

## **CHARLOTTE RESCUE MISSION**

Consolidated Financial Statements for the  
Years Ended June 30, 2019 and 2018  
and Independent Auditors' Report



**GreerWalker**



# GreerWalker

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Charlotte Rescue Mission:

We have audited the accompanying consolidated financial statements of the Charlotte Rescue Mission (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Basis for Qualified Opinion***

The Organization has excluded the financial statements of Charlotte Rescue Mission Social Enterprise from the 2019 consolidated financial statements which, in our opinion, should be consolidated to conform with generally accepted accounting principles in the United States of America. The effects of the departure from generally accepted accounting principles in the United States of America have not been determined.

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### ***Qualified Opinion***

In our opinion, except for the effects on the 2019 consolidated financial statements of not including the financial statements of Charlotte Rescue Mission Social Enterprise as described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Charlotte Rescue Mission as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

*Greer Walker LLP*

Certified Public Accountants  
April 1, 2020  
Charlotte, NC

## **CHARLOTTE RESCUE MISSION**

### **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018**

<b><u>ASSETS</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,487,671	\$ 3,323,447
Pledges receivable, net	223,707	248,570
Inventory	85,441	92,514
Prepaid expenses and other	188,604	151,925
Current portion of beneficial interest in trust	25,000	25,000
Total current assets	<u>2,010,423</u>	<u>3,841,456</u>
 <b>PROPERTY AND EQUIPMENT, NET</b>	 <u>10,124,878</u>	 <u>8,444,904</u>
 <b>OTHER ASSETS:</b>		
Pledges receivable, net	409,340	476,100
Related party receivable	893,797	-
Endowment	795,781	570,916
Beneficial interest in trust	129,922	154,922
Other	6,922	6,922
Total other assets	<u>2,235,762</u>	<u>1,208,860</u>
 <b>TOTAL</b>	 <u><u>\$ 14,371,063</u></u>	 <u><u>\$ 13,495,220</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 235,277	\$ 97,964
Accrued salaries and other expenses	303,126	389,182
Total current liabilities	<u>538,403</u>	<u>487,146</u>
 <b>GRANT PAYABLE</b>	 <u>1,000,000</u>	 <u>1,000,000</u>
 <b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated, available for general use	11,092,117	10,119,109
Designated for endowment funds	102,600	76,689
Total without donor restrictions	<u>11,194,717</u>	<u>10,195,798</u>
With donor restrictions	1,637,943	1,812,276
Total net assets	<u>12,832,660</u>	<u>12,008,074</u>
 <b>TOTAL</b>	 <u><u>\$ 14,371,063</u></u>	 <u><u>\$ 13,495,220</u></u>

See notes to consolidated financial statements.



## **CHARLOTTE RESCUE MISSION**

### **CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>REVENUE, SUPPORT AND RECLASSIFICATIONS:</b>						
Contributions and grants	\$ 4,542,980	\$ 1,838,283	\$ 6,381,263	\$ 4,191,756	\$ 2,197,178	\$ 6,388,934
Gifts-in-kind	920,184	-	920,184	806,299	-	806,299
Program aftercare income	99,471	-	99,471	108,168	-	108,168
Special event income net of related expenses of \$45,089 and \$44,621 as of June 30, 2019 and 2018, respectively	391,760	-	391,760	622,907	-	622,907
Investment income	56,902	-	56,902	11,351	-	11,351
Miscellaneous income	8,272	-	8,272	13,590	-	13,590
Reclassifications:						
Contributions and grants released from time or purpose restrictions	2,012,616	(2,012,616)	-	1,216,104	(1,216,104)	-
Total revenue, support and reclassifications	8,032,185	(174,333)	7,857,852	6,970,175	981,074	7,951,249
<b>EXPENSES:</b>						
Program services	5,453,212	-	5,453,212	5,415,174	-	5,415,174
Supporting services:						
General and administrative	597,930	-	597,930	610,513	-	610,513
Fundraising	982,124	-	982,124	1,086,991	-	1,086,991
Total support services	1,580,054	-	1,580,054	1,697,504	-	1,697,504
Total expenses	7,033,266	-	7,033,266	7,112,678	-	7,112,678
<b>CHANGE IN NET ASSETS</b>	998,919	(174,333)	824,586	(142,503)	981,074	838,571
<b>NET ASSETS, BEGINNING OF YEAR</b>	10,195,798	1,812,276	12,008,074	10,338,301	831,202	11,169,503
<b>NET ASSETS, END OF YEAR</b>	\$ 11,194,717	\$ 1,637,943	\$ 12,832,660	\$ 10,195,798	\$ 1,812,276	\$ 12,008,074

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

See notes to consolidated financial statements.

