



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

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Independent Auditors' Report

Board of Directors
Mustard Seed Furniture Bank of Fort Wayne, Inc.

We have audited the accompanying financial statements of Mustard Seed Furniture Bank of Fort Wayne, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 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 auditors' 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 auditors consider 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 Mustard Seed Furniture Bank of Fort Wayne, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, Mustard Seed Furniture Bank of Fort Wayne, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Katy, Sapper & Miller, LLP

Fort Wayne, Indiana
March 28, 2019

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

**STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

ASSETS		2018	Adjusted 2017
CURRENT ASSETS			
Cash		\$ 295,192	\$ 289,472
Grants receivable, net		20,000	10,000
Investments		28,784	28,820
Prepaid expenses and other assets		<u>43,507</u>	<u>30,589</u>
Total Current Assets		<u>387,483</u>	<u>358,881</u>
PROPERTY AND EQUIPMENT			
Leasehold improvements		212,033	212,033
Transportation equipment		89,875	76,671
Furniture and fixtures		36,915	32,227
Software		<u>4,584</u>	<u>4,584</u>
		343,407	325,515
Less: Accumulated depreciation		<u>(118,012)</u>	<u>(123,618)</u>
Total Property and Equipment		<u>225,395</u>	<u>201,897</u>
OTHER ASSETS			
Grants receivable		10,000	20,000
Beneficial interest in assets held by Community Foundation		<u>14,028</u>	<u>15,124</u>
Total Other Assets		<u>24,028</u>	<u>35,124</u>
TOTAL ASSETS		<u><u>\$ 636,906</u></u>	<u><u>\$ 595,902</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued expenses		<u>\$ 1,994</u>	<u>\$ 1,994</u>
Total Current Liabilities		<u>1,994</u>	<u>1,994</u>
NET ASSETS			
Without donor restrictions		598,104	563,908
With donor restrictions		<u>36,808</u>	<u>30,000</u>
Total Net Assets		<u>634,912</u>	<u>593,908</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 636,906</u></u>	<u><u>\$ 595,902</u></u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			Adjusted 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions:						
Grants	\$ 60,037	\$ 123,415	\$ 183,452	\$ 88,550	\$ 83,000	\$ 171,550
Contributions	31,141	22,138	53,279	51,813	40,072	91,885
In-kind donations	347,051		347,051	367,110		367,110
Special event and fundraising income, net of direct benefit to donors	88,025	19,867	107,892	70,045		70,045
Processing fees	17,210		17,210	20,585		20,585
Net investment return (loss), net	(36)		(36)	(930)		(930)
Change in value of beneficial interest in assets held by Community Foundation	(1,096)		(1,096)	124		124
Gain on sale of property and equipment	3,143		3,143			
Other income	1,189		1,189			
Net assets released from restriction	158,612	(158,612)		108,072	(108,072)	
Total Support and Revenue	<u>705,276</u>	<u>6,808</u>	<u>712,084</u>	<u>705,369</u>	<u>15,000</u>	<u>720,369</u>
EXPENSES						
Program services	612,035		612,035	635,297		635,297
Supporting services:						
Management and general	34,573		34,573	34,384		34,384
Fundraising	24,472		24,472	24,211		24,211
Total Expenses	<u>671,080</u>		<u>671,080</u>	<u>693,892</u>		<u>693,892</u>
INCREASE IN NET ASSETS	34,196	6,808	41,004	11,477	15,000	26,477
NET ASSETS						
