

# Crossroads Urban Center

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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*For the Years Ended December 31, 2018 and 2017*



# CROSSROADS URBAN CENTER

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## Independent Auditor's Report

### To the Board of Directors

#### Crossroads Urban Center

We have audited the accompanying financial statements of **Crossroads Urban Center** (a nonprofit 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.

#### Auditor's 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 audits 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 Crossroads Urban Center as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Larson & Company PC*

Salt Lake City, Utah  
July 12, 2019

## CROSSROADS URBAN CENTER

Statements of Financial Position  
As of December 31, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 436,837	\$ 599,538
Accounts and grants receivable	17,855	11,628
Food inventories	60,703	60,504
Prepaid expenses and deposits	18,744	19,314
<b>Total current assets</b>	<b>534,139</b>	690,984
<b>INVESTMENTS</b>	<b>963,920</b>	937,736
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>239,062</b>	235,805
<b>Total assets</b>	<b>\$ 1,737,121</b>	<b>\$ 1,864,525</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,338
Accrued liabilities	99,271	85,198
<b>Total current liabilities</b>	<b>99,271</b>	86,536
<b>Total liabilities</b>	<b>99,271</b>	86,536
<b>Net assets:</b>		
Without donor restrictions		
Board designated	992,902	984,731
Undesignated	622,510	768,779
<b>Total net assets with donor restrictions</b>	<b>1,615,412</b>	1,753,510
With donor restrictions	22,438	24,479
<b>Total net assets</b>	<b>1,637,850</b>	<b>1,777,989</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,737,121</b>	<b>\$ 1,864,525</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**CROSSROADS URBAN CENTER**  
Statement of Activities  
For the Years Ended December 31, 2018

	2018		
	Without donor restrictions	With donor restrictions	Totals
<b>Change in unrestricted net assets</b>			
<b>Support and revenues</b>			
Contributions and grants	\$ 702,832	\$ 63,180	\$ 766,012
Donated food, rent and other	998,624	-	998,624
Special events (net of direct benefits to donors 2018: <b>\$4,419</b> )	19,106	-	19,106
Thrift store sales	45,936	-	45,936
Investment return	26,612	-	26,612
Other income	3,801	-	3,801
<b>Total support and revenues</b>	<b>1,796,911</b>	<b>63,180</b>	<b>1,860,091</b>
Satisfaction of restrictions	65,221	(65,221)	-
<b>Total support, revenues and satisfaction of restrictions</b>	<b>1,862,132</b>	<b>(2,041)</b>	<b>1,860,091</b>
<b>Expenses</b>			
Food pantry and outreach	1,772,094	-	1,772,094
Management and general	105,634	-	105,634
Fundraising	122,502	-	122,502
<b>Total expenses</b>	<b>2,000,230</b>	<b>-</b>	<b>2,000,230</b>
<b>Change in net assets</b>	<b>(138,098)</b>	<b>(2,041)</b>	<b>(140,139)</b>
Net assets at beginning of year	1,753,510	24,479	1,777,989
<b>Net assets at end of year</b>	<b>\$ 1,615,412</b>	<b>\$ 22,438</b>	<b>\$ 1,637,850</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**CROSSROADS URBAN CENTER**  
Statement of Activities  
For the Year Ended December 31, 2017

