FAMILY PROMISE ROCHESTER

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2019 AND 2018

FAMILY PROMISE ROCHESTER

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DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Family Promise Rochester
Rochester, Minnesota

We have audited the accompanying financial statements of Family Promise Rochester, (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year 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 the 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 the financial statements that are free from material misstatements whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Family Promise Rochester, as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2018 financial statements were reviewed by us and our report thereon, dated February 8, 2019 stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Other Matter

As discussed in Note 11 to the financial statements, an error in recording a grant receivable and grant revenue as of December 31, 2017 was discovered during the current year. Accordingly, net assets without donor restrictions have been restated to correct that error.

Hawkins Ash CPAs, LLP

Rochester, Minnesota
November 12, 2020

FAMILY PROMISE ROCHESTER

STATEMENTS OF FINANCIAL POSITION

ASSETS		DECEMBER 31, 2019		REVIEWED restated 2018
Cash and cash equivalents	$	214,544	$	183,424
Grant receivable		68,799		51,661
Beneficial interest in community foundation		33,900		31,612
Property and equipment, net		109,330		85,482
TOTAL ASSETS	**$**	**426,573**	**$**	**352,179**

LIABILITIES AND NET ASSETS

		2019		2018
LIABILITIES				
Accounts payable	$	1,184	$	-
Accrued liabilities		3,527		2,709
Capital lease obligations		4,810		1,161
TOTAL LIABILITIES		9,521		3,870
NET ASSETS				
Without donor restrictions		414,281		344,309
With donor restrictions		2,771		4,000
TOTAL NET ASSETS		417,052		348,309
TOTAL LIABILITIES AND NET ASSETS	**$**	**426,573**	**$**	**352,179**

The accompanying notes are an integral part of these statements

FAMILY PROMISE ROCHESTER
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions	$ 93,205	$ -	$ 93,205
Grants	144,726	-	144,726
Special events, net of expenses of $4,031	20,296	-	20,296
Investment return	2,033		2,033
Change in beneficial interest	2,288	-	2,288
In-kind contribution	3,435	-	3,435
Net assets released from restrictions	1,229	(1,229)	-
TOTAL SUPPORT AND REVENUE	267,212	(1,229)	265,983
EXPENSES			
Program services	153,050	-	153,050
Management and general	39,212	-	39,212
Fundraising	4,978	-	4,978
TOTAL EXPENSES	197,240	-	197,240
CHANGE IN NET ASSETS	69,972	(1,229)	68,743
NET ASSETS			
BEGINNING OF YEAR	344,309	4,000	348,309
END OF YEAR	**$ 414,281**	**$ 2,771**	**$ 417,052**

The accompanying notes are an integral part of these statements

FAMILY PROMISE ROCHESTER

STATEMENTS OF ACTIVITIES - CONTINUED

YEAR ENDED DECEMBER 31, 2018

	REVIEWED, restated		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions	$ 89,983	$ -	$ 89,983
Grants	136,774	-	136,774
Special events, net of expenses of $5,869	35,826	-	35,826
Investment return	1,960	-	1,960
Change in beneficial interest	(4,121)	-	(4,121)
Miscellaneous	2,763	-	2,763
Gain on sale of assets	73,058	-	73,058
TOTAL SUPPORT AND REVENUE	336,243	-	336,243
EXPENSES			
Program services	139,088	-	139,088
Management and general	29,884	-	29,884
Fundraising	4,520	-	4,520
TOTAL EXPENSES	173,492	-	173,492
CHANGE IN NET ASSETS	162,751	-	162,751
NET ASSETS			
BEGINNING OF YEAR, restated	181,558	4,000	185,558
END OF YEAR	**$ 344,309**	**$ 4,000**	**$ 348,309**

The accompanying notes are an integral part of these statements

FAMILY PROMISE ROCHESTER
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 92,113	$ 18,423	$ 4,606	$ 115,142
Payroll taxes	6,932	1,387	347	8,666
Utilities	4,321	-	-	4,321
Postage	752	58	25	835
Depreciation	9,250	-	-	9,250
Office supplies	-	4,386	-	4,386
Insurance	2,250	6,209	-	8,459
Supplies	14,665	-	-	14,665
Professional fees	-	8,700	-	8,700
Licenses and permits	350	-	-	350
Transportation	1,218	-	-	1,218
Guest costs	940	-	-	940
Dues and subscriptions	943	-	-	943
Travel	2,863	-	-	2,863
Day center expense	3,288	-	-	3,288
Miscellaneous	766	-	-	766
Computer and internet	4,485	-	-	4,485
Interest	648	49	-	697
Repairs	7,266	-	-	7,266
TOTAL EXPENSES	**$ 153,050**	**$ 39,212**	**$ 4,978**	**$ 197,240**