Beginning of Year	<u>563,908</u>	<u>30,000</u>	<u>593,908</u>	<u>552,431</u>	<u>15,000</u>	<u>567,431</u>
End of Year	<u>\$ 598,104</u>	<u>\$ 36,808</u>	<u>\$ 634,912</u>	<u>\$ 563,908</u>	<u>\$ 30,000</u>	<u>\$ 593,908</u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018				Adjusted 2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages	\$ 134,133	\$ 6,525	\$ 3,263	\$ 143,921	\$ 126,995	\$ 14,941	\$ 7,470	\$ 149,406
Taxes - payroll	9,490	1,116	558	11,164	8,457	995	497	9,949
Retirement contribution	2,170	255	128	2,553	2,107	248	124	2,479
Total Personnel Expenses	<u>145,793</u>	<u>7,896</u>	<u>3,949</u>	<u>157,638</u>	<u>137,559</u>	<u>16,184</u>	<u>8,091</u>	<u>161,834</u>
Advertising	6,841	1,207	7,258	15,306	6,304	831	1,595	8,730
Contracted services	1,111	18,160	5,396	24,667	830	5,883	6,895	13,608
Depreciation	19,420	613	409	20,442	19,558	618	412	20,588
Food and beverage	5,683		5,683	11,366	14,469		14,468	28,937
Insurance - business	9,146	1,901	131	11,178	5,188	5,188		10,376
Maintenance and repairs	4,807	152	101	5,060	5,410	171	114	5,695
Miscellaneous	2,918	593	2,323	5,834	4,395	1,767	2,627	8,789
Office expense	12,100	1,189	1,396	14,685	11,850	1,243	665	13,758
Postage and printing	6,071		1,700	7,771	3,017		161	3,178
Space rental - office	70,823	2,237	1,490	74,550	47,097	1,487	992	49,576
Space rental - special events	8,020		8,020	16,040	4,122		4,121	8,243
Staff development	442	147		589	762	254		1,016
Supplies - bedding and furniture	306,564			306,564	367,500			367,500
Utilities	15,131	478	319	15,928	14,398	758		15,156
Vehicle expense	10,868			10,868	8,768			8,768
TOTAL EXPENSES BY FUNCTION	625,738	34,573	38,175	698,486	651,227	34,384	40,141	725,752
Less: Expenses included with revenues on the statements of activities:								
Costs of direct benefit to donors	<u>(13,703)</u>		<u>(13,703)</u>	<u>(27,406)</u>	<u>(15,930)</u>		<u>(15,930)</u>	<u>(31,860)</u>
TOTAL EXPENSES ON THE STATEMENTS OF ACTIVITIES	<u>\$ 612,035</u>	<u>\$ 34,573</u>	<u>\$ 24,472</u>	<u>\$ 671,080</u>	<u>\$ 635,297</u>	<u>\$ 34,384</u>	<u>\$ 24,211</u>	<u>\$ 693,892</u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	Adjusted 2017
OPERATING ACTIVITIES		
Increase in net assets	\$ 41,004	\$ 26,477
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	20,442	20,588
Net investment return (loss), net	36	1,178
Change in value of beneficial interests in assets held by Community Foundation	1,096	(124)
Gain on disposal of property and equipment	(3,143)	
Donated bedding and furniture	(13,704)	(29,545)
Contribution for capital purchase - vehicle	(46,702)	
(Increase) decrease in certain assets:		
Grant receivable		(15,000)
Prepaid and other assets	786	1,406
Decrease in certain liabilities:		
Accrued expenses		(662)
Net Cash Provided (Used) by Operating Activities	<u>(185)</u>	<u>4,318</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(40,797)	
Purchase of investments		(30,000)
Transfer of funds to Community Foundation		(15,000)
Net Cash Used by Investing Activities	<u>(40,797)</u>	<u>(45,000)</u>
FINANCING ACTIVITIES		
Collection of contribution for capital purchase - vehicle	<u>46,702</u>	
Net Cash Provided by Financing Activities	<u>46,702</u>	
NET INCREASE (DECREASE) IN CASH	5,720	(40,682)
CASH		
Beginning of Year	<u>289,472</u>	<u>330,154</u>
End of Year	<u>\$ 295,192</u>	<u>\$ 289,472</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Trade-in value received for vehicle	\$ 4,150	

