Metrocrest Services

Financial Statements
September 30, 2019 and 2018

Sutton Frost Cary LLP
Certified Public Accountants

Metrocrest Services
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Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Metrocrest Services

We have audited the accompanying financial statements of Metrocrest Services (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 misstatements 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 Metrocrest Services as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary

Limited Liability Partnership

Arlington, Texas
January 22, 2020

Metrocrest Services
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 367,441	$ 276,151
Certificates of deposit	445,588	414,310
Grants receivable	81,542	163,156
Inventory	335,535	278,566
Prepaid expenses	12,486	16,359
Total current assets	1,242,592	1,148,542
Other assets:		
Security deposits	12,819	12,819
Property and equipment, net	80,638	123,339
Assets restricted for endowment:		
Beneficial interest in assets held by others	366,535	353,219
Total other assets	459,992	489,377
Total assets	$ 1,702,584	$ 1,637,919
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 47,440	$ 52,484
Payroll and related liabilities	111,806	112,408
Deferred revenue	78,655	56,747
Total current liabilities	237,901	221,639
Net assets:		
Without donor restrictions	743,508	631,136
With donor restrictions	721,175	785,144
Total net assets	1,464,683	1,416,280
Total liabilities and net assets	$ 1,702,584	$ 1,637,919

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions and grants	$ 1,979,730	$ 518,218	$ 2,497,948
Retail sale of donated goods	645,144	-	645,144
Program service revenue	46,543	-	46,543
Special event revenue, net of direct costs of $48,788	213,246	-	213,246
Donated goods and services	2,334,312	-	2,334,312
Income from beneficial interest in assets held by others, net	-	12,316	12,316
Interest income	6,278	-	6,278
Other income	549	-	549
Net assets released from restrictions	594,503	(594,503)	-
Total support and other revenue	5,820,305	(63,969)	5,756,336
Expenses:			
Program - resale store operations	1,196,591	-	1,196,591
Program - other	3,714,400	-	3,714,400
Total program services	4,910,991	-	4,910,991
Management and general	399,219	-	399,219
Fundraising	397,723	-	397,723
Total expenses	5,707,933	-	5,707,933
Change in net assets	112,372	(63,969)	48,403
Net assets beginning of year	631,136	785,144	1,416,280
Net assets end of year	$ 743,508	$ 721,175	$ 1,464,683

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions and grants	$ 1,161,975	$ 1,309,310	$ 2,471,285
Retail sale of donated goods	605,580	-	605,580
Program service revenue	57,296	-	57,296
Special event revenue, net of direct costs of $22,384	237,175	-	237,175
Donated goods and services	2,470,900	-	2,470,900
Income from beneficial interest in assets held by others, net	-	12,364	12,364
Interest income	3,912	-	3,912
Gain on sale of asset	6,800	-	6,800
Net assets released from restrictions	1,260,237	(1,260,237)	-
Total support and other revenue	5,803,875	61,437	5,865,312
Expenses:			
Program - resale store operations	1,129,406	-	1,129,406
Program - other	3,722,714	-	3,722,714
Total program services	4,852,120	-	4,852,120
Management and general	386,655	-	386,655
Fundraising	372,017	-	372,017
Total expenses	5,610,792	-	5,610,792
Change in net assets	193,083	61,437	254,520
Net assets beginning of year	438,053	723,707	1,161,760
Net assets end of year	$ 631,136	$ 785,144	$ 1,416,280

See notes to financial statements.

Metrocrest Services
Statement of Functional Expenses
Year Ended September 30, 2019

	Program - Resale Store Operations	Program - Other	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 319,527	$ 835,615	$ 1,155,142	$ 182,651	$ 228,338	$ 1,566,131
Payroll taxes	23,406	58,694	82,100	13,531	16,754	112,385
Benefits	39,504	92,368	131,872	50,746	30,653	213,271
Contract services	541	24,570	25,111	30,379	16,802	72,292
Supplies	9,348	25,432	34,780	15,561	8,998	59,339
Postage and shipping	1,747	3,659	5,406	2,129	4,734	12,269
Vehicle	30,314	77,026	107,340	1,075	3,323	111,738
Client assistance	-	687,112	687,112	-	1,737	688,849
In-kind	642,428	1,640,130	2,282,558	90	-	2,282,648
Occupancy	106,474	162,815	269,289	27,785	11,721	308,795
Telephone and internet	3,064	18,478	21,542	1,411	1,084	24,037
Equipment	2,193	32,996	35,189	31,414	6,499	73,102
Depreciation	-	30,139	30,139	16,860	-	46,999
Insurance	1,500	-	1,500	20,925	-	22,425
Marketing	2,956	23,976	26,932	1,689	89,569	118,190
Bank and credit card fees	10,894	-	10,894	241	20,759	31,894
Other	2,695	1,390	4,085	2,732	5,540	12,357
Total functional expenses	1,196,591	3,714,400	4,910,991	399,219	446,511	5,756,721
Less expenses included with revenues on the statement of activities						
Direct costs of special events	-	-	-	-	(48,788)	(48,788)
Total expenses included in the expense section on the statement of activites	$ 1,196,591	$ 3,714,400	$ 4,910,991	$ 399,219	$ 397,723	$ 5,707,933

See notes to financial statements.

