreach programming R&D	-	-	-	-	-	-	-	-	590
Postage and freight	-	-	-	-	-	4,648	-	4,648	11,033
Printing	549	78	157	785	1,569	3,662	5,232	10,463	9,668
Professional services	-	-	-	-	-	8,801	21,000	29,801	34,238
Property taxes	-	-	-	-	-	3,709	-	3,709	8,078
Rent	67,443	9,635	19,270	96,348	192,696	6,000	6,000	204,696	217,780
Store supplies	12,567	-	1,396	-	13,963	-	-	13,963	14,521
Utilities	16,387	2,341	4,682	23,410	46,820	5,282	5,282	57,384	66,221
Total expenses by function	1,648,990	115,663	373,574	3,803,618	5,941,845	402,362	470,508	6,814,715	5,963,670
Less expense included with revenues on the statement of activities:									
Direct cost of special events	-	-	-	-	-	-	(133,130)	(133,130)	(100,292)
Total expenses included in the expense section on the statement of activities	$ 1,648,990	$ 115,663	$ 373,574	$ 3,803,618	$ 5,941,845	$ 402,362	$ 337,378	$ 6,681,585	$ 5,863,378

See accompanying notes to financial statements.

GRACEWORKS MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JUNE 30, 2018

	2019	2018
Cash Flows From Operating Activities:		
Increase in net assets	$ 108,191	$ 415,835
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	45,124	24,976
Gain on disposal of equipment	(7,043)	-
Changes in:		
Accounts receivable	(2,100)	4,000
Inventory	42,068	(135,014)
Prepaid expenses	5,917	(14,911)
Assets whose use is limited	229,127	(381,392)
Accounts payable	1,860	(14,076)
Credit card payable	3,380	1,570
Payroll liabilities	1,348	11,216
Sales tax payable	1,269	387
Deferred revenue	(5,531)	18,670
Total adjustments	315,419	(484,574)
Net cash provided by (used in) operating activities	423,610	(68,739)
Cash Flows From Investing Activities:		
Proceeds from sale of property and equipment	13,000	902
Purchase of property and equipment	(183,635)	(30,684)
Net cash used in investing activities	(170,635)	(29,782)
Net increase (decrease) in cash	252,975	(98,521)
Cash - beginning of year	219,508	318,029
Cash - end of year	$ 472,483	$ 219,508

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Program Description

In these notes, the terms "we", "us" or "our" mean GraceWorks Ministries, Inc. We are a nonprofit organization devoted to fulfilling our mission statement: Neighbor serving Neighbor, by the power of God's grace. We accomplish this through our core programs: Family Services, Instructional Support, Seasonal Needs and Hunger Prevention.

GraceWorks Thrift Store

We believe that everyone should have the ability to purchase high-quality used goods such as clothing, furniture and household items at affordable prices. Our thrift stores are open to the public. All merchandise sold is donated, including many new items, and the sales help support our mission.

Program Services

The following program services are included in the accompanying financial statements:

Family Support - Helping neighbors in emergency situations with life necessities.

Instructional Programs - Educating neighbors in financial independence, nutrition, and family guidance.

Seasonal Needs - Helping neighbors through the Manger Christmas gift program, backpacks and supplies, and holiday food boxes.

Hunger Prevention - Providing food items to under privileged families, weekend nutrition for school children, and mobile food pantries.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets 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 organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2018 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended June 30, 2018, from which it was derived.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At June 30, 2019 and June 30, 2018, we had no cash equivalents.

Inventory

GraceWorks tracks inventory for its thrift store and food pantry, which are items that are donated to the organization. Accounting principles generally accepted in the United States of America require that contributions be recognized as revenue when received.

Thrift Store Inventory:
The organization considers the value of contributed merchandise to be equal to the value of the annual thrift store revenue. Management estimates that all thrift store donations exit the store within three months' time, therefore the value of the thrift store inventory equals three months of subsequent sales.

Food Pantry Inventory:
The organization considers the value of contributed food to be equal to the number of food carts and fuel bags distributed to community members (neighbors). Food cart value is based on the average weight of the food carts multiplied by $1.73, which is a donated food value issued in the most recent KPMG report from Feeding America. Fuel Bags values were determined by auditing the actual retail price of contents contained in each fuel bag. Management estimates GraceWorks maintains a month and a half of food on premises, therefore the value of the food pantry inventory equals the value of the subsequent 1.5 months of food distributed to our neighbors.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to us that is, in substance, unconditional. Unconditional promises to give are recorded as temporarily restricted revenue in the year the promise is made and released from restriction in the year received.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

We use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on our analysis of specific promises made. At June 30, 2019 and June 30, 2018, no allowance was considered necessary.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. If equipment is donated, the donor can stipulate how long the assets must be used, and the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Our capitalization policy is to capitalize any expenditure over $1,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. We receive many contributed services for our outreach programs. These services meet the requirements for recognition in the financial statements and have been recorded or reflected in the accompanying financial statements.