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Mustard Seed Furniture Bank of Fort Wayne, Inc., (the Organization) is an Indiana not-for-profit corporation formed in 2002. The mission of the Organization is to provide household furnishings to families and individuals as they rebuild their lives after suffering disaster, personal tragedy or other misfortunes. The Organization receives support from public donations, grants and fundraising events. The Organization's major program is:

Bedding and Furniture Distribution provides furniture, bedding and other household items on a referral basis and serves families, individuals and children in the counties of Adams, Allen, DeKalb, Huntington, Noble, Wells and Whitley. The families and individuals are referred through a partner agency of the Organization who has performed an assessment of each family or individual's needs.

New Accounting Pronouncement: During 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU 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. ASU 2016-14 has been applied retrospectively to all years presented except for the disclosures about liquidity and availability of resources were omitted for 2017, as permitted by the ASU in the year of adoption

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors. This net asset category includes funds functioning as an endowment through designation by the Board of Directors and other Board-designated net assets.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some of the Organization's donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of revenues and expenses. Actual results could vary from those estimates.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from these bank accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give and Grants Receivable: Unconditional promises to give and grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give and grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management’s judgment and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2018 and 2017.

Investment Valuation and Income Recognition: Investments initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Investment return (loss) reported in the statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. The Organization provides depreciation using the straight-line method over the estimated economic useful lives as follows:

Leasehold improvements	39 years
Transportation equipment	5-7 years
Furniture and fixtures	5-7 years
Software	3 years

The Organization’s property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of property and equipment were required in 2018 or 2017.

Beneficial Interest in Assets Held by Community Foundation: The Organization established an endowment fund that is perpetual in nature with the Community Foundation of Greater Fort Wayne (Community Foundation) by transferring assets without donor restrictions to the Community Foundation and naming itself as the beneficiary of the fund. The Organization granted variance power to the Community Foundation, which allows the Community Foundation to modify the terms of the fund if continued adherence to any condition or restriction is in the judgment of the Community Foundation’s Board of Directors unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Community Foundation. The fund is held and invested by the Community Foundation for the benefit of the Organization, and the Organization may draw up to a certain percentage of the value each year, as specified in the Community Foundation’s spending policy. The fund is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. See Note 3 for discussion of fair value measurements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants are recognized as support when they are received or unconditionally pledged. Conditional contributions are not recorded as support and revenues until the conditions are met.

In-kind Donations: Contributions of services, which consisted primarily of professional services and advertising, are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute significant amounts of time to the Organization's activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the financial statements. Contributions of food, equipment, and other goods are recorded at estimated fair value when received. The Organization receives and distributes to the general public donated furniture and bedding.

In-kind donations consisted of the following in 2018 and 2017:

	2018	2017
Donated services	\$111,425	\$ 73,335
Donated bedding and furniture – distributed	221,922	264,230
Donated bedding and furniture – other	<u>13,704</u>	<u>29,545</u>
Total In-kind Donations	<u>\$347,051</u>	<u>\$367,110</u>

Special Event Revenue, including related sponsorship revenue and other contributions, is recognized upon occurrence of the event.

Processing Fees are recognized when earned at the time the service is performed.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, depreciation, maintenance and repairs, space rental - office, and utilities) or time spent by Organization staff (including, personnel expenses, miscellaneous and office expenses). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The Organization conducts activities that include fundraising appeals as well as program components. These activities include direct mail, advertising, and other special event and consumer relationship activities. These joint costs must meet certain criteria to be allocated, rather than reported entirely as fundraising. Certain costs have met the criteria to be allocated between fundraising and program services expenses.

Advertising Costs are expensed as incurred and amounted to \$15,306 in 2018 and \$8,730 in 2017.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded in the Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2018 and 2017.

The Organization files U.S. federal and Indiana information returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through March 28, 2019, the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The Organization's financial assets available for general expenditure within one year of December 31, 2018 were as follows:

Cash	\$ 295,192
Grants receivable	30,000
Investments	28,784
Beneficial interest in assets held by Community Foundation	<u>14,028</u>
Total Financial Assets	368,004
Donor imposed restrictions:	
Funds subject to time restrictions	(10,000)
Board-designations:	
Capital reserve	(125,000)
Endowment	<u>(14,028)</u>
Total Financial Assets Available Within One Year	<u>\$ 218,976</u>

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of its program services as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in short-term investments or money market funds.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has a goal to maintain financial assets on hand, which consist of cash and operating investments to meet 90 days of normal operating expenses, which are, on average, approximately \$87,500. Funds above the operating reserve requirement are transferred into short-term investments or money market funds for future needs of the Organization.

The Organization's Board of Directors has designated a portion of its unrestricted resources for endowment and a capital reserve. Those amounts are identified as board-designated in the above table. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy 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) and the lowest priority to unobservable inputs (Level 3). 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Organization makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organization for assets that are measured at fair value on a recurring basis.

Mutual Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

Beneficial Interest in Community Foundation: Valued based on the Organization's proportionate share of the fair value of the underlying investments in the Community Foundation's pooled investment portfolio as reported by the Community Foundation, without adjustment.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2018 and 2017:

2018	Level 1	Level 3	Total
Assets			
Investments:			
Mutual fund shares – large cap	\$28,784		\$28,784
Beneficial interest in assets held by Community Foundation	<u> </u>	<u>\$14,028</u>	<u>14,028</u>
Total Assets at Fair Value	<u>\$28,784</u>	<u>\$14,028</u>	<u>\$42,812</u>
2017			
Assets			
Investments:			
Mutual fund shares – large cap	\$28,820		\$28,820
Beneficial interest in assets held by Community Foundation	<u> </u>	<u>\$15,124</u>	<u>15,124</u>
Total Assets at Fair Value	<u>\$28,820</u>	<u>\$15,124</u>	<u>\$43,944</u>

At December 31, 2018 and 2017, the Organization had no other assets and no liabilities that are measured at fair value on a recurring basis.