Metrocrest Services
Statement of Functional Expenses
Year Ended September 30, 2018

	Program - Resale Store Operations	Program - Other	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 277,790	$ 777,815	$ 1,055,605	$ 150,656	$ 250,341	$ 1,456,602
Payroll taxes	20,548	56,697	77,245	10,892	17,727	105,864
Benefits	40,769	89,917	130,686	59,195	22,741	212,622
Contract services	13,980	28,801	42,781	41,943	15,351	100,075
Supplies	9,729	18,335	28,064	13,164	1,668	42,896
Postage and shipping	368	6,814	7,182	1,543	10,956	19,681
Vehicle	21,116	118,310	139,426	578	1,746	141,750
Client assistance	-	598,548	598,548	53	853	599,454
In-kind	605,127	1,772,968	2,378,095	-	-	2,378,095
Occupancy	117,519	139,930	257,449	25,159	9,741	292,349
Telephone and internet	5,560	18,955	24,515	12,038	1,204	37,757
Equipment	1,003	32,179	33,182	25,344	2,405	60,931
Depreciation	-	25,756	25,756	31,523	-	57,279
Insurance	4,821	4,821	9,642	7,767	-	17,409
Marketing	1,006	30,336	31,342	1,510	46,045	78,897
Bank and credit card fees	9,129	-	9,129	2,336	12,389	23,854
Other	941	2,532	3,473	2,954	1,234	7,661
Total functional expenses	1,129,406	3,722,714	4,852,120	386,655	394,401	5,633,176
Less expenses included with revenues on the statement of activities						
Direct costs of special events	-	-	-	-	(22,384)	(22,384)
Total expenses included in the expense section on the statement of activites	$ 1,129,406	$ 3,722,714	$ 4,852,120	$ 386,655	$ 372,017	$ 5,610,792

See notes to financial statements.

Metrocrest Services
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flow from operating activities:		
Change in net assets	$ 48,403	$ 254,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	46,999	57,279
Change in beneficial interest in assets held by others	(12,316)	(12,364)
Gain on sale of vehicle	-	(6,800)
Changes in assets and liabilities:		
Grants receivable	81,614	(15,660)
Inventory	(56,969)	(86,920)
Prepaid expenses	3,873	14,923
Accounts payable	(5,044)	20,727
Payroll and related liabilities	(602)	62,540
Deferred revenue	21,908	(31,253)
Net cash provided by operating activities	127,866	256,992
Cash flows from investing activities:		
Purchases of property and equipment	(4,298)	(36,728)
Proceeds from sale of property and equipment	-	6,800
Additions to beneficial interest in assets held by others	(1,000)	(98,808)
Purchases of certificates of deposit	(31,278)	(3,912)
Net cash used by investing activities	(36,576)	(132,648)
Net increase in cash and cash equivalents	91,290	124,344
Cash and cash equivalents, beginning of year	276,151	151,807
Cash and cash equivalents, end of year	$ 367,441	$ 276,151

See notes to financial statements.

1. Organization

Metrocrest Services (Organization) was established in 1977 as a Texas nonprofit corporation that provides emergency assistance to low-income individuals and families as well as supportive services, information and advocacy for residents aged 60 and older and their families. The Organization is a United Way service provider. Specific assistance, as reflected on the statements of functional expenses, includes distribution of food, clothing, household products, baby products, medical costs, rent and utility payments, transportation and employment. The program goals include supporting the independent functioning and quality of life of older adults. These goals are accomplished through direct services to individuals and education activities directed at the community as a whole. The Organization operates a resale store containing donated merchandise that is sold to the public. The Organization's primary sources of revenue include contributions and donated supplies from various donors and special events. The Organization also receives support from the municipal governments of Addison, Carrollton, Coppell, and Farmers Branch, Texas as well as certain other governmental entities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

Financial Statement Presentation

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

> *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents, certificates of deposit and grants receivable.

The Organization maintains cash at various financial institutions located in Texas. Management has placed these funds with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2019, the Organization's uninsured balances totaled $20,188.