The accompanying notes are an integral part of these statements

FAMILY PROMISE ROCHESTER
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	REVIEWED			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 83,694	$ 16,739	$ 4,185	$ 104,618
Payroll taxes	6,540	1,308	327	8,175
Utilities	4,794	-	-	4,794
Postage	241	19	8	268
Depreciation	5,317	-	-	5,317
Office supplies	-	547	-	547
Insurance	7,531	-	-	7,531
Supplies	1,994	-	-	1,994
Professional fees	1,905	11,041	-	12,946
Licenses and permits	675	-	-	675
Transportation	762	-	-	762
Guest costs	2,903	-	-	2,903
Dues and subscriptions	1,045	-	-	1,045
Travel	3,106	-	-	3,106
Day center expense	5,579	-	-	5,579
Miscellaneous	292	-	-	292
Computer and internet	4,325	-	-	4,325
Interest	3,053	230	-	3,283
Repairs	5,332	-	-	5,332
TOTAL EXPENSES	**$ 139,088**	**$ 29,884**	**$ 4,520**	**$ 173,492**

The accompanying notes are an integral part of these statements

FAMILY PROMISE ROCHESTER

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2019	REVIEWED restated 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 68,743	$ 162,751
Adjustments to reconcile changes in net assets to net cash provided by operating activites		
Depreciation	9,250	5,317
(Gain) on sale of property and equipment	-	(73,058)
Donation of car	(3,435)	-
Change in beneficial interest in community foundation	(2,288)	4,121
Changes in assets and liabilities		
Decrease (increase) in assets		
Grant receivable	(17,138)	(43,975)
Prepaid expenses	-	120
Increase (decrease) in liabilities		
Accounts payable	1,184	(4,543)
Accrued liabilities	818	114
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	57,134	50,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,663)	(13,993)
Proceeds from sales of property and equipment	-	210,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(24,663)	196,007
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	(75,506)
Payment of capital lease obligations	(1,351)	(1,182)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,351)	(76,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,120	170,166
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	183,424	13,258
CASH AND CASH EQUIVALENTS END OF YEAR	**$ 214,544**	**$ 183,424**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 697	$ 3,283
Financed purchase of property & equipment	$ 5,000	$ -

The accompanying notes are an integral part of these statements

NOTE 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - Family Promise Rochester (the Organization) is a not-for-profit organization whose purpose is to provide safe and supportive emergency shelter, meals, and transportation for homeless families in the greater Rochester, Minnesota area. The Organization receives most of its revenue from contributions and grants.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor 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 or certain grantor restrictions.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Pronouncements Adopted - As of January 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Results for reporting year ended December 31, 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

During the year, the Organization also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), which clarifies how entities should characterize grants and similar contracts with government agencies and others. It will assist entities in evaluating whether transactions are reciprocal exchange transactions or contributions and if they are conditional or unconditional contributions. The Organization has adjusted the presentation of these statements accordingly. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Recent Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842) effective for annual reporting periods beginning after December 15, 2019. ASU 2020-05 subsequently deferred the effective date for ASU 2016-02 until annual reporting periods beginning after December 15, 2021. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the statement of financial position, the new ASU will require both types of leases to be recognized on the statement of financial position. The ASU will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements providing additional information about the amounts recorded in the financial statements. The Organization is currently evaluating the impact this guidance will have on the financial statements.

Cash and Cash Equivalents – The Organization’s cash and cash equivalents consists of cash on deposit with banks. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable - Grants receivable are stated at the amount management expects to collect from outstanding balances.

Property and Equipment - Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Asset	Life
Equipment	3 - 5 years
Vehicles	5 years
Buildings and improvements	7 - 40 years

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at December 31, 2019 and 2018.

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a nominal interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

Revenue Recognition - The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with* Customers, as amended. ASC 606 applies to exchange transactions and requires the Organization to follow a five step process: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfies a performance. The Organization records the following exchange transaction revenue in its statement of activities and changes in net assets:

Special Event Revenue: Game and food ticket sales revenue is recognized when the goods and services are available to the ticket holder. Included in special events on the statements of activities is the contribution portion related to ticket sales and sponsorships.

Contribution Recognition - Contributions are recognized in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition - Contributions*. Contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire 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 statements of activities as net assets released from restrictions.

In-Kind Contributions - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods are reflected as in-kind contribution revenue in the accompanying statements of activities. Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization.

A substantial number of volunteers have made significant contributions of their time to the Organization’s program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied.

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

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. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include salaries, payroll related expenses, occupancy, supplies, and depreciation, which are allocated based on estimates of time and usage.

Advertising Costs - Advertising costs are expensed as incurred.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tax Status - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

Subsequent Events - The Organization evaluated subsequent events through November 12, 2020, the date which the financial statements were available to be issued.

NOTE 2 - Concentration of Cash and Credit Risk

The Organization may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of $250,000. The Organization's deposits at December 31, 2019 and 2018 did not exceed the FDIC insurance threshold. The Organization does not require collateral or other security to support deposits subject to this credit risk.

