

BILLINGS FOOD BANK
Billings, Montana

FINANCIAL STATEMENTS
June 30, 2019 and 2018

MANGIS ACCOUNTING, PC
Certified Public Accountants
Billings, Montana

	<u>INDEX</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expense	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-13



MANGIS ACCOUNTING
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

Independent Auditor's Report

To the Board of Directors
Billings Food Bank
Billings, Montana

We have audited the accompanying financial statements of the Billings Food Bank of Billings, Montana, a non-profit corporation, which comprise the Statements of Financial Position as of June 30, 2019 and 2018, and the related Statements of Activities and Changes in Net Assets, Statements of Functional Expense and Statements of 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.

Auditor's Responsibility

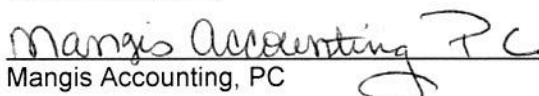
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Billings Food Bank as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Mangis Accounting, PC

Billings, Montana
May 11, 2020

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
June 30

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 126,743	\$ 19,222
Investments	34,890	50,914
Inventories	1,158,287	1,416,009
Total Current Assets	1,319,920	1,486,145
 <u>Property and Equipment</u>		
Land	684,875	684,875
Building and improvements	4,496,715	4,496,715
Furniture and fixtures	36,673	36,673
Equipment	323,426	323,426
Total Property and Equipment	5,541,689	5,541,689
Less Accumulated Depreciation	(1,444,894)	(1,309,878)
Net Property and Equipment	4,096,795	4,231,811
 <u>Other Assets</u>		
Endowment investments	1,149,388	1,189,411
Total Assets	\$ 6,566,103	\$ 6,907,367
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 9,474	\$ 13,867
Interest payable	1,023	1,216
Accrued expenses	50,387	65,634
Current maturities of long-term debt	60,160	57,791
Total Current Liabilities	121,044	138,508
 <u>Long-term Liabilities</u>		
Annuity Liability	63,581	59,630
Long-term debt - Less current maturities	388,854	449,824
Total Long-term Liabilities	452,435	509,454
Total Liabilities	573,479	647,962
 <u>Net Assets</u>		
Without donor restrictions	4,834,479	5,082,287
With donor restrictions	1,158,145	1,177,118
Total Net Assets	5,992,624	6,259,405
Total Liabilities and Net Assets	\$ 6,566,103	\$ 6,907,367

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, MT

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
Year ended June 30

	2019		2018		Total
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	
Public support					
Cash contributions	\$ 343,102	\$ 10,905	\$ 428,633	\$ 19,029	\$ 447,662
Non-cash contributions	33,768,283	5,122	32,276,535	10,655	32,287,190
Culinary Center	36,296	-	41,089	-	41,089
Special events	206,841	-	143,629	-	143,629
Less: Direct benefit to donor	(22,588)	-	(32,838)	-	(32,838)
Total Public support	34,331,934	16,027	32,857,048	29,684	32,886,732
Other income (expense)					
Investment income - net	4,591	23,951	9,067	5,886	14,953
Change in value - deferred gift annuities	-	(3,951)	-	(12,293)	(12,293)
Insurance proceeds	187,478	-	-	-	-
Total Other income (expense)	192,069	20,000	9,067	(6,407)	2,660
Net assets released from restrictions					
Board appropriations for endowment	55,000	(55,000)	150,000	(150,000)	-
Total Public support and Other income	34,579,003	(18,973)	33,016,115	(126,723)	32,889,392
Expense					
Program	34,570,079	-	33,722,182	-	33,722,182
Support services	147,547	-	146,478	-	146,478
Fundraising	109,185	-	113,870	-	113,870
Total expense	34,826,811	-	33,982,530	-	33,982,530
Changes in net assets - increase (decrease)	(247,808)	(18,973)	(966,415)	(126,723)	(1,093,138)
Net assets - Beginning of year	5,082,287	1,177,118	6,652,206	700,337	7,352,543
Adjustment to net assets to reflect prior endowment transaction	-	-	(603,504)	603,504	-
Adjusted net assets - Beginning of year	5,082,287	1,177,118	6,048,702	1,303,841	7,352,543
Net assets - End of year	\$ 4,834,479	\$ 1,158,145	\$ 5,082,287	\$ 1,177,118	\$ 6,259,405