Grants receivable are unsecured and are due from various grantors. The Organization continually evaluates the collectability of grants receivable for potential losses. No allowance was considered necessary at September 30, 2019 and 2018. One grantor represented 55% and 74% of grant receivable at September 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less.

Certificates of Deposit

The Organization has certificates of deposit totaling $445,588 and $414,310 with 2 to 16 months to maturity at September 30, 2019 and 2018, respectively.

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosure are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1	Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
Level 2	Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
Level 3	Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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

Inventory

The Organization receives contributions of goods and materials and processes these contributions as merchandise available for sale in its resale store. The merchandise available for sale in its resale store consists mainly of clothing and household items.

The Organization also receives contributions of food, hygiene items, cleaning products and household supplies which are distributed without charge to qualifying clients.

Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Contributions should be measured at their fair value. The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, sorting and retail management) in its estimate of the fair value of inventories.

The estimate of the inventory value of donated goods and materials in the Organization's retail stores is based on a 12-month rolling average of retail sales, less cost of sales multiplied by the estimated shelf life of inventory on hand at September 30.

Property and Equipment

Property and equipment in excess of $1,000 is capitalized at cost or estimated fair market value of donated assets at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance charges are expensed as incurred. Repairs that materially extend the life of an asset are capitalized.

The estimated useful lives of property and equipment are as follows:

	Estimated Useful Lives
Trucks and vans	5 years
Computers and equipment	3-5 years
Furniture and fixtures	5-7 years
Leasehold improvements	7 years

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for general use unless specifically restricted by the donor.

Generally, noncash contributions are received in the form of goods such as clothing, household furnishings, and food. The items are sorted, processed and distributed to the Organization's store and pantry. Collection, sorting, processing, renovation and distribution costs are charged to operations as incurred.

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Deferred Revenue

The Organization received payments for special events and programs in advance of the period in which those services are performed and activities are conducted.

Advertising Expense

Advertising and marketing costs are expensed as incurred. Marketing expense for the years ended September 30, 2019 and 2018 were $69,401 and $78,897, respectively.

Federal Income Taxes

The Organization is recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization did not have a material unrelated business income tax liability as of September 30, 2019 and 2018. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of 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 the IRS. Management has analyzed the tax positions taken by the Organization and has concluded that as of September 30, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Allocation of Functional Expenses

The costs of providing the 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 programs and supporting services benefited. Personnel costs including benefits, contract services and professional fees are allocated on the basis of time and effort. The expenses that are allocated based on square footage include occupancy, depreciation, insurance, communications and information technology.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization’s financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. 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. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease’s classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

The Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* as of and for the year ended September 30, 2019 with retrospective application for the 2018 financial statements. As result, the major changes applicable for the Organization include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) presenting investment return net of external and direct internal investment expenses. The Organization opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption. The adoption of this ASU had no effect on net assets or the change in net assets presented for the years ended September 30, 2019 and 2018.

Reclassification

Certain items in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

3. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by The Dallas Foundation (TDF) valued at $366,535 and $353,219 as of September 30, 2019 and 2018, respectively. These consist of funds (Funds) contributed by the Organization and donors and include earnings thereon, net of distributions received. Distributions of the income earned from beneficial interests and principal amounts thereof are received at various times throughout the year based on the spending policy adopted by the board of directors of TDF.

Fair value of the Organization’s beneficial interest in assets held by TDF is based on the value of the Organization’s portion of the underlying investments in the Funds using valuation methods that are appropriate for those investments as determined by third-party trustees. These values are based on unobservable inputs and are considered Level 3 assets in the fair value hierarchy.

Withdrawals are permitted from the Funds as requested by the Organization. Any funds unspent in one year may remain in the portfolio and may be appropriated in the following fiscal year. The board of directors may also make special appropriations in addition to the annual provision.

The following table presents a rollforward of activity for assets held by TDF at fair value for the years ended September 30:

	2019	2018
Beginning balance	$ 353,219	$ 242,047
Contributions	1,000	98,808
Total net investment income included in change in net assets	12,316	12,364
Ending balance	$ 366,535	$ 353,219
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$ (1,049)	$ 3,069

The net income from beneficial interest in assets held by others consisted of the following for the years ended September 30:

	2019	2018
Dividends and interest	$ 8,998	$ 6,056
Realized gain	8,156	5,967
Unrealized gain (loss)	(1,049)	3,069
Less: investment fees	(3,789)	(2,728)
	$ 12,316	$ 12,364

4. Inventory

Inventory consist of the following as of September 30:

	2019	2018
Resale store	$ 58,392	$ 56,773
Food pantry	137,336	53,996
Holiday toys	98,186	132,817
School supplies	41,621	34,980
	$ 335,535	$ 278,566

5. Property and Equipment

Property and equipment consist of the following as of September 30:

	2019	2018
Vehicles	$ 359,887	$ 359,887
Computers and equipment	197,007	197,007
Furniture and fixtures	22,757	18,459
Leasehold improvements	37,053	37,053
	616,704	612,406
Less accumulated depreciation	(536,066)	(489,067)
	$ 80,638	$ 123,339

Depreciation expense was $46,999 and $57,279 for the years ended September 30, 2019 and 2018, respectively.