## **CHARLOTTE RESCUE MISSION**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 824,586	\$ 838,571
Adjustments to reconcile change in net assets to net cash from operating activities:		
In-kind contributions of equipment and facility services	-	(105,998)
Change in allowance for bad debt and present value of pledges receivable	(116,181)	167,558
Depreciation and amortization	534,423	457,006
Loss on disposal of assets	-	1,247
Unrealized gain (loss)	(40,430)	911
Changes in operating assets and liabilities:		
Pledges receivable	207,804	(726,194)
Inventory	7,073	11,098
Prepaid expenses and other	(36,679)	(45,431)
Beneficial interest in trust	25,000	25,000
Other assets	-	(2,794)
Related party receivable	(658,355)	-
Accounts payable	137,313	61,209
Accrued salaries and other expenses	(86,056)	162,509
Net cash provided by operating activities	<u>798,498</u>	<u>844,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,449,839)	(235,262)
Purchases of investment securities	(184,435)	(238,149)
Proceeds on sale of other assets	-	1,547
Net cash applied to investing activities	<u>(2,634,274)</u>	<u>(471,864)</u>
NET CHANGE IN CASH	(1,835,776)	372,828
CASH, BEGINNING OF YEAR	<u>3,323,447</u>	<u>2,950,619</u>
CASH, END OF YEAR	<u>\$ 1,487,671</u>	<u>\$ 3,323,447</u>

See notes to consolidated financial statements.



## **CHARLOTTE RESCUE MISSION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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#### **1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Operations - Charlotte Rescue Mission (the "Organization") is a North Carolina not-for-profit corporation that was formed in 1938. The ministry of the Organization is to provide an intensive Christian residential chemical dependence recovery and rehabilitation program for homeless men and women or those about to become homeless utilizing the principles of Alcoholics Anonymous. The primary programs of the Organization are as follows:

*Rebound* - the Organization provides a 120-day residential recovery program for men at their 154-bed facility located on West First Street.

*Dove's Nest* - the Organization provides a 120-day residential program for women and children at their 120-bed facility located on West Boulevard.

*Holiday Meals* - the Organization provides hot nourishing meals at Easter, Thanksgiving, and Christmas to the community to include not only the homeless but also families, children and senior citizens.

*Community Matters Café* - the Organization, through Charlotte Rescue Mission Social Enterprise, operates a coffee shop and restaurant that teaches life skills to residents who have completed the primary program of Rebound or Dove's Nest. The restaurant began operations during the fiscal year ended June 30, 2019. The financial statements of this entity are not included in the consolidated financial statements of the Organization.

New Accounting Pronouncement - On August 18, 2016, the Financial Accounting Standards Board 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 clarification, 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 is effective for annual periods beginning after December 15, 2017. The Organization has adjusted the presentation of these financial statements accordingly such that the temporarily and permanently restricted net asset class have been combined and renamed net assets with donor restrictions and the unrestricted net asset class has been renamed net assets without donor restrictions.

Principles of Consolidation - The consolidated financial statements include the accounts of Charlotte Rescue Mission, and its supporting organizations and Charlotte Rescue Mission Endowment (the "Endowment"). All significant intercompany balances and transactions are eliminated in consolidation.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

*Net assets with donor restrictions* - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met or restrictions stipulating that the amounts be maintained by the Organization in perpetuity.

Use of Accounting Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.