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, MT

STATEMENTS OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2019							Total 2019
	Program Services- Food Assistance	Program Services- Culinary Program	Program Services- Total Program Services	Management	Fund- Raising	Total Supporting Services		
	\$	\$	\$	\$	\$	\$		
Contract labor	-	-	-	-	2,217	2,217	2,217	
Depreciation	80,334	34,429	114,763	13,502	6,751	20,253	135,016	
Food	34,070,428	4,380	34,074,808	-	1,279	1,279	34,076,087	
Insurance & benefits	17,973	5,991	23,964	2,754	826	3,580	27,544	
Interest	12,876	4,952	17,828	1,981	-	1,981	19,809	
Maintenance & repairs	51,234	3,715	54,949	4,127	-	4,127	59,076	
Other expense	7,393	2,150	9,543	-	796	796	10,339	
Occupancy	41,750	13,917	55,667	7,859	1,965	9,824	65,491	
Officer's salary	36,979	-	36,979	71,655	10,236	81,891	118,870	
Office supplies expense	1,356	-	1,356	151	-	151	1,507	
Payroll taxes	7,595	9,690	17,285	7,333	1,571	8,904	26,189	
Printing & postage	3,206	-	3,206	3,205	26,702	29,907	33,113	
Professional fees	-	-	-	30,528	7,724	38,252	38,252	
Promotional	8,162	1,633	9,795	-	29,083	29,083	38,878	
Salaries	37,597	97,488	135,085	3,378	6,757	10,135	145,220	
Supplies	1,876	764	2,640	-	13,024	13,024	15,664	
Taxes and licenses	5,096	-	5,096	566	-	566	5,662	
Telephone	3,560	763	4,323	508	254	762	5,085	
Vehicle expense	2,792	-	2,792	-	-	-	2,792	
Total Functional Expenses	\$ 34,390,207	\$ 179,872	\$ 34,570,079	\$ 147,547	\$ 109,185	\$ 256,732	\$ 34,826,811	

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, MT

STATEMENTS OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2018							Total
	Program Services- Food Assistance	Program Services- Culinary Program	Program Services- Total Program Services	Support Services	Fund- Raising	Total Supporting Services	2018	
Contract labor	80,212	34,376	114,588	13,480	6,740	20,220	134,808	
Depreciation	33,217,029	5,740	33,222,769	-	-	-	33,222,769	
Food	12,266	4,088	16,354	1,880	564	2,444	18,798	
Insurance & benefits	15,159	5,053	20,212	2,246	-	2,246	22,458	
Interest	41,632	3,279	44,911	3,643	-	3,643	48,554	
Maintenance & repairs	7,281	-	7,281	-	1,476	1,476	8,757	
Other expense	46,747	15,583	62,330	8,799	2,220	11,019	73,349	
Occupancy	31,299	-	31,299	65,591	9,370	74,961	106,260	
Officer's salary	2,309	-	2,309	257	-	257	2,566	
Office supplies expense	9,192	8,425	17,617	6,383	1,532	7,915	25,532	
Payroll taxes	6,947	-	6,947	6,947	20,842	27,789	34,736	
Printing & postage	-	-	-	32,951	-	32,951	32,951	
Professional fees	8,280	1,656	9,936	-	23,183	23,183	33,119	
Promotional	60,796	89,884	150,680	3,337	6,672	10,009	160,689	
Salaries	287	2,946	3,233	-	40,998	40,998	44,231	
Supplies	3,757	-	3,757	417	-	417	4,174	
Taxes and licenses	3,829	820	4,649	547	273	820	5,469	
Telephone	3,310	-	3,310	-	-	-	3,310	
Vehicle expense	-	-	-	-	-	-	-	
Total Functional Expenses	\$ 33,550,332	\$ 171,850	\$ 33,722,182	\$ 146,478	\$ 113,870	\$ 260,348	\$ 33,982,530	

See accompanying notes to financial statements

BILLINGS FOOD BANK

Billings, Montana

STATEMENTS OF CASH FLOWS

Years Ended June 30

<u>OPERATING ACTIVITIES</u>	<u>2019</u>	<u>2018</u>
Increase (Decrease) in net assets	\$ (266,781)	\$ (1,093,138)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	135,016	134,808
Unrealized (gain) loss on operating investments	8,525	(9,067)
Inventory - decrease	257,722	920,208
Accounts payable - (decrease)	(4,393)	(10,297)
Interest payable - increase (decrease)	(193)	76
Accrued expenses - increase (decrease)	(15,247)	221
Contributions restricted to endowment - (increase)	(16,027)	(29,684)
Endowment net investment (return)	(23,951)	(5,886)
Annuity liability - increase	3,951	12,293
Donated furniture	-	(5,060)
Donated stock	-	(1,669)
Net Cash Provided (Used) by Operating Activities	<u>78,622</u>	<u>(87,195)</u>
<u>INVESTING ACTIVITIES</u>		
Transfer from investments - Endowment	55,000	150,989
Stock sales	32,500	
Net Cash (Used) by Investing Activities	<u>87,500</u>	<u>150,989</u>
<u>FINANCING ACTIVITIES</u>		
Note payable - principal payments	(58,601)	(56,221)
Net Cash (Used) by Financing Activities	<u>(58,601)</u>	<u>(56,221)</u>
Cash and Cash Equivalents Increase (Decrease) - For Year	107,521	7,573
Cash and Cash Equivalents Balance - Beginning	<u>19,222</u>	<u>11,649</u>
Cash and Cash Equivalents Balance - Ending	<u>\$ 126,743</u>	<u>\$ 19,222</u>
Supplemental Disclosures:		
Interest paid	\$ 20,002	\$ 22,382
Income taxes paid	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1 ORGANIZATION