	<b>2017</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Totals</b>
<b>Change in unrestricted net assets</b>			
<b>Support, revenues and gains</b>			
Contributions and grants	\$ 840,284	\$ 47,681	\$ 887,965
Thrift store sales	40,138	-	40,138
Donated food, rent and other	889,094	-	889,094
Special events (net of direct benefits to donors 2017: \$2,839)	20,626	-	20,626
Investment return	138,199	-	138,199
Other income	1,637	-	1,637
<b>Total support, revenues and gains</b>	<b>1,929,978</b>	<b>47,681</b>	<b>1,977,659</b>
Satisfaction of restrictions	46,803	(46,803)	-
<b>Total support, revenues, gains and satisfaction of restrictions</b>	<b>1,976,781</b>	<b>878</b>	<b>1,977,659</b>
<b>Expenses</b>			
Food pantry and outreach	1,582,740	-	1,582,740
Management and general	100,032	-	100,032
Fundraising	99,265	-	99,265
<b>Total expenses</b>	<b>1,782,037</b>	<b>-</b>	<b>1,782,037</b>
<b>Change in net assets</b>	<b>194,744</b>	<b>878</b>	<b>195,622</b>
Net assets at beginning of year	1,558,766	23,601	1,582,367
<b>Net assets at end of year</b>	<b>\$ 1,753,510</b>	<b>\$ 24,479</b>	<b>\$ 1,777,989</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**CROSSROADS URBAN CENTER**  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	<u>Food pantry and outreach</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Officer's compensation	\$ 44,288	\$ 13,671	\$ 13,671	\$ 71,630
Other salaries and wages	446,115	52,084	40,290	538,489
Food distributions	918,869	-	-	918,869
Health insurance	61,157	12,264	10,719	84,140
Supplies	56,395	442	23,355	80,192
Donated rent	44,400	8,400	7,200	60,000
Rent	19,200	-	-	19,200
Emergency assistance	52,601	-	-	52,601
Payroll taxes	36,263	6,714	5,768	48,745
Depreciation	16,972	2,334	1,908	21,214
Professional fees	11,222	1,543	1,262	14,027
Program support	4,210	60	262	4,532
Other benefits	9,741	3,133	2,744	15,618
Utilities	7,974	568	487	9,029
Repairs and maintenance	9,225	766	657	10,648
Telephone	2,693	279	240	3,212
Bank and credit card charges	-	45	-	45
Vehicle expenses	3,989	-	-	3,989
Postage	2,215	305	248	2,768
Rubbish	2,414	187	161	2,762
Insurance	1,941	192	116	2,249
Water	1,493	120	102	1,715
Event expenses	-	-	11,617	11,617
Other	18,717	2,528	6,115	27,360
<b>Total Expenses</b>	<b>1,772,094</b>	<b>105,635</b>	<b>126,922</b>	<b>2,004,651</b>
<b>Less expenses included with revenue</b>	<b>-</b>	<b>-</b>	<b>(4,419)</b>	<b>(4,419)</b>
<b>Total functional expenses statement of activities</b>	<b>\$ 1,772,094</b>	<b>\$ 105,634</b>	<b>\$ 122,502</b>	<b>\$ 2,000,230</b>

The accompanying notes to the financial statements are an integral part of these financial statements.

**CROSSROADS URBAN CENTER**  
Statement of Functional Expenses  
For the Year Ended December 31, 2017

	<u>Food pantry and outreach</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Officer's compensation	\$ 43,657	\$ 13,461	\$ 13,461	\$ 70,579
Other salaries and wages	393,238	52,324	34,526	480,088
Food distributions	810,987	-	-	810,987
Health insurance	55,356	7,741	5,658	68,755
Supplies	43,277	241	21,986	65,504
Donated rent	45,000	9,000	6,000	60,000
Rent	6,400	-	-	6,400
Emergency assistance	59,101	-	-	59,101
Payroll taxes	37,795	5,466	3,920	47,181
Depreciation	17,795	2,703	2,027	22,525
Professional fees	12,282	1,866	1,399	15,547
Program support	5,815	533	242	6,590
Other benefits	11,641	2,167	1,548	15,356
Utilities	6,683	804	536	8,023
Repairs and maintenance	8,640	844	563	10,047
Telephone	3,159	506	336	4,001
Bank and credit card charges	-	10	-	10
Vehicle expenses	2,258	-	-	2,258
Postage	1,980	301	226	2,507
Rubbish	1,419	187	124	1,730
Insurance	1,846	155	116	2,117
Water	1,480	120	80	1,680
Event expenses	-	-	4,123	4,123
Other	12,932	1,604	5,234	19,770
<b>Total Expenses</b>	<u>1,582,741</u>	<u>100,033</u>	<u>102,105</u>	<u>1,784,879</u>
<b>Less expenses included with revenue</b>	<u>-</u>	<u>-</u>	<u>(2,839)</u>	<u>(2,839)</u>
<b>Total functional expenses statement of activities</b>	<u>\$ 1,582,740</u>	<u>\$ 100,032</u>	<u>\$ 99,265</u>	<u>\$ 1,782,037</u>

The accompanying notes to the financial statements are an integral part of these financial statements.