Cash - The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Pledges Receivable - Pledges receivable are recognized when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. All other donor-restricted net assets are reported net assets with donor restrictions depending on the nature of the restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Promises to give are recorded at their estimated fair value and are substantially all due in the next five years. For pledges received during the years ended June 30, 2019 and 2018, the discount rate used was 2%. Amortization of the discount is included in contribution revenue. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Contributions - The Organization may receive contributions of cash or other assets which it reports as net assets with donor restrictions if such contributions are received with donor restrictions that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets with donor restrictions and as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Inventory - Inventory consists of purchased and donated food and program supplies. Purchased inventory is stated at the lower of cost or net realizable value. Cost is determined using the average cost method. Donated food inventory is stated at the wholesale value of \$1.62 and \$1.68 per pound during the fiscal years ended June 30, 2019 and 2018, respectively. Donated program supplies inventory is stated at estimated fair value. Inventory cost is expensed when goods are distributed. Management periodically evaluates the net realizable value of all inventories to ensure that any unusable inventory is expensed.

Property and Equipment - Property and equipment are recorded at cost if purchased. Donations of property are recorded at their estimated fair value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets of \$500 or more and with useful lives greater than one year are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets.

Fair Value Measurement - Generally accepted accounting principles in the United States of America provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

The inputs used for valuing the Organization's assets and liabilities are summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical assets
- Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)
- Level 3 - significant unobservable inputs

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs or methodology used for valuing the Organization's assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

Advertising - The Organization's policy is to expense the cost of advertising as it is incurred. Total advertising costs were \$15,262 and \$120,646 for the years ended June 30, 2019 and 2018, respectively.

Income Taxes - The Organization and the Endowment are tax-exempt under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of June 30, 2019 and 2018.

Donated Equipment and Facility Services - Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations with regard to the amount of time the long-lived assets must be maintained, the Organization releases the net assets related to donated or acquired long-lived assets once they are placed in service. Donated facility services are recognized for those services that improve or enhance property and equipment or for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donor. Donated equipment and facility services are recorded at fair value at the date of the gift. The Organization received donations of equipment and facilities services in the amounts of \$131,219 and \$105,998 for the years ended June 30, 2019 and 2018, respectively, which are recorded as support on the accompanying consolidated financial statements.

Donated Food, Clothing and Supplies - The Organization receives and distributes large amounts of clothing and other goods directly to those in need. The Organization also receives donations of food and supplies which are used in its operations. Donated food, clothing and supplies are recorded at fair value at the date of the gift. These goods are recorded as support in the accompanying consolidated financial statements in the amount of \$716,322 and \$626,406 for the years ended June 30, 2019 and 2018, respectively.

Donated Professional Services - Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services, management and general, and fundraising efforts. The value of this contributed time does not meet the criteria for recognition of donated services and, accordingly, is not reflected as support in the accompanying consolidated financial statements. Donated professional services are only recognized for services that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation. These services are recorded as support in the accompanying consolidated financial statements in the amount of \$72,643 and \$73,895 for the years ended June 30, 2019 and 2018, respectively.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Subsequent Events - In preparing its consolidated financial statements, the Organization has evaluated subsequent events through April 1, 2020, which is the date the consolidated financial statements were available to be issued.



## 2. LIQUIDITY AND AVAILABILITY

### Financial assets at year-end:

Cash	\$ 1,487,671
Endowment	795,781
Pledges receivable, net	633,047
Related party receivable	893,797
Beneficial interest in trust	<u>154,922</u>
Total financial assets	<u>3,965,218</u>

### Less amounts not available to be used for general expenditures within one year:

Restricted by donors with purpose restrictions	243,312
Restricted by donors with time restrictions greater than one year	409,340
Restricted by donors in perpetuity	671,056
Designated by the Board of Directors for endowment fund	102,600
Related party receivable	893,797
Beneficial interest in trust to be received in greater than one year	<u>129,922</u>

Financial assets not available to be used within one year 2,450,027

Financial assets available to meet general expenditures within one year \$ 1,515,191

The Organization is substantially supported by contributions; however, a portion of its support is also received as restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In order to accomplish this, the Organization invests cash in excess of daily requirements in investments funds that are able to be drawn on for general expenditures.