The Billings Food Bank (the Organization) is a non-profit organization established to collect, purchase, warehouse, and distribute food and other essentials both directly and through social agencies which primarily feed the needy. The Organization also operates the Fortin Culinary Center to provide training for entry level jobs in commercial kitchens. The training is directed to unemployed or underemployed individuals in the Billings area. The Fortin kitchen is available for use by people starting or expanding a food business. Nutrition education and classes are also provided. The Food Bank receives most of its support from the general public and fundraising events.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of Presentation – The financial statements of the Food Bank have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

b Net Assets – Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

c Cash and Cash Equivalents – Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash equivalents approximates its fair value at June 30, 2019.

The Food Bank maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

d Donated Food - Food contributions received by the Organization are capitalized as food inventory and recorded as revenue without donor restrictions. Upon distribution, food inventory is recorded as a decrease in net assets without donor restrictions and is charged to expense as food donation. These transactions are recorded, based on the pounds of food received or distributed, using an industry standard value per pound of \$1.85 in 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- e Investments – Investments in marketable equity securities with readily determinable fair values are reported at their fair value in the statement of financial position with the annual change in fair value being recorded as unrealized gains (losses) in current revenue and support for the year.

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

- f Land, Buildings and Equipment – Land, buildings and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and Other Improvements	7-39 Years
Furniture and Equipment	5-10 Years
Transportation Equipment	5 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Land, buildings and equipment are capitalized if the cost of an asset is equal to or greater than \$1,000 and the useful life is three years or greater.

- g Long-Lived Assets – The Food Bank reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2019.
- h Deferred Gift Annuities – The Food Bank has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donors or other beneficiaries. These gifts stipulate that annuity payments must be made to the donor or their designees until the time of death. The gifts are invested in money market funds, fixed income and equity securities. The Food Bank uses published mortality-rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.
- i Contributed Goods and Services – Contributions of donated non-cash assets are recorded at fair market value on the date of the donation. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteer have donated significant amounts of time to the Food Bank. The services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- j Income Taxes – The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service Form 990, Returns of Organizations Exempt from Income Tax, for years 2016, 2017, and 2018 are open years for examination by the IRS, generally three years after they were filed.

- k Functional Allocation of Expenses – The costs of providing the Food Bank’s programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit which is determined by management through consideration of the portion of effort expended by each supporting department to each functional category.

- l Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- m New Accounting Pronouncements – In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit’s liquidity, financial performance, and cash flows. The Food Bank adopted the provisions of this guidance during the year ended June 30, 2019.

- n Subsequent Events – The Food Bank has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 11, 2020, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

3. FOOD INVENTORY

The following summarizes food inventory transactions:

	<u>2019</u>		<u>2018</u>	
	<u>Pounds</u>	<u>Dollars</u>	<u>Pounds</u>	<u>Dollars</u>
Beginning – July 1, 2018	765,411	\$ 1,416,009	1,262,820	\$ 2,336,217
Food contributions	18,209,171	33,686,967	17,419,072	33,225,284
Food distributions *	<u>(18,348,478)</u>	<u>(33,944,684)</u>	<u>(17,916,781)</u>	<u>(33,145,492)</u>
Ending – June 30, 2019	<u>626,101</u>	<u>\$ 1,158,287</u>	<u>765,411</u>	<u>\$ 1,416,009</u>

Food inventory is recorded at \$1.85 per pound as of June 30, 2019 and 2018, based on an industry standard value per unit of food.