Compensated Absences

Full time employees are defined as those working 30 hours or more per week. Paid time off is calculated based on each employee's regularly scheduled hours per week and is granted 90 days after hire date. An employee can carry over up to 40 hours of paid time off at the end of the fiscal year into the new year.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Operating costs other than personnel and occupancy costs are allocated based on management's estimate. Account details are reviewed to aid management in their estimates. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended June 30, 2019 and June 30, 2018, was $899 and $3,621, respectively.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The fair values of current assets, current liabilities, and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

Reclassifications

Certain accounts in the June 30, 2018, financial statements have been reclassified for comparative purposes to conform to the presentation of the June 30, 2019, financial statements.

New Accounting Pronouncement

On August 8, 2016, FASB issued 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 Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash	$ 472,483
Accounts receivable	2,100
Inventory	532,849
	$ 1,007,432

The Organization has certain board-designated assets limited to use, which are available for general expenditure within one year in the normal course of operations in the amount of $198,644. Accordingly, these assets have been included in the qualitative information above. The Organization also has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in NOTE 6.

In the next fiscal year, we plan to receive the same level of income from our donors and our thrift store, and consider this income for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including interest bearing savings accounts.

NOTE 2 - Availability and Liquidity (continued)

This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivable. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

NOTE 4 - Investments

Investments consisted of the following at June 30, 2019:

Money Market	$ 50,000
Bond Funds	260,341
Equity Funds	166,644
Exchange Traded Funds	100,922
	$ 577,907

The entire investment balance at June 30, 2019, is donor restricted, see NOTE 7.

NOTE 5 - Leases

We leased one copier under operating leases during the year end June 30, 2019. The minimum monthly rental amount is $360 for both copiers. Additional amounts due under the lease are based on the number of copies made during the billing period. We currently lease the warehouse where our Franklin store is located for a monthly cost of $12,000 and the administration building adjacent to the warehouse for a monthly cost of $1,000. We also lease the building at our Fairview location for $3,533 per month. As of June 30, 2019, the Fairview location is no longer operating. The total yearly rent expense was $210,965 for the year ended June 30, 2019, which includes $6,269 for the copiers that is in the General & IT repairs and maintenance line on the statement of functional expenses and $223,227 for June 30, 2018, which includes $5,447 for the copiers that is in the General & IT repairs and maintenance line on the statement of functional expenses.

A schedule of future minimum lease payments required under all non-cancelable operating leases as of June 30, 2019, is as follows:

Year Ending June 30,	
2020	$ 148,320
2021	3,600
	$ 151,920

NOTE 6 - Net Assets

Board-designated net assets are available for the following purposes:

Client Services - This account is intended to provide funds necessary for the different programs.

Building Improvements - This account is intended to provide funds necessary for building improvements.

Endowment - This account is intended to hold the excess realized annual income and the excess of the market value of the corpus that is to remain with the endowment at all times per the investment policy.

Board designated net assets without donor restrictions consisted of the following at June 30,

	2019	2018
Client Services	$ -	$ 71,560
Building Improvements	16,632	16,632
Set Aside for Future Use	152,893	216,893
Endowment – Neighbor Services programs	29,119	1,144
	$ 198,644	$ 306,229

Net assets with donor restrictions consisted of the following at June 30,

	2019	2018
Specific purpose:		
Building improvements	$ -	$ 13,172
Backpacks	1,895	13,427
Vehicles	-	154,390
Manger	16,265	21,267
Our Little Angels	3,885	6,900
Heaters for neighbors	558	-
Food Pantry	41,011	-
Hunger Prevention	24,000	-
Endowment:		
Endowment fund	563,438	563,438
	$ 651,052	$ 772,594

NOTE 7 - Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

NOTE 7 - Endowment Funds (continued)

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – we have a policy of appropriating for distribution each year a maximum payout up to the total earnings from the funds in excess of the original corpus value. Withdrawal of funds cannot cause the account to fall below the original corpus. If market conditions cause the value of the account to fall below this limit, no withdrawal of funds can be made until the value exceeds this limit. Corpus balance will not be restored from general operating funds of the organization rather withdrawals will be prohibited until market growth restores balance. Withdrawn funds will only be used to enhance the Neighbor Service programs above and beyond the amounts typically spent or budgeted on such programs. Funds released for this purpose for the years ended June 30, 2019 and 2018, were $0.

Investment return objective, risk parameters and strategies – the objective of our endowment portfolio is a balanced approach between equities and fixed income. The investment horizon is long-term and balances the need for income and growth. The portfolio allows up to 60% investment in equities and up to 40% investment in fixed income.

At June 30, 2019, our endowment funds were held in an investment account consisting of cash and investment funds, see NOTE 4.

As of June 30, 2019, the funds are shown on the statement of financial position as follows:

Cash and money market funds	$ 14,650
Investments (NOTE 4)	577,907
	592,557
Board designated - endowment	(29,119)
Donor restricted - endowment	$ 563,438

The following is a schedule of changes in endowment net assets for the year ended June 30, 2019:

Endowment net assets, June 30, 2018	$ 563,438
Dividend and interest income	24,261
Administrative expenses	(4,000)
Net appreciation (realized and unrealized)	7,714
Amounts released to board designated	(27,975)
Endowment net assets, June 30, 2019	$ 563,438

NOTE 8 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958).* The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606).* The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842).* The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update were recently deferred to become effective January of 2021. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2019. As of October 18, 2019, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements for the year ended June 30, 2019.