**CROSSROADS URBAN CENTER**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ (140,139)	\$ 195,622
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	21,214	22,525
Stock donations	-	(12,507)
Bad debt expense	-	(6)
Unrealized (gain) loss on investments	28,972	(80,546)
Decrease (increase) in operating assets		
Accounts and grants receivable	(6,227)	(2,158)
Food inventories	(200)	(11,025)
Prepaid expenses and deposits	570	(4,211)
Increase (decrease) in operating liabilities		
Accounts payable	(1,338)	(27,659)
Accrued liabilities	14,073	17,948
<b>Cash flows from operating activities</b>	<b>(83,075)</b>	<b>97,983</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(55,156)	(44,799)
Additions to property and equipment	(24,471)	(97,547)
<b>Cash flows from investing activities</b>	<b>(79,627)</b>	<b>(142,346)</b>
<b>Net increase (decrease) in cash</b>	<b>(162,702)</b>	<b>(44,363)</b>
Cash and cash equivalents at beginning of year	599,539	643,902
<b>Cash and cash equivalents at end of year</b>	<b>\$ 436,837</b>	<b>\$ 599,539</b>

**Supplemental Disclosures:**

No interest or taxes were paid for the years ending December 31, 2018 and 2017.

The accompanying notes to the financial statements are an integral part of these financial statements.

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Crossroads Urban Center (the "Organization") was founded in 1966 under the auspices of United Methodist Women and received the designation as a 501(c)(3) in 1973. The Organization services low income, disabled, and minority populations of Utah by providing food, clothing, and household items. The Organization also organizes and manages community groups that address affordable housing and other social issues.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis in accordance with ASU-2016-14, Not-for-Profit Entities (Topic 958); Presentation of Financial Statements for Not-for-Profit Entities which was adopted for the year ended December 31, 2018. All amounts in the comparative financial statements have been stated retrospectively. The standard requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions** - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions** - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Cash and Cash Equivalents**

For purposes of the financial statements, the Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Accounts and Grants Receivable and Promises to Give**

Accounts and grants receivable and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. An account is written off when it is determined that all collection efforts have been exhausted. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using imputed interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received.

**Food Inventories**

Inventories consist primarily of food and are valued at the lower of cost or market. Cost is determined on the first-in first-out method. Donated food was valued at \$2.20 per pound for 2018 and 2017.

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment, net**

Acquisitions of property and equipment in excess of \$500 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by donation, at estimated fair value at the date of the donation.

Depreciation and amortization is computed over the following estimated useful lives using the straight line method.

<b>Assets</b>	<b>Useful life</b>
Leasehold improvements	3-20 years
Buildings	45 years
Equipment	5-10 years
Vehicles	5 years

**Long-lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present for the years ended December 31, 2018 and 2017.

**Investments**

Investments consist of publically traded marketable equity securities carried at fair value based on quoted market prices. Unrealized gains and losses are included as investment return in the statement of activities.

**Board Designated Endowment**

The endowment includes board designated funds of **\$963,920** and \$937,736 as of December 31, 2018 and 2017, respectively. The Board of Directors has determined that all income earned on the principal balance will be reinvested until the principal reaches \$1,000,000, at which point the earnings may be made available for use in the operations of the Organization. The Organization may make additional contributions to the principal portion of the endowment. The Organization has adopted investment and spending policies approved by the Board of Directors for the board designated endowment assets that attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the corpus of the endowment assets over the long-term. The investment policy establishes an achievable return objective through diversification of assets. Actual returns vary year to year from projected returns. To satisfy long-term rate-of-return objectives the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on equity-based investments to achieve long-term return objectives within prudent risk parameters.

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions and In-Kind Donations and Support**

Contributions are recognized when the donor makes a promise to give that is unconditional and are considered to be available for unrestricted use unless restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as satisfactions of restrictions.