## 3. PLEDGES RECEIVABLE

Pledges outstanding consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 286,207	\$ 291,011
Due in 1 to 5 years	<u>422,000</u>	<u>625,000</u>
Subtotal	708,207	916,011
Less discount to net present value	12,660	24,900
Less allowance for uncollectible pledges	<u>62,500</u>	<u>166,441</u>
Pledges receivable, net	633,047	724,670
Current portion, net	<u>223,707</u>	<u>248,570</u>
Long-term, net	<u>\$ 409,340</u>	<u>\$ 476,100</u>

At June 30, 2019, pledges from one donor represented 89% of the outstanding gross pledges receivable.

## 4. BENEFICIAL INTEREST IN TRUST

During 2015, the estate of an unrelated third party bequeathed a portion of its funds to the Organization. The estate was liquidated and is now being held in trust and administered by the Foundation For The Carolinas. Distributions from the trust will be made to the Organization in annual increments of \$25,000 until the funds are depleted.

The following table sets forth a summary of changes in the beneficial interest in trust for the year ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 179,922	\$ 204,922
Receipts	<u>(25,000)</u>	<u>(25,000)</u>
Balance, end of year	154,922	179,922
Current portion	<u>25,000</u>	<u>25,000</u>
Long-term	<u>\$ 129,922</u>	<u>\$ 154,922</u>

## 5. INVESTMENTS

The Organization invests certain restricted contributions and board designated amounts with a national broker. As of June 30, 2019 and 2018, the Organization's investments are classified as Level 1 investments based upon the three levels of fair value measurement as defined in Note 1.

## 6. ENDOWMENT FUNDS

### *Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization's endowment was established for the purpose of supporting the operations of Charlotte Rescue Mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments.



The following represents the endowment net asset compositions by type of fund as of June 30, 2019 and 2018, and the changes in the endowment net assets each year:

*Endowment Net Asset Composition by Type of Fund*

<u>June 30, 2019</u>	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 653,662	\$ 653,662
Endowment funds available for general use	39,519	-	39,519
Board-designated endowment funds	<u>102,600</u>	<u>-</u>	<u>102,600</u>
Total funds	<u>\$ 142,119</u>	<u>\$ 653,662</u>	<u>\$ 795,781</u>
 <u>June 30, 2018</u>	 <u>Without donor Restrictions</u>	 <u>With donor Restrictions</u>	 <u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 494,227	\$ 494,227
Endowment funds available for general use	(911)	-	(911)
Board-designated endowment funds	<u>77,600</u>	<u>-</u>	<u>77,600</u>
Total funds	<u>\$ 76,689</u>	<u>\$ 494,227</u>	<u>\$ 570,916</u>
 <i>Changes in Endowment Net Assets</i>			
<u>Year Ended June 30, 2019</u>	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 76,689	\$ 494,227	\$ 570,916
Contributions/additions	25,000	159,435	184,435
Investment income	<u>40,430</u>	<u>-</u>	<u>40,430</u>
Endowment net assets, end of year	<u>\$ 142,119</u>	<u>\$ 653,662</u>	<u>\$ 795,781</u>
 <u>Year Ended June 30, 2018</u>	 <u>Without donor Restrictions</u>	 <u>With donor Restrictions</u>	 <u>Total</u>
Endowment net assets, beginning of year	\$ 25,000	\$ 308,678	\$ 333,678
Contributions/additions	52,600	185,549	238,149
Investment losses	<u>(911)</u>	<u>-</u>	<u>(911)</u>
Endowment net assets, end of year	<u>\$ 76,689</u>	<u>\$ 494,227</u>	<u>\$ 570,916</u>

#### *Investment Objectives and Risk Characteristics*

The Organization has a Finance Committee (the "Committee") that oversees the endowment investments. The Organization is committed to invest its endowment funds in socially responsible investments that are sensitive to the environment and operate with good social and corporate governance. The Organization allocates endowment funds to any of multiple investment pools depending on the risk characteristics and investment objectives of those responsible for implementation of the investment strategy, as approved by the Committee. In determining pool allocation, the Committee and Staff consider risk characteristics such as volatility, liquidity, and time horizons. Given the Organization's emphasis on prudent stewardship, pool allocation is significantly weighted toward preservation of capital.

