Metrocrest Services

Financial Statements
September 30, 2018 and 2017

Sutton Frost Cary LLP
Certified Public Accountants

Metrocrest Services
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Sutton Frost Cary LLP
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 statement of financial position as of September 30, 2018, and the related statements 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 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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.

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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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Prior Period Financial Statements

The financial statements of Metrocrest Services as of and for the year ended September 30, 2017 were audited by other auditors whose report dated January 8, 2018 expressed an unmodified opinion on those statements.

Sutton Frost Cary
Limited Liability Partnership

Arlington, Texas
December 20, 2018

Metrocrest Services
Statements of Financial Position
September 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 276,151	151,807
Certificates of deposit	414,310	410,398
Grants receivable	163,156	147,496
Inventory	278,566	191,646
Prepaid expenses	16,359	31,282
Total current assets	1,148,542	932,629
Other assets:		
Security deposits	12,819	12,819
Property and equipment, net	123,339	143,890
Assets restricted for endowment:		
Beneficial interest in assets held by others	353,219	242,047
Total other assets	489,377	398,756
Total assets	$ 1,637,919	$ 1,331,385
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 52,484	$ 31,757
Payroll and related liabilities	112,408	49,868
Deferred revenue	56,747	88,000
Total current liabilities	221,639	169,625
Net assets:		
Unrestricted	631,136	438,053
Temporarily restricted	472,794	510,165
Permanently restricted	312,350	213,542
Total net assets	1,416,280	1,161,760
Total liabilities and net assets	$ 1,637,919	$ 1,331,385

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and other revenue:				
Contributions and grants	$ 1,161,975	$ 1,210,502	$ 98,808	$ 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
Investment income, net	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	(37,371)	98,808	5,865,312
Expenses:				
Programs - resale store operations	1,129,406	-	-	1,129,406
Programs - 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	(37,371)	98,808	254,520
Net assets beginning of year	438,053	510,165	213,542	1,161,760
Net assets end of year	$ 631,136	$ 472,794	$ 312,350	$ 1,416,280

See notes to financial statements.

Metrocrest Services
Statement of Activities
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions and grants	$ 1,151,945	$ 1,183,219	$ 20,000	$ 2,355,164
Retail sale of donated goods	576,886	-	-	576,886
Program service revenue	49,780	-	-	49,780
Special event revenue net of direct costs of $24,451	139,210	-	-	139,210
Donated goods and services	2,462,403	-	-	2,462,403
Income from beneficial interest in assets held by others, net	-	19,266	-	19,266
Investment income, net	6,001	-	-	6,001
Net assets released from restrictions	1,241,473	(1,241,473)	-	-
Total support and revenue	5,627,698	(38,988)	20,000	5,608,710
Expenses:				
Programs - resale store	1,099,406	-	-	1,099,406
Programs - other	3,887,744	-		3,887,744
Total program services	4,987,150	-	-	4,987,150
Management and general	333,998	-	-	333,998
Fundraising	334,454	-	-	334,454
Total expenses	5,655,602	-	-	5,655,602
Change in net assets	(27,904)	(38,988)	20,000	(46,892)
Net assets beginning of year	465,957	549,153	193,542	1,208,652
Net assets end of year	$ 438,053	$ 510,165	$ 213,542	$ 1,161,760

See notes to financial statements.

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

	Program - Resale Store Operations	Program - Others	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 expense	21,116	118,310	139,426	578	1,746	141,750
Client assistance	-	598,548	598,548	53	853	599,454
In-kind expense	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
Statement of Functional Expenses
Year Ended September 30, 2017

	Program - Resale Store Operations	Program - Others	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 272,319	$ 772,924	$ 1,045,243	$ 114,181	$ 185,541	$ 1,344,965
Payroll taxes	20,034	56,737	76,771	8,189	12,720	97,680
Benefits	64,099	74,531	138,630	64,786	18,138	221,554
Contract services	21,872	40,991	62,863	57,187	22,679	142,729
Supplies	7,347	26,426	33,773	12,463	3,939	50,175
Postage and shipping	258	22,665	22,923	1,576	16,516	41,015
Vehicle expense	18,201	123,015	141,216	740	2,240	144,196
Client assistance	-	646,255	646,255	174	992	647,421
In-kind expense	572,352	1,851,095	2,423,447	-	-	2,423,447
Occupancy	105,825	159,164	264,989	14,157	10,834	289,980
Telephone and internet	3,575	17,510	21,085	1,452	1,167	23,704
Equipment costs	1,581	34,392	35,973	21,585	7,335	64,893
Depreciation	2	31,609	31,611	30,054	95	61,760
Insurance	3,355	7,265	10,620	509	-	11,129
Marketing	20	18,734	18,754	128	57,481	76,363
Bank and credit card fees	8,034	900	8,934	5,357	5,472	19,763
Other	532	3,531	4,063	1,460	13,756	19,279
Total functional expenses	1,099,406	3,887,744	4,987,150	333,998	358,905	5,680,053
Less expenses included with revenues on the statement of activities						
Direct costs of special events	-	-	-	-	(24,451)	(24,451)
Total expenses included in the expense section on the statement of activites	$ 1,099,406	$ 3,887,744	$ 4,987,150	$ 333,998	$ 334,454	$ 5,655,602

See notes to financial statements.

