



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

Katz, Sapper & Miller, LLP

Fort Wayne, Indiana
May 12, 2021

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

**STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019**

ASSETS

	2020	2019
CURRENT ASSETS		
Cash	\$ 388,849	\$ 277,681
Grants and bequests receivable	25,000	117,000
Investments	34,727	31,661
Inventory	46,968	36,731
Prepaid expense	770	513
Total Current Assets	<u>496,314</u>	<u>463,586</u>
 PROPERTY AND EQUIPMENT		
Leasehold improvements	212,033	212,033
Transportation equipment	85,875	85,875
Furniture and fixtures	37,598	37,598
Software	4,584	4,584
	<u>340,090</u>	<u>340,090</u>
Less: Accumulated depreciation	(159,096)	(142,074)
Total Property and Equipment	<u>180,994</u>	<u>198,016</u>
 OTHER ASSETS		
Grants receivable		25,000
Beneficial interest in assets held by Community Foundation	18,297	16,618
Total Other Assets	<u>18,297</u>	<u>41,618</u>
 TOTAL ASSETS	 <u><u>\$ 695,605</u></u>	 <u><u>\$ 703,220</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accrued expenses	\$ 4,138	\$ 2,767
Total Current Liabilities	<u>4,138</u>	<u>2,767</u>
 NET ASSETS		
Without donor restrictions	611,994	623,605
With donor restrictions	79,473	76,848
Total Net Assets	<u>691,467</u>	<u>700,453</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 695,605</u></u>	 <u><u>\$ 703,220</u></u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions:						
Grants and bequests	\$ 23,687		\$ 23,687	\$ 143,905	\$ 96,042	\$ 239,947
Other contributions	60,875	\$ 102,184	163,059	46,044	11,924	57,968
In-kind donations	343,064		343,064	457,794		457,794
Special event and fundraising income, net of direct benefit to donors	99,956		99,956	50,427	50,160	100,587
PPP Grant	30,127		30,127			
Processing fees	10,480		10,480	15,607		15,607
Net investment return	3,066		3,066	2,877		2,877
Change in value of beneficial interest in assets held by Community Foundation	1,679		1,679	2,590		2,590
Gain on sale of property and equipment				467		467
Other income	147		147	487		487
Net assets released from restrictions	99,559	(99,559)		118,086	(118,086)	
Total Support and Revenue	<u>672,640</u>	<u>2,625</u>	<u>675,265</u>	<u>838,284</u>	<u>40,040</u>	<u>878,324</u>
EXPENSES						
Program services	618,701		618,701	749,894		749,894
Supporting services:						
Management and general	47,815		47,815	43,087		43,087
Fundraising	17,735		17,735	19,802		19,802
Total Expenses	<u>684,251</u>		<u>684,251</u>	<u>812,783</u>		<u>812,783</u>
INCREASE (DECREASE) IN NET ASSETS	(11,611)	2,625	(8,986)	25,501	40,040	65,541
NET ASSETS						
Beginning of Year	<u>623,605</u>	<u>76,848</u>	<u>700,453</u>	<u>598,104</u>	<u>36,808</u>	<u>634,912</u>
End of Year	<u><u>\$ 611,994</u></u>	<u><u>\$ 79,473</u></u>	<u><u>\$ 691,467</u></u>	<u><u>\$ 623,605</u></u>	<u><u>\$ 76,848</u></u>	<u><u>\$ 700,453</u></u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages	\$ 144,804	\$ 6,829	\$ 3,414	\$ 155,047	\$ 137,933	\$ 7,416	\$ 2,966	\$ 148,315
Taxes - payroll	11,009	519	260	11,788	10,819	582	232	11,633
Retirement contribution	2,982	141	70	3,193	2,792	150	60	3,002
Total Personnel Expenses	<u>158,795</u>	<u>7,489</u>	<u>3,744</u>	<u>170,028</u>	<u>151,544</u>	<u>8,148</u>	<u>3,258</u>	<u>162,950</u>
Advertising	2,633	2,633		5,266	10,144	715	6,090	16,949
Contracted services	1,042	23,629	6,704	31,375	1,057	22,487	3,891	27,435
Depreciation	16,171	511	340	17,022	26,342	832	555	27,729
Insurance - business	9,467	1,691	113	11,270	10,311	1,862	103	12,276
Maintenance and repairs	7,963			7,963	6,018	190	127	6,335
Miscellaneous	141	191		332	3,315	3,143	172	6,630
Office expense	18,090	5,034	381	23,505	11,073	1,094	1,226	13,393
Postage and printing	2,973		156	3,129	4,408		1,369	5,777
Space rental - office	126,891	4,007	2,671	133,569	126,891	4,007	2,671	133,569
Special events - food, beverage, entertainment, and supplies	3,297		3,296	6,593	13,670		13,670	27,340
Staff development	6,407	2,136		8,543	296	99		395
Supplies - Beds4Kids	245,778			245,778	373,634			373,634
Utilities	15,679	495	330	16,504	16,135	510	340	16,985
Vehicle expense	3,374			3,374	8,726			8,726
TOTAL EXPENSES BY FUNCTION	618,701	47,815	17,735	684,251	763,564	43,087	33,472	840,123
Less: Expenses included with revenues on the statements of activities:								
Costs of direct benefit to donors					(13,670)		(13,670)	(27,340)
TOTAL EXPENSES ON THE STATEMENTS OF ACTIVITIES	\$ 618,701	\$ 47,815	\$ 17,735	\$ 684,251	\$ 749,894	\$ 43,087	\$ 19,802	\$ 812,783

