

CARING FOR FRIENDS

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JULY 31, 2020 AND 2019

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

February 1, 2021

Board of Directors
Caring for Friends
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Caring for Friends (a nonprofit corporation), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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

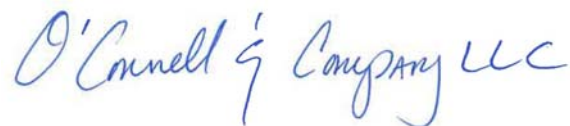
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 positions of Caring for Friends as of July 31, 2020 and 2019, 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.



CARING FOR FRIENDS

STATEMENTS OF FINANCIAL POSITION

JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 973,874	\$ 41,563
Investments	1,717,933	1,829,210
Prepaid expenses and deposits	17,110	14,412
Employee loan receivable	-	867
Fixed assets, net	<u>889,212</u>	<u>728,776</u>
TOTAL ASSETS	<u>\$ 3,598,129</u>	<u>\$ 2,614,828</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 20,252	\$ 25,541
Accrued expenses	29,960	5,154
Loan payable - Paycheck Protection Program	93,093	-
Capital lease payable	<u>3,452</u>	<u>4,881</u>
Total Liabilities	146,757	35,576
Net Assets		
Without donor restrictions		
Undesignated	1,817,221	772,773
Board designated	<u>1,237,415</u>	<u>1,376,266</u>
Total without donor restrictions	3,054,636	2,149,039
With donor restrictions		
Purpose restriction	-	36,989
Perpetual in nature	<u>396,736</u>	<u>393,224</u>
Total with donor restrictions	<u>396,736</u>	<u>430,213</u>
Total Net Assets	<u>3,451,372</u>	<u>2,579,252</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,598,129</u>	<u>\$ 2,614,828</u>

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

CARING FOR FRIENDS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	2020					2019 Total
	Without Donor Restrictions			With Donor Restrictions	2020 Total	
	Undesignated	Board Designated Endowment	Total			
SUPPORT AND REVENUE						
Grants and Contributions						
Foundations, corporations and individuals	\$ 1,225,589	\$ -	\$ 1,225,589	\$ -	\$ 1,225,589	\$ 441,040
Donated food and meals	11,523,596	-	11,523,596	-	11,523,596	2,015,551
Bequests	1,025,006	-	1,025,006	-	1,025,006	54,960
Investment income	4,306	101,149	105,455	23,630	129,085	49,703
Special events, net of expenses of \$ 10,010	-	-	-	-	-	8,156
Miscellaneous income	49,926		49,926	-	49,926	125
Endowment transfer	260,118	(240,000)	20,118	(20,118)	-	-
Net assets released from restriction	36,989	-	36,989	(36,989)	-	-
TOTAL SUPPORT AND REVENUE	14,125,530	(138,851)	13,986,679	(33,477)	13,953,202	2,569,535
EXPENSES						
Program services	12,659,314	-	12,659,314	-	12,659,314	2,691,670
Supporting services						
Management and general	228,169	-	228,169	-	228,169	102,568
Development	193,599	-	193,599	-	193,599	48,322
TOTAL EXPENSES	13,081,082	-	13,081,082	-	13,081,082	2,842,560
INCREASE (DECREASE) IN NET ASSETS	1,044,448	(138,851)	905,597	(33,477)	872,120	(273,025)
NET ASSETS, Beginning of Year	772,773	1,376,266	2,149,039	430,213	2,579,252	2,852,277
NET ASSETS, End of Year	\$ 1,817,221	\$ 1,237,415	\$ 3,054,636	\$ 396,736	\$ 3,451,372	\$ 2,579,252