Metrocrest Services
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash flow from operating activities:		
Change in net assets	$ 254,520	$ (46,892)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,279	61,760
Change in beneficial interest in assets held by others	(12,364)	(19,266)
Gain on sale of vehicle	(6,800)	-
Changes in assets and liabilities:		
Grants receivable	(15,660)	13,561
Inventory	(86,920)	(39,697)
Prepaid expenses	14,923	(2,772)
Accounts payable	20,727	(40,091)
Payroll and related liabilities	62,540	8,815
Deferred revenue	(31,253)	29,096
Net cash provided (used) by operating activities	256,992	(35,486)
Cash flows from investing activities:		
Purchases of property and equipment	(36,728)	(47,422)
Proceeds from sale of property and equipment	6,800	-
Contributions to beneficial interest in assets held by others	(98,808)	(20,000)
Purchases of certificates of deposit	(3,912)	(81,001)
Proceeds from redemption of certificates of deposit	-	127,685
Net cash used by investing activities	(132,648)	(20,738)
Net increase (decrease) in cash and cash equivalents	124,344	(56,224)
Cash and cash equivalents, beginning of year	151,807	208,031
Cash and cash equivalents, end of year	$ 276,151	$ 151,807

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:

> *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
>
> *Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.
>
> *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purpose.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary 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.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit, grants receivable, and investments in marketable securities. Cash and cash equivalents and the certificates of deposit are placed with high credit quality financial institutions to minimize risk.

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, 2018 and 2017. One grantor represented 74% and 86% of grant receivables at September 30, 2018 and 2017, respectively.

The Organization maintains cash in excess of federally insured limits in financial institutions which management considers being of high credit quality. The Organization did not incur and does not anticipate incurring losses related to these balances.

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.

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 unrestricted 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, 2018 and 2017 were $78,897 and $76,363, 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, 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, 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 supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

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.

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to be consistent with the 2018 presentation.

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 2016, the FASB issued ASU 2016-14 Presen*tation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In February 2016, the FASB issued new accounting guidance related to leases, which requires that the Organization recognize the assets and liabilities for the rights and obligations created by leased assets. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 for public companies and December 15, 2019 for all other entities.

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.

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

3. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by The Dallas Foundation (TDF) valued at $353,219 and $242,047 as of September 30, 2018 and 2017, 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:

	2018	2017
Beginning balance	$ 242,047	$ 202,781
Contributions	98,808	20,000
Total net gains (realized/unrealized) included in change in net assets	12,364	19,266
Ending balance	$ 353,219	$ 242,047
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	$ 3,069	$ 13,799

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

	2018	2017
Dividends and interest	$ 6,056	$ 3,694
Realized gain	5,967	4,695
Unrealized gain	3,069	13,799
Less: investment fees	(2,728)	(2,922)
	$ 12,364	$ 19,266

4. Inventories

Inventory consist of the following as of September 30:

	2018	2017
Resale store	$ 56,773	$ 39,531
Food pantry	53,996	152,115
Holiday toys	132,817	-
School supplies	34,980	-
	$ 278,566	$ 191,646

5. Property and Equipment

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

	2018	2017
Vehicles	$ 359,887	$ 343,657
Computers and equipment	197,007	197,007
Furniture and fixtures	18,459	18,459
Leasehold improvements	37,053	37,053
	612,406	596,176
Less accumulated depreciation	(489,067)	(452,286)
	$ 123,339	$ 143,890

Depreciation expense was $57,279 and $61,760 for the years ended September 30, 2018 and 2017, 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:

2019	$	177,298
2020		145,573
2021		95,385
	$	418,256

Lease expense was $292,349 and $289,980 for the years ended September 30, 2018 and 2017, respectively.

7. Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at September 30:

		2018		2017
United Way (time restricted)	$	123,750	$	123,750
Medical transportation		119,238		102,483
Social services		-		90,493
Endowment earnings		40,869		28,505
Disaster relief		26,951		26,952
Meals programs		53,249		-
EFSP-FEMA		-		26,529
Housing assistance		-		26,333
Lifeline and senior security		-		21,142
Utilities assistance		17,735		17,428
Financial education		-		16,728
School supplies and shoes		45,273		15,535
Medical assistance		45,729		14,287
	$	472,794	$	510,165

Permanently restricted net assets of $312,350 and $213,542 as of September 30, 2018 and 2017, respectively, relate to a board-designated endowment fund, the principal of which is to be held indefinitely.

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 $2,390,621 and $2,363,497 of in-kind food pantry, resale store, school supplies, rent, and holiday store items during the years ended September 30, 2018 and 2017, respectively, that met the accounting requirement for recognition in the financial statements. In addition, the Organization received $80,279 and $98,906 of donated rent for warehouse space for the years ended September 30, 2018 and 2017, respectively.

For the years ended September 30, 2018 and 2017, numerous volunteers contributed over 44,480 and 37,500 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 $35,440 and $27,528 for the years ended September 30, 2018 and 2017, 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 (UPMIFA) 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 permanently restricted net assets (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 remaining portion of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers 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 donor-restricted endowment fund;
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; and
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.

Endowment funds are categorized in the following net asset classes as of September 30:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 40,869	$ 312,350	$ 353,219
Endowment net assets	$ 40,869	$ 312,350	$ 353,219

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 28,505	$ 213,542	$ 242,047
Endowment net assets	$ 28,505	$ 213,542	$ 242,047

Changes in the endowment funds by net asset classification for the years ended September 30 are summarized as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 28,505	$ 213,542	$ 242,047
Investment return	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

	2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 9,239	$ 193,542	$ 202,781
Investment return	2,574	-	2,574
Net appreciation	16,692	-	16,692
Contributions	-	20,000	20,000
Endowment net assets, end of year	$ 28,505	$ 213,542	$ 242,047

11. 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.