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ (8,986)	\$ 65,541
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,022	27,729
Net investment return	(3,066)	(2,877)
Increase in value of beneficial interests in assets held by Community Foundation	(1,679)	(2,590)
Gain on disposal of property and equipment		(467)
Donated bedding and furniture	(10,237)	6,518
(Increase) decrease in certain assets:		
Grants and bequests receivable	117,000	(112,000)
Prepaid expense	(257)	(255)
Increase in certain liabilities:		
Accrued expenses	1,371	773
Net Cash Provided (Used) by Operating Activities	<u>111,168</u>	<u>(17,628)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment		(683)
Proceeds from sale of fixed assets		800
Net Cash Provided by Investing Activities		<u>117</u>
NET INCREASE (DECREASE) IN CASH	111,168	(17,511)
CASH		
Beginning of Year	<u>277,681</u>	<u>295,192</u>
End of Year	<u>\$388,849</u>	<u>\$ 277,681</u>

See accompanying notes.

MUSTARD SEED FURNITURE BANK OF FORT WAYNE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

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.

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.

New Accounting Pronouncement: On January 1, 2020, the Organization retrospectively adopted Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (ASU No. 2018-13) as prescribed by the Financial Accounting Standards Board. As a result of the adoption of ASU No. 2018-13, the Organization removed and modified certain disclosure requirements related to Level 3 fair value measurements. The adoption of ASU No. 2018-13 did not have an impact on the Organization's financial position or results of operations.

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)

Grants and Bequests Receivable: Unconditional grants and bequests 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.

Grants and bequests 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, 2020 and 2019.

Investment Valuation and Income Recognition: Investments are 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 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.

Inventory consists of donated furniture, bedding and household items and is recorded at the estimated fair value when received as determined by the average thrift store value of each item.

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 2020 or 2019.

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)

Grants, Bequests and Other Contributions are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially 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. Contributions of space, bedding and furniture, food, beverages, and other goods are recorded at estimated fair value when received. Volunteers also 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.

In-kind donations consisted of the following in 2020 and 2019:

	2020	2019
Donated warehouse space	\$133,569	\$133,569
Donated bedding and furniture – distributed	204,695	279,665
Donated food, beverage and services	<u>4,800</u>	<u>44,560</u>
Total In-kind Donations	<u>\$343,064</u>	<u>\$457,794</u>

Special Event Revenue, including related sponsorship revenue and other contributions, relates to multiple special events where sponsorships and tickets are purchased for the events. Each special event has a single performance obligation, the occurrence of the event, which is satisfied at a point in time. The exchange portion of the tickets and sponsorships are recognized upon occurrence of the event, and contributions related to the sponsorships are recognized when received or unconditionally promised. There were no special events held in 2020. The exchange portion of the tickets and sponsorships of the associated events totaled \$16,799 for 2019. Contributions related to the sponsorships totaled \$111,128 for 2019.

Processing Fees are recognized at the time the service is performed based on the amount collected.

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 expense). 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 \$5,266 in 2020 and \$ 16,949 in 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 tax for the years ended December 31, 2020 and 2019.

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 2017. Management believes that the Organization's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through May 12, 2021, the date the financial statements were available to be issued. See Note 7.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The Organization's financial assets available for general expenditure within one year of December 31, 2020 and December 31, 2019 were as follows:

	2020	2019
Cash	\$ 388,849	\$ 277,681
Grants and bequests receivable	25,000	142,000
Investments	34,727	31,661
Beneficial interest in assets held by Community Foundation	<u>18,297</u>	<u>16,618</u>
Total Financial Assets	466,873	467,960
Donor imposed restrictions:		
Funds subject to time restrictions		(25,000)
Board-designations:		
Capital reserve	(125,000)	((125,000))
Endowment	<u>(18,297)</u>	<u>(16,618)</u>
Total Financial Assets Available Within One Year	<u>\$ 323,576</u>	<u>\$ 301,342</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 \$85,000. Funds above the operating reserve requirement are transferred into short-term investments or money market funds for future needs of the Organization.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

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.

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. There have been no changes in the methodologies used at December 31, 2020 and 2019.