Activity during 2018 and 2017 related to the asset measured at fair value on a recurring basis using a Level 3 valuation methodology is disclosed in Note 5.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable were estimated to be collected as follows as of December 31, 2018 and 2017:

	2018	2017
Within one year	\$20,000	\$10,000
In one to five years	<u>10,000</u>	<u>20,000</u>
Total Grants Receivable	<u>\$30,000</u>	<u>\$30,000</u>

NOTE 5 - ENDOWMENT

The Organization's board-designated endowment consists of a beneficial interest in the Community Foundation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Funds designated by the Board to function as endowments are classified as without donor restrictions. The Organization's endowment is made up entirely of board-designated funds, and therefore, is classified as without donor restrictions.

Changes in the endowment, classified as without donor restrictions net assets and reported as beneficial interest in Community Foundation, for the year ended December 31, 2018 are summarized as follows:

Balance at December 31, 2016	\$15,000
Change in value of beneficial interest in assets held by Community Foundation	<u>124</u>
Balance at December 31, 2017	15,124
Change in value of beneficial interest in assets held by Community Foundation	<u>(1,096)</u>
Balance at December 31, 2018	<u>\$14,028</u>

Return Objectives, Risk Parameters and Strategies

The Organization's objective for the endowment fund is to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. The endowment has been invested in the Community Foundation; and therefore, asset management is governed by the investment policies and appropriations are limited to the spending policies of the Community Foundation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy consistent with the Community Foundation's policy, which is designated to take into account total return concepts of investing and spending, with the goal of preserving the real spending power of the endowments over time while balancing the need for consistent spending to support the charitable and similar exempt purposes of such endowments.

NOTE 6 - NET ASSETS

Net Assets Without Donor Restrictions:

Net assets without donor restrictions consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Board designated capital reserve	\$125,000	\$125,000
Board designated endowment fund	14,028	15,124
Invested in property and equipment, net	225,395	201,897
Undesignated	<u>233,681</u>	<u>221,887</u>
Total Net Assets Without Donor Restrictions	<u>\$598,104</u>	<u>\$563,908</u>

Net Assets With Donor Restrictions:

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Subject to Expenditures for Specified Purpose: Beds4Kids	\$16,808	
Subject to Passage of Time: Grants receivable that are not restricted by donors, but which are unavailable for expenditure until due	<u>20,000</u>	<u>\$30,000</u>
Total Net Assets With Donor Restrictions	<u>\$36,808</u>	<u>\$30,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Expiration of time restrictions	\$ 10,000	\$ 15,000
Satisfaction of Purpose Restrictions: Beds4Kids	101,910	93,072
Capital purchase - vehicle	<u>46,702</u>	<u> </u>
Total Net Assets Released From Restrictions	<u>\$158,612</u>	<u>\$108,072</u>

NOTE 7 - OPERATING LEASES

The Organization has a lease agreement for office and warehouse space that expires in September 2024. The agreement calls for a \$1 annual lease payment. Either party has the ability to cancel the lease with a 90-day written notice; therefore, the lease is considered an intention to give.

The value of rental space donated under the above lease agreement has been recorded at the estimated fair market value at the time of donation and is reflected in the accompanying statements of activities as in-kind donations and as program and supporting service expense in 2018 and 2017. Management has determined the fair market value of the rental space for the years December 31, 2018 and 2017 to be \$74,550 and \$49,576, respectively.

NOTE 8 - SIMPLE IRA PLAN

The Organization has a SIMPLE IRA retirement savings plan (the Plan) for all of its qualified employees. All Plan participants are permitted to make contributions to the Plan up to the maximum allowed by law. The Organization also makes a matching contribution to the Plan of up to 3% of each participant's annual eligible earnings. The Organization made contributions of \$2,553 in 2018 and \$2,479 in 2017.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization received donations from the Board of Directors of \$15,160 and \$11,430 in 2018 and 2017, respectively.