*This does not include food distributed that was purchased for cash.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

4 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Food Bank's financial assets reduced by amounts not available for general expenditure within one year as of June 30, 2019:

Cash and cash equivalents	\$ 126,743
Investments – operations	34,890
Investments – endowment	<u>1,149,388</u>
Total	<u>1,311,021</u>
Less amounts not available to be used within one year, due to:	
Donor imposed restrictions:	
Funds held for perpetual endowments	<u>(1,149,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 161,633</u>

5 FAIR VALUE MEASUREMENTS

The Food Bank has implemented the accounting standard that defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilized data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Food Bank's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2019 and 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

5 FAIR VALUE MEASUREMENTS (continued)

	<u>Year ended June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 931	\$ 931	\$ -	\$ -
Mutual funds	33,959	33,959	-	-
	<u>\$ 34,890</u>	<u>\$ 34,890</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 22,135	\$ 22,135	\$ -	\$ -
Mutual funds	334,045	334,045	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,149,388</u>	<u>\$ 356,180</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable				
	\$ 63,581	\$ -	\$ -	\$ 63,581
	<u>\$ 63,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,581</u>

	<u>Year ended June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Operating investments				
Cash	\$ 2,447	\$ 2,447	\$ -	\$ -
Mutual funds	48,467	48,467	-	-
	<u>\$ 50,914</u>	<u>\$ 50,914</u>	<u>\$ -</u>	<u>\$ -</u>
Endowment investments				
Cash	\$ 12,647	\$ 12,647	\$ -	\$ -
Mutual funds	383,556	383,556	-	-
Building	793,208	-	-	793,208
	<u>\$ 1,189,411</u>	<u>\$ 396,203</u>	<u>\$ -</u>	<u>\$ 793,208</u>
<u>Liabilities</u>				
Annuities payable				
	\$ 59,630	\$ -	\$ -	\$ 59,630
	<u>\$ 59,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,630</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

5 FAIR VALUE MEASUREMENTS (continued)

Fair value measurements using significant unobservable inputs (Level 3) with donor restrictions:

With donor restrictions – Endowment - Building

	<u>2019</u>	<u>2018</u>
Assets:		
Beginning balance	\$ 793,208	\$ 793,208
Ending balance	<u>\$ 793,208</u>	<u>\$ 793,208</u>

With donor restrictions – Annuities payable

Liabilities:		
Beginning balance	\$ 59,630	\$ 47,337
Annuity value change	<u>3,951</u>	<u>12,293</u>
Ending balance	<u>\$ 63,581</u>	<u>\$ 59,630</u>

Endowment – Building: Management has determined the value of the building based on its insurable value to be \$793,208. The building was transferred to the endowment in 2016. The net cost of the building is \$263,882.

Annuities payable: Valued using published mortality rate tables adopted by the United States Internal Revenue Service and an assumed rate of return of approximately 4.5% to 6.0% to determine the present value of the actuarially determined liability.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future net values. Furthermore, while the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6 NOTES PAYABLE

Notes Payable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mortgage payable – Bank		
in the amount of \$630,369 dated March 2016, to be paid in 58 payments of \$6,550, including interest at 4.1%. The balance of the note is due in 2021, at which time the note will be refinanced.		
	\$ 449,014	\$ 507,615
Less Current maturities portion -		
Long-term Debt – less current maturities	<u>(60,160)</u>	<u>(57,791)</u>
	<u>\$ 388,854</u>	<u>\$ 449,824</u>

The building is pledged as collateral for the note.

Debt maturities at June 30, 2019 were:

2020	\$ 60,160
2021	<u>388,854</u>
Total	<u>\$ 449,014</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

7 RESTRICTED NET ASSETS

Donor restricted net assets of \$746,047 are to be held in perpetuity. The earnings can be used towards operating expenses of the Organization.

8 ENDOWMENT

The Organization's endowment includes donor restricted funds. The net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions. The endowment adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the endowment may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. The investment objectives for the endowment assets are:

1. To generate a level of current income sufficient to meet withdrawal needs. Any shortfall in current income required to meet spending needs may be made from net capital appreciation.
2. To grow the asset value of the endowment, exclusive of contributions or withdrawals, in the long term exceeding the rate of inflation and earn a rate of return in excess of the endowment's annual distribution rate through a combination of investment income and capital appreciation.
3. To diversify the endowment's assets in order to reduce the risk of wide swings in market value from year to year or the risk of incurring large losses.
4. To achieve investment results over the long term that compare favorably with those of other professional fund managers and of appropriate market indexes.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

Change in endowment net assets for the year ended June 30 are as follows:

	<u>With Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
Endowment net assets – beginning of year	\$ 1,177,118	\$ 1,303,841
Investment return – net	23,951	5,886
Contributions	16,027	29,684
Appropriation of endowment assets:		
Board appropriations	(55,000)	(150,000)
Change in value – deferred gifts	<u>(3,951)</u>	<u>(12,293)</u>
Endowment net assets – end of year	<u>1,158,145</u>	<u>1,177,118</u>
Endowment net assets – end of year		
Amount to be held in perpetuity	746,047	730,020
Gains on investments	412,098	447,098
Balance of endowment investments	<u>\$ 1,158,145</u>	<u>\$ 1,177,118</u>