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.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020 and 2019:

2020	Level 1	Level 3	Total
Assets			
Investments:			
Mutual fund shares – balanced fund	\$12,858		\$12,858
Mutual fund shares – bond fund	12,046		12,046
Mutual fund shares – high yield fund	9,823		9,823
Beneficial interest in assets held by Community Foundation		\$18,297	18,297
Total Assets at Fair Value	<u>\$34,727</u>	<u>\$18,297</u>	<u>\$53,024</u>
2019			
Assets			
Investments:			
Mutual fund shares – balanced fund	\$11,599		\$11,599
Mutual fund shares – bond fund	10,881		10,881
Mutual fund shares – high yield fund	9,181		9,181
Beneficial interest in assets held by Community Foundation		\$16,618	16,618
Total Assets at Fair Value	<u>\$31,661</u>	<u>\$16,618</u>	<u>\$48,279</u>

Activity during 2020 and 2019 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 AND BEQUESTS RECEIVABLE

Grants and bequests receivable were estimated to be collected as follows as of December 31, 2020 and 2019:

	2020	2019
Within one year	\$25,000	\$117,000
In one to five years		25,000
Total Grants and Bequests Receivable	<u>\$25,000</u>	<u>\$142,000</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.

NOTE 5 - ENDOWMENT (CONTINUED)

Changes in the endowment, classified as without donor restrictions net assets and reported as beneficial interest in Community Foundation, for the years ended December 31, 2020 and 2019, are summarized as follows:

Balance at December 31, 2018	\$14,028
Change in value of beneficial interest in assets held by Community Foundation	<u>2,590</u>
Balance at December 31, 2019	16,618
Change in value of beneficial interest in assets held by Community Foundation	<u>1,679</u>
Balance at December 31, 2020	<u>\$18,297</u>

Unrealized gains during 2020 and 2019 related to beneficial interest in community foundation were reported in changes in beneficial interest in community foundation in the statements of activities.

The valuation methodology for the beneficial interest in assets held in community foundation does not utilize any unobservable inputs.

For those assets measured at fair value, management determines the fair value measurement policies and procedures in consultation with the Organization’s Finance Committee. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

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. The Community Foundation’s approved spending rate was 4.5% for 2020 and 2019.

NOTE 6 - NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Board designated capital reserve	\$125,000	\$125,000
Board designated endowment fund	18,297	16,618
Invested in property and equipment, net	180,994	198,016
Undesignated	<u>287,703</u>	<u>283,971</u>
Total Net Assets Without Donor Restrictions	<u>\$611,994</u>	<u>\$623,605</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Subject to Expenditures for Specified Purpose: Beds4Kids	\$54,473	\$16,848
Subject to Passage of Time: Grants receivable that are not restricted by donors, but which are unavailable for expenditure until due	<u>25,000</u>	<u>60,000</u>
Total Net Assets With Donor Restrictions	<u>\$79,473</u>	<u>\$76,848</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, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$35,000	\$ 35,000
Satisfaction of Purpose Restrictions: Beds4Kids	<u>64,559</u>	<u>83,086</u>
Total Net Assets Released From Restrictions	<u>\$99,559</u>	<u>\$118,086</u>

NOTE 7 - GOVERNMENT ASSISTANCE

On April 17, 2020, the Organization was granted a PPP loan of \$30,127. On March 18, 2021, the Organization was granted an additional loan of \$28,700 under the PPP, as expanded and amended under the Consolidated Appropriations Act, 2021. PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. The Organization believes it used the proceeds for purposes consistent with the PPP and has applied for forgiveness. The Organization substantially met the conditions of the PPP, including incurring qualified expenses. Therefore, the Organization recognized contribution income of \$30,127 in 2020 related to government assistance provided by the PPP.

While the Organization believes that its use of the proceeds will meet the conditions for forgiveness of the loan, such forgiveness is subject to approval by the bank and the U.S. Small Business Administration (SBA). Any unforgiven portion accrues interest at 1% and is due in April 2022. Under the Paycheck Protection Flexibility Act, loan payments, including interest, have been deferred until the SBA remits the loan forgiveness amount to the bank. The Organization believes that its use of the proceeds will meet the conditions for forgiveness of the loan; therefore, no obligation has been accrued in the financial statements related to this contingency.

NOTE 8 - 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 2020 and 2019. Management has determined the fair market value of the rental space for the years December 31, 2020 and 2019 to be \$133,569.

NOTE 9 - 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 \$3,193 in 2020 and \$3,002 in 2019.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Organization received donations from the Board of Directors of \$7,320 and \$8,759 in 2020 and 2019, respectively.

NOTE 10 - CONCENTRATION

The Organization had no revenue concentrations for the year ended December 31, 2020. The Organization had one donor account for 100% of grants receivable at December 31, 2020. The Organization had two donors which comprised 91% of grants receivable, 64% of grant and bequests revenue, and 18% of total revenue for the year ended December 31, 2019.

NOTE 11 - UNCERTAINTY RELATED TO CORONAVIRUS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The ultimate impact of the outbreak to the Organization's financial results and operations cannot be determined at this time. The Organization has taken measures to mitigate the impact of COVID-19, and has received two rounds of funding as a part of the PPP loan program.