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

CARING FOR FRIENDS

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2019

	2019				
	<u>Without Donor Restrictions</u>				
	<u>Undesignated</u>	<u>Board Designated Endowment</u>	<u>Total</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE					
Grants and Contributions					
Foundations, corporations and individuals	\$ 416,440	\$ -	\$ 416,440	\$ 24,600	\$ 441,040
Donated food and meals	2,015,551	-	2,015,551	-	2,015,551
Bequests	54,960	-	54,960	-	54,960
Investment income	(2,471)	63,796	61,325	(11,622)	49,703
Special events, net of expenses of \$10,010 for 2019	8,156	-	8,156	-	8,156
Miscellaneous income	125	-	125	-	125
Endowment transfer	189,602	(188,827)	775	(775)	-
Net assets released from restriction	<u>15,002</u>	<u>-</u>	<u>15,002</u>	<u>(15,002)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	2,697,365	(125,031)	2,572,334	(2,799)	2,569,535
EXPENSES					
Program services	2,691,670	-	2,691,670	-	2,691,670
Supporting services					
Management and general	102,568	-	102,568	-	102,568
Development	<u>48,322</u>	<u>-</u>	<u>48,322</u>	<u>-</u>	<u>48,322</u>
TOTAL EXPENSES	<u>2,842,560</u>	<u>-</u>	<u>2,842,560</u>	<u>-</u>	<u>2,842,560</u>
DECREASE IN NET ASSETS	(145,195)	(125,031)	(270,226)	(2,799)	(273,025)
NET ASSETS, Beginning of Year	<u>917,968</u>	<u>1,501,297</u>	<u>2,419,265</u>	<u>433,012</u>	<u>2,852,277</u>
NET ASSETS, End of Year	<u>\$ 772,773</u>	<u>\$ 1,376,266</u>	<u>\$ 2,149,039</u>	<u>\$ 430,213</u>	<u>\$ 2,579,252</u>

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

CARING FOR FRIENDS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	2020				2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Management and General	Development	Total		Management and General	Development	Total
Salaries	\$ 276,916	\$ 158,127	\$ 145,521	\$ 580,564	\$ 282,947	\$ 74,737	\$ 24,956	\$ 382,640
Employee benefits	8,944	5,107	4,700	18,751	12,306	3,251	1,085	16,642
Payroll taxes	21,986	12,554	11,554	46,094	23,168	6,120	2,043	31,331
Total salaries and related expenses	307,846	175,788	161,775	645,409	318,421	84,108	28,084	430,613
Advertising	14,783	964	321	16,068	-	-	-	-
Bags, trays, meal packaging	131,122	-	-	131,122	76,655	-	-	76,655
Bank fees	-	463	-	463	-	796	-	796
Client expense	-	-	-	-	537	-	-	537
Company event	-	16,732	-	16,732	-	-	-	-
Depreciation and amortization	76,783	5,008	1,669	83,460	56,703	3,698	1,233	61,634
Donated food and meals	11,523,596	-	-	11,523,596	2,020,845	-	-	2,020,845
Donations	-	700	-	700	-	-	-	-
Dues and subscriptions	6,835	2,279	-	9,114	5,913	1,971	-	7,884
Emergency meals	169,408	-	-	169,408	4,603	-	-	4,603
Equipment rent	7,018	458	152	7,628	-	-	-	-
Food storage	11,702	-	-	11,702	10,730	-	-	10,730
Insurance	48,467	3,161	1,054	52,682	39,297	2,563	854	42,714
Interest	352	23	8	383	345	22	8	375
Kitchen expense	2,218	-	-	2,218	2,994	-	-	2,994
Licenses and fees	-	1,306	-	1,306	-	655	-	655
Maintenance agreements	753	49	16	818	1,126	73	25	1,224
Meetings/seminars expense	-	-	-	-	341	114	-	455
Newsletter expense	20,065	-	20,065	40,130	14,367	-	14,367	28,734
Office supplies and expense	61,393	4,004	1,335	66,732	11,796	769	256	12,821
Printing and postage	4,284	673	1,683	6,640	1,170	507	1,065	2,742
Professional services	110,858	7,230	2,410	120,498	19,135	1,248	416	20,799
Repairs and maintenance	92,408	6,026	2,009	100,443	42,060	2,743	914	45,717
Telephone	7,160	467	156	7,783	7,682	501	167	8,350
Transportation	12,501	-	-	12,501	9,819	-	-	9,819
Utilities	43,513	2,838	946	47,297	42,930	2,800	933	46,663
Volunteer activities and public relations	2,860	-	-	2,860	4,201	-	-	4,201
Warehouse expense	3,389	-	-	3,389	-	-	-	-
TOTAL EXPENSES	\$ 12,659,314	\$ 228,169	\$ 193,599	\$ 13,081,082	\$ 2,691,670	\$ 102,568	\$ 48,322	\$ 2,842,560