Donations of property and equipment and goods and services are recorded as support at their estimated fair market value at the date of gift. These donations are reported as unrestricted support unless the donor has restricted the donation for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as donor restricted support and reclassified to unrestricted net assets without donor restrictions when placed in service.

The Organization's administrative offices and food pantry are rented free of charge from a religious organization. Donated rent and related expenses of \$60,000 were recognized for the years ended December 31, 2018 and 2017. A significant amount of food is donated for the Organization's pantry operations. The food is valued at \$2.20 per pounds and donations were approximately **\$918,866** and \$810,987 for the years ended December 31, 2018 and 2017, respectively. The Organization received other in-kind contributions for services, securities, and other miscellaneous items that totaled **\$19,631** and \$18,107 for the years ended December 31, 2018 and 2017, respectively. The Organization also receives contributions of clothing and personal items for which it is impractical to determine a value. These items are given away or sold in the Thrift Store operations of the Organization.

**Revenues**

Thrift store sales are recognized on a cash basis when the transaction occurs.

**Functional Allocation of Expenses**

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Income Taxes**

No provision for income taxes has been provided in the financial statements as the Organization is exempt under Section 501(c) (3) of the Internal Revenue Code and has an active favorable determination letter from the Internal Revenue Service.

The Organization's federal income tax returns for 2015 through 2017 are open tax years subject to examinations by the Internal Revenue Service.

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU No. 2014-09”), an update to FASB ASC 606, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for the Organization beginning January 1, 2019. The adoption of this standard is not expected to have a material impact on the financial statements of the Organization.

In March of 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires all leases that have a term of more than 12 months will be required to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2019. The Company does not anticipate a significant impact on the Company’s results of operations, financial position, or cash flows as a result of this new standard.

In November of 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230). This update requires that a statement of cash flows explain the change in cash during the period to also include restricted cash and cash equivalents. Accordingly, amounts described as restricted cash and cash equivalents will be included with unrestricted balances when reconciling the beginning-of-period and end-of –period totals shown on the statement of cash flows. The ASU is effective for years beginning after December 15, 2018. Management will implement this ASU for the year ended December 31, 2019.

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements (Continued)**

In June of 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The purpose of this update is to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The update further clarifies how a not-for-profit organization determines if it is participating in an exchange transaction. The improved guidance could result in more grants and contracts being accounted for as contributions than in current practice. The update is effective for fiscal years beginning after December 15, 2018, with an effective date of fiscal years beginning after June 15, 2018, for an organization that has issued or is a bond obligor for securities that are traded, listed or quoted on an exchange or over-the-counter market. Management is evaluating the impact of the update on the Organization's financial reporting and determining the appropriate time to implement this pronouncement.

**2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$414,399	\$575,059
Accounts and grants receivable	<u>17,855</u>	<u>11,628</u>
<b>Total:</b>	<b><u>\$432,254</u></b>	<b><u>\$586,687</u></b>

**3. ACCOUNTS AND GRANTS RECEIVABLE**

Accounts and grants receivable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Network for Good	\$ 155	\$ 729
Big Brothers Big Sisters of Utah	2,562	-
United Methodist Women	11,250	10,000
Other receivables	<u>3,888</u>	<u>899</u>
<b>Total grants receivable</b>	<b><u>\$ 17,855</u></b>	<b><u>\$ 11,628</u></b>

**CROSSROADS URBAN CENTER**  
Notes to the Financial Statements  
For the Years Ended December 31, 2018 and 2017

**4. INVESTMENTS**

Unrealized gains and losses are included as investment return in the statement of activities. Total investment income, gains and losses for the years ended December 31 are as follows:

	<u>2018</u>	<u>2017</u>
<b>Investment return, unrestricted</b>		
Interest and dividends	\$ 55,584	\$ 6,835
Net realized and unrealized gain (loss)	<u>(28,972)</u>	131,364
<b>Total investment return, unrestricted</b>	<u>\$ 26,612</u>	<u>\$ 138,199</u>

The fair values of the financial instruments shown in the following table represent the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset at the measurement date, the fair value measurement reflects the Organization's judgments about the assumptions that market participants would use in pricing the asset. Those judgments are based on the best information available including expected cash flows, and appropriately risk-adjusted interest rates, and available observable and unobservable inputs. Financial assets and financial liabilities recorded in the balance sheet at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

**Level 1** – Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access. Examples include prices derived from NYSE, NASDAQ, Chicago Board of Trade, and Pink Sheets.