#### *Strategies Employed for Achieving Objectives*

To achieve its objectives, the assets will be invested in money market funds and certificates of deposit, fixed income investments, and equity and commodity investments. Real assets also are expected to provide the added benefit of inflation protection. Fixed income and diversifying strategies will be used to lower short-term volatility and provide stability.

#### *Spending Policy*

The Board of Directors will use their discretion in allocating spendable amounts from the endowment investments that will be used for the general operations of the Organization.

### 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 325,100	\$ 325,100
Land improvements	1,045,873	986,300
Buildings	10,129,630	7,811,888
Furniture and equipment	1,739,157	1,679,631
Vehicles	178,653	159,053
Computer equipment	525,098	508,056
Construction in process	30,521	260,949
Subtotal	13,974,032	11,730,977
Less accumulated depreciation	<u>3,849,154</u>	<u>3,286,073</u>
Total, net	<u>\$ 10,124,878</u>	<u>\$ 8,444,904</u>

### 7. GRANT PAYABLE

During year ended June 30, 2013, the Organization was the recipient of a \$1,000,000 grant from the Federal Home Loan Affordable Housing Program to offset costs associated with the Dove's Nest construction project. Among other non-financial covenants, the grant requires the Organization to utilize the Dove's Nest facility for a minimum of 15 years. If the facility is sold before a period of 15 years, the Organization is required to repay the grant in full. As of the years ended June 30, 2019 and 2018, the Organization has a liability recorded in the amount of \$1,000,000 associated with the grant. Upon satisfaction of all required grant conditions, the Organization will recognize the cash proceeds associated with the grant as revenue.

### 8. LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank for an amount up to \$500,000. Payments of interest on any outstanding borrowings are due monthly with an interest rate of 4.5%. There were no outstanding borrowings on the line of credit as of the years ended June 30, 2019 and 2018. The line of credit expires in January 2023.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for future periods or purposes consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
General projects	\$ 157,740	\$ 5,000
Community Matters Café	-	930,023
Other	<u>85,572</u>	<u>134,593</u>
Total	<u>243,312</u>	<u>1,069,616</u>
Time restrictions:		
General operations	10,708	35,175
Beneficial interest in trust	154,922	179,922
Community Matters Café	544,840	-
Matching gifts	<u>13,105</u>	<u>3,922</u>
Total	<u>723,575</u>	<u>219,019</u>
Held in perpetuity	<u>671,056</u>	<u>523,641</u>
Total net assets with donor restrictions	<u>\$ 1,637,943</u>	<u>\$ 1,812,276</u>

Net assets are released from donor restrictions by satisfaction of time and/or purpose. Restrictions released during the years ended June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Program expenses	\$ 1,963,149	\$ 1,115,180
Dove's Nest project and operations	24,467	75,924
Beneficial interest in trust	<u>25,000</u>	<u>25,000</u>
Total assets released from time and/or purpose restrictions	<u>\$ 2,012,616</u>	<u>\$ 1,216,104</u>

## 10. LEASE COMMITMENTS

The Organization leases certain equipment and an automobile under long-term operating agreements from unrelated third parties. Rental expenses incurred by the Organization totaled approximately \$14,000 for the years ended June 30, 2019 and 2018.

The approximate future minimum rental payments under these agreements are as follows:

For the year ending June 30:	
2020	\$ 13,000
2021	<u>8,000</u>
Total	<u>\$ 21,000</u>

## 11. EMPLOYEE RETIREMENT PLAN

The Organization maintains a qualified 403(b) retirement plan (the "Plan") in which all eligible employees may participate. The Plan allows for the Organization to make discretionary contributions on behalf of all participants. Employees become 100% vested immediately upon their effective date of participation. During each of the years ended June 30, 2019 and 2018, the Organization made matching contributions equal to 100% of the first 5% of each participant's pre-tax deferral contribution. Expenses for the years ended June 30, 2019 and 2018 were approximately \$79,000 and \$93,000, respectively.