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

CARING FOR FRIENDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 872,120	\$ (273,025)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	83,460	61,634
Gain on investments	(98,287)	(10,896)
Accrued interest on Paycheck Protection Program loan	8	-
Changes in operating assets and liabilities		
(Increase) Decrease		
Prepaid expenses and deposits	(2,698)	(3,752)
Employee loan receivable	867	10,486
(Decrease) Increase		
Accounts payable	(5,289)	1,879
Accrued expenses	24,806	(4,614)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>874,987</u>	<u>(218,288)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(42,717)	(73,145)
Proceeds from sale of investments	252,281	264,535
Purchase of fixed assets	(243,896)	-
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(34,332)</u>	<u>191,390</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	93,085	-
Principal payments on capital lease	(1,429)	(1,429)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>91,656</u>	<u>(1,429)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	932,311	(28,327)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>41,563</u>	<u>69,890</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 973,874</u>	<u>\$ 41,563</u>
SUPPLEMENTAL DATA		
Interest Paid	<u>\$ 375</u>	<u>\$ 375</u>

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

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

Caring for Friends, (the Organization) is organized for the purpose of providing food and friendship to homebound seniors, disabled, the homeless, and families with children in need in the counties of Philadelphia, Bucks, Chester, Delaware and Montgomery, Pennsylvania. The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities. The Organization's primary source of revenue is contributions and grants.

1 Summary of Significant Accounting Policies

Accrual Basis – The financial statements of the Organization have been prepared on the accrual basis.

Cash and Cash Equivalents – For the statement of cash flows, the Organization includes cash on deposit and cash on hand.

Investments – Investments are reported at fair value.

Loans Receivable – Loans receivable are recorded at their face value.

Contributions – The Organization records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either with donor restrictions or without donor restrictions, depending on whether the donor has imposed a restriction on the use of such assets.

Inventory – The Organization does not record donated food as inventory. Excess donated food held in cold storage is recognized when distributed.

Advertising – The Organization follows the policy of charging the costs of advertising to expense as incurred.

Fixed Assets – Fixed assets are recorded at cost. The Organization's policy is to capitalize major improvements to buildings, grounds and equipment with a unit cost of \$1,000 or more. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets.

Building & building improvements	10 to 40 years
Furniture, fixtures and equipment	5 to 7 years
Vehicles	5 years

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Donated Services – A significant portion of the Organization’s activity to prepare and distribute food to the homebound is performed by a network of volunteers. The value of such contributed volunteer time is not included in the accompanying financial statements since the time does not meet the criteria necessary for recognition.

Donated Food – Donated meals, soups, and raw food are recorded as contributions at estimated wholesale value in the period received. Estimated wholesale values of donated meals and soups are based on an average cost of like-kind foods found at local supermarkets. Estimated wholesale value of donated raw food is based on average costs per weight of food delivered. Management estimated wholesale value of \$4.88 and \$4.95 and served an estimated total of 274,000 and 215,632 dinners during years ended July 31, 2020 and 2019, respectively. Management estimated \$2.64 and \$2.68 as the value of soup and served a total of 40,000 and 49,500 cups of soup during the years ended July 31, 2020 and 2019, respectively. Management estimated \$3.31 and \$3.36 as the value of meal bags and served a total of 90,564 and 31,054 bags during the years ended July 31, 2020 and 2019, respectively. The Organization also measures the value of raw food donated from a variety of sources including grocery stores and local food banks. The value of raw food donations is based on either volume or quantity of the items donated. Management estimated a wholesale value of \$9,781,249 and \$711,201 of raw food donated and distributed to local cupboards during the years ended July 31, 2020 and 2019, respectively.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Functional Expenses – The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Net Assets – Net assets, revenues, gains and losses are classified 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 grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period when 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 on the statement of activities as net assets released from restrictions.

Program Services – Expenses are allocated to the various programs based on direct charges for those items specifically identified with the respective programs. Other charges are allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Income taxes – The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates – The preparation of financial statements in conformity with 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.

2 Liquidity

The table below represents financial assets available for general expenditures within one year at July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 973,874	\$ 41,563
Investments	1,717,933	1,829,210
Employee loan receivable	<u>-</u>	<u>867</u>
Total financial assets	\$ 2,691,807	\$ 1,871,640
Less amounts not available to be used within one year:		
Board designated funds with liquidity horizons greater than one year	1,237,415	1,376,266
Endowment funds with liquidity horizons greater than one year	<u>376,618</u>	<u>372,964</u>
Financial assets not available to be used within one year	1,614,033	1,749,230
Financial assets available to meet general expenditures within one year	<u>\$ 1,077,774</u>	<u>\$ 122,410</u>

The Organization has certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets available to meet general expenditures within one year.