**Level 2** – Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability. Examples include Matrix pricing, market corroborated pricing, and inputs such as yield curves and indices.

**Level 3** – Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Organization's estimates of the assumptions that market participants would use in valuing the financial asset and financial liabilities. Examples include Investment Manager Pricing for Price Placements, Private Equities, Hedge Funds, etc.

Fair values for assets measured on a recurring basis are as follows:

	<b>Fair Value Measurements at Reporting Date Using:</b>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>December 31, 2018</b>				
Mutual funds	\$ 963,920	\$ 963,920	\$ -	\$ -
<b>Total investments</b>	<u>\$ 963,920</u>	<u>\$ 963,920</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2017</b>				
Mutual funds	\$ 936,724	\$ 936,724	\$ -	\$ -
Fixed income	1,012	1,012	-	-
<b>Total investments</b>	<u>\$ 937,736</u>	<u>\$ 937,736</u>	<u>\$ -</u>	<u>\$ -</u>

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**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
<b>Cost</b>		
Land	\$ 26,700	\$ 26,700
Buildings and improvements	423,057	406,563
Equipment	52,534	44,596
Vehicles	<u>28,371</u>	<u>28,371</u>
<b>Total cost of property and equipment</b>	<b>530,662</b>	506,230
Accumulated depreciation and amortization	<u>(291,600)</u>	<u>(270,425)</u>
<b>Net property and equipment</b>	<b><u>\$ 239,062</u></b>	<b><u>\$ 235,805</u></b>

The Organization incurred depreciation and amortization expense of **\$21,214** and \$22,525 for the years ended December 31, 2018 and 2017, respectively.

**6. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED**

As of December 31, net assets without donor restrictions have been designated by the board as follows:

	<u>2018</u>	<u>2017</u>
Food fund	\$ 12,972	\$ 18,729
Thrift store reserve fund	16,010	14,369
Children's shoe fund	-	12,196
Infant supplies	-	1,701
Board designated endowment	<u>963,920</u>	<u>937,736</u>
	<b><u>\$ 992,902</u></b>	<b><u>\$ 984,731</u></b>

**Board Designated Endowment**

The following table presents the various components of the endowment funds including assets held as with donor restrictions and without donor restrictions. Changes in endowment funds are as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets January 1,	\$ 937,736	\$ 799,878
Investment income	26,184	137,857
Contributions	<u>-</u>	<u>1</u>
Endowment net assets December 31,	<b><u>\$ 963,920</u></b>	<b><u>\$ 937,736</u></b>



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**7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Powerful Moms Who Care	\$ 6,000	\$ 8,333
Poplar Grove Neighborhood Alliance	12,500	-
Facilities improvement program	<u>3,938</u>	<u>16,146</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 22,438</u></b>	<b><u>\$ 24,479</u></b>

**8. BENEFIT PLAN**

The Organization sponsors a simple IRA contribution plan for all eligible employees. Participants are required to contribute a minimum of 2% of compensation and the Organization matches up to 3% of compensation. All participants are fully vested in the plan. Total contributions to the plan by the Organization for the years ended December 31, 2018 and 2017 were **\$13,263** and \$12,934, respectively.

**9. CONCENTRATION OF CREDIT RISK**

The Organization maintains funds at multiple financial institutions. Accounts at these institutions are federally insured by Federal Deposit Insurance Corporation or National Credit Union Association up to \$250,000. The Organization has not experienced any loss in these accounts. As of December 31, 2018 and 2017, there were cash balances which exceeded these limits. The Organization believes it is not exposed to any significant credit risk on its cash balances.

The Organization maintains an account with a brokerage firm. The account contains cash and investments. The balances are insured by the Securities Investors Protection Corporation up to \$500,000 with a \$250,000 limit for cash claims. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

**10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2018 requiring recording or disclosure in these financial statements.