

TRENTON AREA SOUP KITCHEN, INC.
Financial Statements
and
Independent Auditors' Report
Years Ended June 30, 2019 and 2018

TRENTON AREA SOUP KITCHEN, INC.
Years Ended June 30, 2019 and 2018

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To the Board of Trustees of
Trenton Area Soup Kitchen, Inc.
Trenton, New Jersey

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Trenton Area Soup Kitchen, (T.A.S.K.) Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' 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.

To the Board of Trustees of
Trenton Area Soup Kitchen, Inc.
Trenton, New Jersey

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 Trenton Area Soup Kitchen, Inc. as of June 30, 2019 and 2018 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.

Emphasis of Matter

As discussed in the notes to the financial statements, the Trenton Area Soup Kitchen, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* effective July 1, 2018. Our opinion is not modified with respect to these matters.

Hamilton Financial Group, LLC

Mercerville, New Jersey
October 4, 2019

TRENTON AREA SOUP KITCHEN, INC.

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,490,570	\$ 2,625,970
Accrued interest receivable	24,372	27,547
Prepaid expenses	-	2,836
	<hr/>	<hr/>
Total current assets	1,514,942	2,656,353
Property and equipment – net	3,279,496	2,122,752
Investments	4,812,452	4,285,167
	<hr/>	<hr/>
Total assets	<u>\$ 9,606,890</u>	<u>\$ 9,064,272</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 146,734	\$ 248,383
Accrued expenses	75,818	71,806
	<hr/>	<hr/>
Total current liabilities	222,552	320,189
 Net assets:		
Net asset without donor restrictions	8,652,042	7,886,525
Net asset with donor restrictions	732,296	857,558
	<hr/>	<hr/>
Total net assets	9,384,338	8,744,083
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 9,606,890</u>	<u>\$ 9,064,272</u>

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

TRENTON AREA SOUP KITCHEN, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	Without Donor <u>Restrictions</u>	With Donor <u>Restricted</u>	<u>Total</u>
Support and revenues:						
Contributions	\$ 3,269,403	\$ 146,025	\$ 3,415,428	\$ 3,356,948	\$ 757,219	\$ 4,114,167
Non-cash contributions	519,282	-	519,282	445,933	-	445,933
County of Mercer	46,832	-	46,832	45,849	-	45,849
Grants	30,000	-	30,000	30,000	-	30,000
City of Trenton	-	-	-	10,000	-	10,000
College of New Jersey	7,266	-	7,266	8,146	-	8,146
Investment income, net	226,308	86,379	312,687	(33,755)	24,780	(8,975)
Subtotal	4,099,091	232,404	4,331,495	3,863,121	781,999	4,645,120
Net assets released due to satisfaction of time or purpose restrictions	357,666	(357,666)	-	545,578	(545,578)	-
Total support and revenue	4,456,757	(125,262)	4,331,495	4,408,699	236,421	4,645,120
Expenses:						
Program services	3,223,674	-	3,223,674	2,968,099	-	2,968,099
Management and general	323,523	-	323,523	314,693	-	314,693
Fundraising	144,043	-	144,043	157,566	-	157,566
Total expenses	3,691,240	-	3,691,240	3,440,358	-	3,440,358
Change in net assets	765,517	(125,262)	640,255	968,341	236,421	1,204,762
Net assets, beginning of year	7,886,525	857,558	8,744,083	6,918,184	621,137	7,539,321
Net assets, end of year	<u>\$ 8,652,042</u>	<u>\$ 732,296</u>	<u>\$ 9,384,338</u>	<u>\$ 7,886,525</u>	<u>\$ 857,558</u>	<u>\$ 8,744,083</u>

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

TRENTON AREA SOUP KITCHEN, INC.

Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Supporting Services		Total Expenses	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising			Management and General	Fundraising	
Salaries and related expenses								
Salaries	\$ 1,134,519	\$ 163,074	\$ -	\$ 1,297,593	\$ 1,105,551	\$ 158,910	\$ -	\$ 1,264,461
Benefits	381,913	57,285	-	439,198	362,663	54,398	-	417,061
Payroll taxes	94,228	14,134	-	108,362	92,808	13,921	-	106,729
Total salaries and related expenses	1,610,660	234,493	-	1,845,153	1,561,022	227,229	-	1,788,251
Food	702,041	-	-	702,041	605,830	-	-	605,830
Send Hunger Packing program	182,722	21,882	-	204,604	150,307	18,000	-	168,307
Depreciation	182,327	3,720	-	186,047	113,555	2,317	-	115,872
Kitchen supplies	80,607	-	-	80,607	72,746	-	-	72,746
Security	70,203	-	-	70,203	65,703	-	-	65,703
Utilities and trash collection	59,325	8,901	-	68,226	63,860	9,581	-	73,441
Day center services for patrons	50,000	-	-	50,000	50,000	-	-	50,000
Building and equipment maintenance	49,667	-	-	49,667	35,288	-	-	35,288
Advertising and marketing	-	-	46,265	46,265	-	-	56,289	56,289
Fundraising consultant	-	-	44,511	44,511	-	-	55,806	55,806
Postage	-	67	41,685	41,752	-	453	38,709	39,162
Hygiene supplies	37,338	-	-	37,338	52,581	-	-	52,581
Computer monitoring	34,448	-	-	34,448	3,517	-	-	3,517
Community and Volunteer services	32,048	-	-	32,048	39,890	-	-	39,890
Adult educational program supplies	29,270	-	-	29,270	23,614	-	-	23,614
Professional fees	-	23,942	-	23,942	-	26,505	-	26,505
Insurance	19,375	2,906	-	22,281	22,636	3,395	-	26,031
Arts/Ideas/Kids time materials and supplies	19,865	-	-	19,865	22,059	-	-	22,059
Auto expenses	17,183	-	-	17,183	11,974	-	-	11,974
Quality of life supplies	15,174	-	-	15,174	20,160	-	-	20,160
School and other misc. supplies for patrons	14,284	-	-	14,284	36,787	-	-	36,787
Telephone	7,955	2,726	1,174	11,855	8,717	2,987	1,287	12,991
Credit card processing	-	9,198	-	9,198	-	8,817	-	8,817
Staff training	9,182	-	-	9,182	7,853	-	-	7,853
Office supplies	-	7,954	-	7,954	-	3,942	-	3,942
Fundraising dinner	-	-	5,608	5,608	-	-	-	-
Database license	-	-	4,800	4,800	-	-	5,475	5,475
Bank Charges and other fees	-	4,241	-	4,241	-	5,486	-	5,486
Miscellaneous	-	3,493	-	3,493	-	5,981	-	5,981
Total expenses	\$ 3,223,674	\$ 323,523	\$ 144,043	\$ 3,691,240	\$ 2,968,099	\$ 314,693	\$ 157,566	\$ 3,440,358

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

TRENTON AREA SOUP KITCHEN, INC.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 640,255	\$ 1,204,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	186,047	115,872
Realized and unrealized holding (gains) losses	(204,149)	131,596
Changes in assets and liabilities:		
Accrued interest receivable	3,175	37
Prepaid expenses	2,836	(2,836)
Accounts payable	(101,649)	202,127
Accrued expenses	4,012	6,183
Net cash provided by operating activities	<u>530,527</u>	<u>1,657,741</u>
Investing activities:		
Purchases of investments	(830,240)	(505,864)
Proceeds from sales	507,104	274,325
Purchase of property and equipment	<u>(1,342,791)</u>	<u>(620,027)</u>
Net cash (used in) investing activities	<u>(1,665,927)</u>	<u>(851,566)</u>
Net increase (decrease) in cash	(1,135,400)	806,175
Cash and cash equivalents, beginning of year	<u>2,625,970</u>	<u>1,819,795</u>
Cash and cash equivalents, end of year	<u>\$ 1,490,570</u>	<u>\$ 2,625,970</u>
Supplemental disclose of cash flow information:		
Non-cash contributions – securities	<u>\$ 49,003</u>	<u>\$ 51,357</u>
Non-cash contributions – food and supplies	<u>\$ 519,282</u>	<u>\$ 445,933</u>

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

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

1. Nature of Organization

Trenton Area Soup Kitchen, Inc. is an independent, non-profit organization incorporated in 1982 under the laws of the State of New Jersey. The Trenton Area Soup Kitchen, Inc. feeds those who are hungry in the Trenton area and offers programs to encourage self-sufficiency and improve the quality of life of its patrons. The majority of the support for the organization is received from contributions from individuals, corporations, foundations and other similar entities.

2. Summary of Significant Accounting Policies

Basis of accounting:

The Organization utilizes the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized with they are incurred.

Basis of presentation:

The Organization classifies resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.
- With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by the passage of time or by fulfillment by the actions of the Organization.

Revenue and support recognition:

Contributions, which include unconditional promises to give, are recognized in the period in which they are received or promised. Contributions are considered to be unrestricted unless specifically restricted by the donor.

Revenue is recognized when earned. Monies received in advance of programs are recorded as deferred revenue on the statement of financial position.

Contributions receivable represent amounts committed by donors that have not been received by the Organization. Contributions receivable with donor-imposed restrictions that limit their use to long-term purposes are classified as a noncurrent asset.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue and support recognition: (continued)

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purposes specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract is recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usages, which are exchange transactions, are accounted for as deferred revenue in the statement of financial position.