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

2 Liquidity (Continued)

The Organization also has other board-designated and donor-restricted assets limited to use which are not available for general expenditure within one year in the normal course of operations. These assets are more fully described in Notes 8 and 9. However, the board-designated amounts could be made available, if necessary.

3 Concentration of Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

4 Investments

The following tables set forth by level, within the fair value hierarchy, the Organization's investments as of July 31, 2020 and 2019:

	Investments at Fair Values as of July 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities	\$ 708,230	\$ -	\$ -	\$ 708,230
Mutual Funds	505,452	-	-	505,452
Exchange Traded Funds	440,631	-	-	440,631
Cash and Equivalents	63,620	-	-	63,620
Total assets at fair value	\$ 1,717,933	\$ -	\$ -	\$ 1,717,933

	Investments at Fair Values as of July 31, 2019			
	Level 1	Level 2	Level 3	Total
Equities	\$ 717,687	\$ -	\$ -	\$ 717,687
Mutual Funds	571,355	-	-	571,355
Exchange Traded Funds	515,478	-	-	515,478
Cash and Equivalents	24,690	-	-	24,690
Total assets at fair value	\$ 1,829,210	\$ -	\$ -	\$ 1,829,210

Investment income consists of the following:

	2020	2019
Interest and dividends	\$ 43,079	\$ 53,061
Gain on investments	98,287	10,896
Investment fees	(12,281)	(14,254)
	\$ 129,085	\$ 49,703

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

4 Investments (Continued)

Investment assets are designated or restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 83,782	\$ 59,720
Board Designated	1,237,415	1,376,266
Endowment	396,736	393,224
	<u>\$ 1,717,933</u>	<u>\$ 1,829,210</u>

5 Fixed Assets

Fixed assets consist of the following:

	<u>2020</u>	<u>2019</u>
Building & building improvements	\$ 1,494,373	\$ 1,457,148
Furniture, fixtures and equipment	662,897	603,726
Vehicles	337,408	221,288
Land	105,291	105,291
	<u>2,599,969</u>	<u>2,387,453</u>
Less: accumulated depreciation	<u>(1,710,757)</u>	<u>(1,658,677)</u>
	<u>\$ 889,212</u>	<u>\$ 728,776</u>

Depreciation expense was \$83,460 and \$61,634 for the years ended July 31, 2020 and 2019, respectively.

6 Loan Payable - Paycheck Protection Program

The Organization received a \$93,085 loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP Loan) on July 28, 2020. The PPP Loan program was authorized as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law on March 27, 2020. Small businesses and eligible not-for-profit organizations were encouraged to apply for the PPP Loan to help retain their current employees and their salary levels during the COVID-19 pandemic. The PPP Loan and accrued interest are eligible to be forgiven if the Organization maintains its employee count and salary level; and uses the funds for payroll and payroll related costs, interest on mortgages, rent, and utilities; and if 60% of the loan proceeds are used for payroll and payroll related costs.

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

6 Loan Payable - Paycheck Protection Program (Continued)

The terms of the PPP Loan indicate the Organization must utilize the proceeds for previously mentioned qualifying expenses during a period not to exceed twenty-four weeks from the time the funds were received. The PPP Loan agreement also states that the Organization must repay any unforgiven portion of the PPP Loan principal, plus interest accruing at the rate of 1% per annum, over the course of two years from the date of receipt. In accordance with the CARES Act, all principal and interest payments were deferred for six months.

The Organization has elected to account for the PPP Loan as a financial liability in accordance with FASB ASC 470. Management believes the School will fulfill the forgiveness requirements under the PPP Loan terms. FASB ASC 470 prohibits the School from recognizing forgiveness of the loan and gain on extinguishment until they are released as the primary obligator. Management estimates the entire loan and accrued interest to be forgiven and extinguished during the year ended July 31, 2021.