NOTE 3 - Liquidity and Availability

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

	2019	2018
Cash and cash equivalents	$ 214,544	$ 183,424
Grants receivable	68,799	42,528
Distribution from beneficial interest in funds held in a community foundation	1,700	1,600
Total financial assets available within one year	277,543	227,552
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	$ 2,771	4,000
Total financial assets available to management for general expenditure within one year	$ 274,772	$ 223,552

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 - Beneficial Interest in Community Foundation

The Organization holds a beneficial interest in assets held by the Rochester Area Foundation (Foundation). The balance of the fund was $33,900 and $31,612 as of December 31, 2019 and 2018, respectively. The financial statements include a distribution of $1,700 and $1,600 and a change in value was recorded as investment income of $2,288 and $(4,121) in 2019 and 2018, respectively.

The Foundation is to distribute the funds to the Organization as the Organization requests the funds. The Foundation has variance power over the funds. The Foundation has power to modify any restriction or condition on the distribution of funds, if, in their sole judgment, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or becomes inconsistent with the charitable needs of the Organization or the Foundation. The beneficial interest is recognized in the accompanying statements of financial position and is valued at the fair market value.

NOTE 5 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

NOTE 5 - Fair Value Measurements- Continued

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Beneficial interest in Community Foundation: Investments held with a community foundation are valued at fair value based on the closing price for securities listed on a securities exchange, the closing bid or asking price for over-the-counter securities not listed on a securities exchange, or at cost or obtained from an independent pricing service for securities not listed or traded on any exchange or on the over-the-counter market. The custodian of the investments in the community foundation also has the ability to determine the fair value of securities not listed or traded on any exchange or on the over-the-counter market based on available information.

The method described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019 and 2018.

	DECEMBER 31, 2019	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Beneficial interest in a community foundation	$ 33,900	$ -	$ -	$ 33,900

	DECEMBER 31, 2018	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Beneficial interest in a community foundation	**$ 31,612**	**$ -**	**$ -**	**$ 31,612**

The following is a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for December 31:

Beneficial interest in Community Foundation

	2019	2018
Balance, beginning of year	$ 31,612	$ 35,733
Investment return	4,321	(2,521)
Withdraw	(1,700)	(1,600)
Balance, end of year	**$ 33,900**	**$ 31,612**

NOTE 6 - Property and Equipment

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

	2019	2018
Land	$ 23,308	$ 23,308
Building	111,250	111,250
Equipment	33,608	33,207
	168,166	167,765
Less: accumulated depreciation	58,836	82,283
NET PROPERTY AND EQUIPMENT	**$ 109,330**	**$ 85,482**

NOTE 7 - Capital Lease Obligations

The Organization leases equipment under an agreement accounted for as a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, they are recorded in the Organization’s assets and liabilities.

The following is an analysis of the leased assets included in property and equipment at December 31:

	2019	2018
Equipment	$ 5,000	$ 4,900
Less: accumulated depreciation	333	3,165
TOTAL	**$ 4,667**	**$ 735**

Lease depreciation is included in depreciation expense.

Future minimum payments, by year and in the aggregate, for the capital leases consisted of the following at December 31, 2019:

Year ending December 31:	
2020	$ 1,308
2021	1,308
2022	1,308
2023	1,308
2024	981
Total minimum lease payments	6,213
Less: amount representing interest	1,403
Total present value of minimum lease payments	$ 4,810

NOTE 8 - Conditional Promises to Give

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give at December 31, 2019 and 2018 consist of the following and are not included on the statements of activities:

	2019	2018
Contribution conditional on availability of donor funds	$ -	$ 16,200
TOTAL CONDITIONAL PROMISES TO GIVE	**$ -**	**$ 16,200**

NOTE 9 - Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Appliances	$ 2,771	$ 4,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 2,771**	**$ 4,000**

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 the donors as follows for the years ended December 31:

	2019	2018
Satisfaction of purpose restrictions:		
Appliances	$ 1,229	$ -
TOTAL RESTRICTIONS RELEASED	**$ 1,229**	**$ -**

NOTE 10 – Subsequent Events

General Operations - Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization’s financial position is not known.

Paycheck Protection Program (PPP) Loan - The Organization applied for and was granted a loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

Building Purchase and Mortgage Payable - In July 2020, the Organization committed to the sale of their current building and to purchase a new building and obtain a mortgage to finance the new building. The mortgage is secured by real estate and is payable in monthly installments of principal and interest over a 30 year period.

NOTE 11 – Prior Period Adjustment

During the year ended December 31, 2019, it was discovered that grant receivables and related revenue, was improperly recorded causing the January 1, 2018 net assets without restrictions to be understated by $7,686 and grant revenue to be understated by $1,447.