Allocation of expenses:

Expenses are allocated among program service, management and general and fundraising using the direct cost method and based on historical percentages or other reasonable basis consistent with the benefit derived by each program.

Income taxes:

The Organization is exempt from federal taxes under section 501 (c) (3) of the Internal Revenue Service Code. Accordingly, no provision for Federal or State income taxes has been recorded in the financial statements.

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that computations of current and deferred income taxes only consider tax positions that are more than likely than not to be sustained if the tax authorities examine a position. The Organization evaluates statutes of limitations changes in tax law and new authoritative rulings and accrues for liabilities if applicable. The Organization's analysis found no uncertain tax positions.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Income taxes: (continued)

Federal and state tax returns are subject to examination by the taxing authorities generally for a period of three years after they are filed. Any penalties and interest assessed by taxing authorities are included in operating expenses. There were no interest or penalties for the years ended June 30, 2019 and 2018.

Property and equipment:

Property and equipment is recorded at cost. Generally, acquisitions over \$500 are capitalized. Maintenance and repairs that do not improve or extend the lives of assets are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. At time of retirement or other disposition of assets the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in revenues or expenses.

Contributed property and equipment is recorded at fair value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Cash and cash equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. This includes money market accounts with brokerage firms.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising and marketing:

The Organization expenses advertising and marketing costs as they are incurred. For the years ended June 30, 2019 and 2018 advertising expense was \$46,265 and \$56,289, respectively.

Allowance for doubtful accounts:

No allowance for doubtful accounts is deemed necessary. Bad debts are written off when they are deemed uncollectible.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Investments:

The Organization carries investments in marketable securities with readily determinable values and all investments in debt securities at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, Fair Value Measurements establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Fair value of financial instruments:

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2019 and 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Special events:

The Organization reports special fund-raising event income based upon the gross amounts received.

Reclassification:

Certain items relating to the year ended June 30, 2018 have been reclassified to conform with the current year's presentation.

Subsequent events:

The Organization has evaluated subsequent events through October 4, 2019, the date the financial statements were available to be issued.

Recent accounting pronouncement

The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective July 1, 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The changes focus on reclassifying the previous unrestricted net assets, temporarily restricted net assets and permanently restricted net assets into two categories, with donor restrictions and without donor restrictions. There was no significant change due to the implementation of this new guidance.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

3. Investments

Investments at June 30, 2019 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash (1)	\$ 437,112	\$ 437,112	\$ -
Equity securities (1)	2,250,776	2,333,452	82,676
Bonds (1)	2,081,399	1,910,891	(170,508)
Pooled investments (2)	73,239	130,997	57,758
	<u>\$ 4,842,526</u>	<u>\$ 4,812,452</u>	<u>\$ (30,074)</u>

Investments at June 30, 2018 consisted of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash (1)	\$ 504,348	\$ 504,348	\$ -
Equity securities (1)	1,461,633	1,429,818	(31,815)
Certificates of deposit (1)	157,000	154,694	(2,306)
Bonds (1)	2,139,202	2,071,545	(67,657)
Pooled investments (2)	73,239	124,762	51,523
	<u>\$ 4,335,422</u>	<u>\$ 4,285,167</u>	<u>\$ (50,255)</u>

(1) Level 1

(2) Level 2

One investment account is held in pooled funds investment with Princeton Area Community Foundation (PACF). As a participant in the pooled funds, the Organization's ownership interest is based on an allocation of the fair value of the Organization's units to the total fair value of the total investment pool. The pool is revalued periodically and income, gains and losses are allocated to the participants based on their units. All investments are measured at fair value in the statement of financial position. The change in fair value is included in investment income as temporarily restricted net assets.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2019 and 2018

4. Property and Equipment

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<u>Useful Lives</u> Years	<u>2019</u>	<u>2018</u>
Building and renovations	40	\$ 4,032,281	\$ 2,036,588
Construction in progress		-	660,964
Equipment	5 - 15	428,016	419,954
Vehicles	5	43,743	43,743
Computers	5	26,684	26,684
		<u>4,530,724</u>	<u>3,187,933</u>
Accumulated depreciation		<u>(1,251,228)</u>	<u>(1,065,181)</u>
Property and equipment, net		<u>\$ 3,279,496</u>	<u>\$ 2,122,752</u>

Depreciation expense amounted to \$186,047 and \$115,872 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, the expansion on the building has been completed. The Organization began to use the addition in December, 2018.