Loan payable - Paycheck Protection Program consisted of the following as of July 31, 2020:

Loan balance	\$ 93,085
Accrued interest	8
	<u>\$ 93,093</u>

7 Capital Lease Payable

The Organization entered into a lease for office equipment during the year ended July 31, 2018, which qualifies as a capital lease. The gross value of the technology equipment was \$7,500 as of July 31, 2020. Accumulated depreciation of the technology equipment was \$4,750 as of July 31, 2020. The lease calls for sixty-three (63) monthly payments of \$150.

Future minimum lease payments required under the capital lease as of July 31, 2020 are as follows:

2021	\$ 1,804
2022	1,803
2023	751
Less imputed interest	<u>(906)</u>
	<u>\$ 3,452</u>

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

8 Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Client/friend purchases	\$ -	\$ 6,959
Quickserve meals	-	7,717
Vehicle purchase	-	21,600
Water	-	713
	<u>-</u>	<u>36,989</u>
Endowments		
Subject to endowment spending policy	<u>396,736</u>	<u>393,224</u>
Total Net Assets with Donor Restrictions	<u>\$ 396,736</u>	<u>\$ 430,213</u>

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Client/friend purchases	\$ 6,959	\$ 4,197
Breakfast Bags	-	3,164
Quickserve meals	7,717	7,641
Vehicle purchase	21,600	-
Water	713	-
	<u>\$ 36,989</u>	<u>\$ 15,002</u>

9 Endowment

The Organization's endowment consists of three individual funds established primarily to fund programs. The endowment includes both donor restricted endowment funds and board designated endowment funds. The Organization follows the donors' stipulations on release of donor restricted endowment income. One donor restricted fund requires the lesser of a 5% transfer of the average market value for the year or total investment earnings for the year. Another donor restricted fund allows the Organization to transfer all investment income earned.

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

9 Endowment (Continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield result of the S&P 500 Index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term objectives within prudent risk constraints.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

Strategies Employed for Achieving Objectives

To satisfy its 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's current assets allocation for donor restricted endowment funds is structured to achieve the appropriate level of investment return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Expenditures from the board designated net assets are released as approved by the Organization's Board of Directors. The income on the permanently restricted net assets is used in accordance with donor stipulations. One permanently restricted fund requires the lesser of a 5% transfer of the average market value for the prior fiscal year or total investment earnings for the prior calendar year. Another permanently restricted fund allows the Organization to transfer all investment income earned.

The following schedules represent the changes in endowment net assets for the years ended July 31, 2020 and 2019:

	<u>2020</u>		
	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,376,266	\$ 393,224	\$ 1,769,490
Investment income	101,149	23,630	124,779
Endowment transfer	(240,000)	(20,118)	(260,118)
Endowment net assets, end of year	<u>\$ 1,237,415</u>	<u>\$ 396,736</u>	<u>\$ 1,634,151</u>

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

9 Endowment (Continued)

	2019		
	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,501,297	\$ 405,621	\$ 1,906,918
Investment income	63,796	(11,622)	52,174
Endowment transfer	(188,827)	(775)	(189,602)
Endowment net assets, end of year	<u>\$ 1,376,266</u>	<u>\$ 393,224</u>	<u>\$ 1,769,490</u>

Endowment assets had the following net asset compositions as of the years ended July 31, 2020 and 2019:

	2020		
	Board Designated	With Donor Restrictions	Total
Program Support	<u>\$ 1,237,415</u>	<u>\$ 396,736</u>	<u>\$ 1,634,151</u>

	2019		
	Board Designated	With Donor Restrictions	Total
Program Support	<u>\$ 1,376,266</u>	<u>\$ 393,224</u>	<u>\$ 1,769,490</u>

10 Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when paid to employees.

11 Operating Lease

The Organization entered into a lease for a copier. The Organization has no other lease agreements. The lease qualifies as an operating lease and payments are charged to expense as they are incurred. Lease expense was \$1,887 and \$1,975 for the years ended July 31, 2020 and 2019, respectively.

The lease calls for the following future minimum lease payments:

2021	\$ 1,069
2022	1,069
2023	1,069
2024	445
	<u>\$ 3,652</u>

CARING FOR FRIENDS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2020 AND 2019

12 Related Party Transaction

The Organization has a receivable due from an employee in the amount of \$0 and \$867 as of July 31, 2020 and 2019, respectively.

13 Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact change in net assets. Other financial impact could occur though such potential impact is unknown at this time.

14 Subsequent Event

The Organization has evaluated all subsequent events through February 1, 2021, the date the financial statements were available to be issued.