6. Lease Commitments

The Organization leases various buildings and equipment under noncancelable operating agreements through 2021. Future minimum lease payments required under these agreements are as follows:

2020	$ 164,282
2021	106,296
2022	13,000
	$ 283,578

Lease expense was $221,070 and $205,585 for the years ended September 30, 2019 and 2018, respectively.

7. Net Assets With Donor Restrictions

Net assets restricted by donors were designated for the following purposes at September 30:

	2019	2018
Endowment restricted in perpetuity	$ 313,350	$ 312,350
Medical transportation	87,202	119,238
Medical assistance	67,001	45,729
Meals programs	65,088	53,249
Endowment earnings	53,185	40,869
United Way (time restricted)	45,000	123,750
School supplies and shoes	40,940	45,273
Disaster relief	36,777	26,951
Utilities assistance	12,632	17,735
	$ 721,175	$ 785,144

8. Contributed Goods and Services

Donated goods and services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received $2,242,236 and $2,390,621 of in-kind food pantry, resale store, school supplies, rent, and holiday store items during the years ended September 30, 2019 and 2018, respectively, that met the accounting requirement for recognition in the financial statements. In addition, the Organization received $92,076 and $80,279 of donated rent for warehouse space for the years ended September 30, 2019 and 2018, respectively.

For the years ended September 30, 2019 and 2018, numerous volunteers contributed time with a value of over $1,197,600 and $1,131,126 to the Organization in the resale store, food pantry, and special programs. These volunteer hours did not meet the criteria for recording in the financial statements.

9. Defined Contribution Retirement Plan

The Organization has a 401(k) defined contribution retirement plan covering all eligible employees. The plan features automatic enrollment of employees at a deferral rate of 6% of eligible wages. The Organization contributes 50% of employee elective deferral contributions up to the employee contribution of 6%. Employer contributions were $35,474 and $35,440 for the years ended September 30, 2019 and 2018, respectively.

10. Endowment Net Assets

As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Description of Relevant Law –

The Organization has interpreted the Texas State Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration of preservation of the funds
2. The purposes of the Organization and the endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The Organization’s investment policy

Return Objectives and Risk Parameters –

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to maximize current income, net of fees and expenses, and achieve a total return in excess of the broad index indicated for each investment asset class.

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, such as interest and dividends. The Organization has adopted an investment policy that attempts to maximize total return while keeping risk levels in a moderate range. The Organization targets a diversified asset allocation among stocks, mutual funds, bonds and cash or cash equivalents.

Spending Policy and How the Investment Objectives Relate to the Spending Policy –

The Organization has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts.

All endowment funds are categorized as net assets with donor restrictions as of September 30, 2019 and 2018.

Changes in donor-restricted endowment funds by net asset classifications for the year ended September 30, 2019 are summarized as follows:

	2019		
	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	40,869	312,350	353,219
Investment return, net	5,209	-	5,209
Net appreciation	7,107	-	7,107
Contributions	-	1,000	1,000
Endowment net assets, end of year	53,185	313,350	366,535

Changes in donor-restricted endowment funds by net asset classifications for the year ended September 30, 2018 are summarized as follows:

	2018		
	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	28,505	213,542	242,047
Investment return, net	9,295	-	9,295
Net appreciation	3,069	-	3,069
Contributions	-	98,808	98,808
Endowment net assets, end of year	40,869	312,350	353,219

11. Liquidity and Availability of Resources

The Organization's financial assets available to meet cash needs for general expenditures within one year at September 30, 2019 are as follows:

Cash and cash equivalents	$ 367,441
Certificates of deposit	445,588
Grants receivable	81,542
Beneficial interests in assets held by others	366,535
Total financial assets	1,261,106
Less amounts not available for general expenditures within one year:	
Donor restricted for specific purpose	(36,777)
Endowment earnings to be designated	(53,185)
Endowment to be retained in perpetuity	(313,350)
Financial assets not available for general expenditures	(403,312)
Financial assets available to meet cash needs for general expenditures within one year	$ 857,794

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on the average, approximately $600,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

12. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.