5. Non-Cash Contributions of Food and Supplies

The Organization receives donations of food and supplies during the year in addition to food that is purchased. The donated food and supplies has been recorded as both a contribution and a program expense at a value equal to the estimated cost to purchase. These amounts were as follows:

	<u>2019</u>	<u>2018</u>
Food	\$ 470,442	\$ 360,303
Supplies	<u>48,840</u>	<u>85,630</u>
	<u>\$ 519,282</u>	<u>\$ 445,933</u>

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

6. Net Assets

Net Assets Without Donor Restrictions

At June 30, 2019 and 2018, net assets without donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Without restrictions – general use	\$ 5,189,196	\$ 4,600,630
Board designated endowment	<u>3,462,846</u>	<u>3,285,895</u>
Total without donor restrictions	<u>\$ 8,652,042</u>	<u>\$ 7,886,525</u>

Net Assets With Donor Restrictions

At June 30, 2019 and 2018 net assets with donor restrictions consisted of accumulated earnings on endowment, building expansion contributions and endowment funds held in perpetuity.

	<u>2019</u>	<u>2018</u>
Accumulated earnings on endowment	\$ 178,207	\$ 91,828
Building Expansion	-	211,641
Endowment funds	<u>554,089</u>	<u>554,089</u>
Total with donor restrictions	<u>\$ 732,296</u>	<u>\$ 857,558</u>

7. Retirement Arrangement for Staff Employees

Effective July 1, 2001, Trenton Area Soup Kitchen, Inc. offers staff employees the opportunity for participation in a 401 (k) Profit Sharing Plan. Employees can contribute up to 15% of compensation to a maximum of \$19,000 and \$18,500 for the year June 30, 2019 and June 30, 2018 (an additional \$6,000 may be contributed if age 50 or older for a total of \$25,000 and \$24,500) for June 30, 2019 and June 30, 2018. In addition, the Organization will make an annual employer base contribution of 5% of all eligible employees' annual compensation. Employees' are eligible for employer contribution after completing the 1st year of employment. The expense to the organization under this arrangement was \$53,001 and \$56,595 for the years ended June 30, 2019 and 2018, respectively.

8. Concentration of credit risk

The Organization receives a majority of its support and revenues from public support. This funding is subject to annual renewal. The Organization maintains its cash balances at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation.

9. Endowment

The Organization's endowment consists of Certificates of Deposit, money market and corporate bonds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including designated by the Board of Directors to function as endowments, are classified and are reported based on the existence or absence of donor-imposed restrictions.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

9. Endowment (continued)

The Organization has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds, explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by state law.

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 endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Endowment activity and investment balances for the year ended June 30, 2019 are as follows:

	Without Donor <u>Restrictions</u>	Board <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Assets, beginning of year	\$ 353,355	\$ 3,285,895	\$ 645,917	\$ 4,285,167
Contributions	137,657	269,514	-	407,171
Investment income	65,287	-	43,250	108,537
Fees	(15,621)	-	-	(15,621)
Net appreciation (depreciation)	161,020	-	43,129	204,149
Amounts appropriated for Expenditures	<u>(84,388)</u>	<u>(92,563)</u>	<u>-</u>	<u>(176,951)</u>
Assets, end of year	<u>\$ 617,310</u>	<u>\$ 3,462,846</u>	<u>\$ 732,296</u>	<u>\$ 4,812,452</u>

Endowment activity and investment balances for the year ended June 30, 2018 are as follows:

	Without Donor <u>Restrictions</u>	Board <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Assets, beginning of year	\$ 262,992	\$ 3,301,095	\$ 621,137	\$ 4,185,224
Contributions	172,211	16,000	-	188,211
Investment income	97,816	-	24,805	122,621
Fees	(842)	-	-	(842)
Net appreciation (depreciation)	(131,571)	-	(25)	(131,596)
Amounts appropriated for Expenditures	<u>(47,251)</u>	<u>(31,200)</u>	<u>-</u>	<u>(78,451)</u>
Assets, end of year	<u>\$ 353,355</u>	<u>\$ 3,285,895</u>	<u>\$ 645,917</u>	<u>\$ 4,285,167</u>

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

10. Financial Assets and Liquidity

The Organization has certain donor-restricted net assets that may be available for general expenditures within one year of June 30, 2019, because the restrictions on the net assets are expected to be met in the normal course of operations. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

The following reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,490,570	\$ 2,625,970
Accrued interest receivable	24,372	27,547
Investments	<u>4,812,452</u>	<u>4,285,167</u>
	6,327,394	6,938,684
Less: investment restricted by donors	<u>(732,296)</u>	<u>(857,558)</u>
Total financial assets available within one year	<u>\$ 5,595,098</u>	<u>\$ 6,081,126</u>