

TRENTON AREA SOUP KITCHEN, INC.
Financial Statements
and
Independent Auditors' Report
Years Ended June 30, 2018 and 2017

TRENTON AREA SOUP KITCHEN, INC.
Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

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, 2018 and 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of Trenton Area Soup Kitchen, Inc. as of June 30, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of, and for the year ended, June 30, 2017 were audited by Lewis W. Parker, III CPA who was acquired by Hamilton Financial Group, LLC as of October 23, 2017, and whose report dated October 11, 2017, expressed an unmodified opinion on those statements.

Hamilton Financial Group, LLC

December 15, 2018

Mercerville, New Jersey

TRENTON AREA SOUP KITCHEN, INC.

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,625,970	\$ 1,819,795
Accrued interest receivable	27,547	27,584
Prepaid expenses	2,836	-
	<hr/>	<hr/>
Total current assets	2,656,353	1,847,379
Property and equipment – net	2,122,752	1,618,597
Investments	<hr/>	<hr/>
	4,285,167	4,185,224
	<hr/>	<hr/>
Total assets	<u>\$ 9,064,272</u>	<u>\$ 7,651,200</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 248,383	\$ 46,256
Accrued expenses	71,806	65,623
	<hr/>	<hr/>
Total current liabilities	<hr/>	<hr/>
	320,189	111,879
Net assets:		
Unrestricted	4,600,630	3,617,089
Board designated- unrestricted	3,285,895	3,301,095
Temporarily restricted	303,469	67,048
Permanently restricted	554,089	554,089
	<hr/>	<hr/>
Total net assets	<hr/>	<hr/>
	8,744,083	7,539,321
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 9,064,272</u>	<u>\$ 7,651,200</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:								
Contributions	\$ 3,356,948	\$ 757,219	\$ -	\$ 4,114,167	\$ 2,901,497	\$ 88,549	\$ -	\$ 2,990,046
Non-cash contributions	445,933	-	-	445,933	460,829	-	-	460,829
County of Mercer	45,849	-	-	45,849	51,125	-	-	51,125
Grants	30,000	-	-	30,000	30,000	-	-	30,000
City of Trenton	10,000	-	-	10,000	-	-	-	-
College of New Jersey	8,146	-	-	8,146	8,891	-	-	8,891
Investment income, net	(33,755)	24,780	-	(8,975)	14,369	2,958	-	17,327
Subtotal	3,863,121	781,999	-	4,645,120	3,466,711	91,507	-	3,558,218
Net assets released due to satisfaction of time or purpose restrictions	545,578	(545,578)	-	-	88,549	(88,549)	-	-
Total support and revenue	4,408,699	236,421	-	4,645,120	3,555,260	2,958	-	3,558,218
Expenses:								
Program services	2,966,942	-	-	2,966,942	2,823,587	-	-	2,823,587
Management and general	315,502	-	-	315,502	255,905	-	-	255,905
Fundraising	157,914	-	-	157,914	153,480	-	-	153,480
Total expenses	3,440,358	-	-	3,440,358	3,232,972	-	-	3,232,972
Change in net assets	968,341	236,421	-	1,204,762	322,288	2,958	-	325,246
Net assets, beginning of year	6,918,184	67,048	554,089	7,539,321	6,595,896	64,090	554,089	7,214,075
Net assets, end of year	<u>\$ 7,886,525</u>	<u>\$ 303,469</u>	<u>\$ 554,089</u>	<u>\$ 8,744,083</u>	<u>\$ 6,918,184</u>	<u>\$ 67,048</u>	<u>\$ 554,089</u>	<u>\$ 7,539,321</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, 2018 and 2017

	2018				2017			
	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	\$ 1,105,551	\$ 158,910	\$ -	\$ 1,264,461	\$ 1,044,411	\$ 150,122	\$ -	\$ 1,194,533
Payroll taxes	92,808	13,921	-	106,729	92,956	13,943	-	106,899
Benefits	362,663	54,398	-	417,061	336,942	50,540	-	387,482
Temporary help	-	-	-	-	2,449	-	-	2,449
Total salaries and related expenses	1,561,022	227,229	-	1,788,251	1,476,758	214,605	-	1,691,363
Food	605,830	-	-	605,830	623,943	-	-	623,943
Send Hunger Packing program	150,307	18,000	-	168,307	105,652	-	-	105,652
Depreciation	113,555	2,317	-	115,872	93,240	1,902	-	95,142
Kitchen supplies	72,746	-	-	72,746	66,289	-	-	66,289
Security	65,703	-	-	65,703	66,000	-	-	66,000
Utilities/trash collection	63,860	9,581	-	73,441	61,085	9,165	-	70,250
Hygiene supplies	52,581	-	-	52,581	44,024	-	-	44,024
Day center services for patrons	50,000	-	-	50,000	66,664	-	-	66,664
Community/Volunteer services	39,890	-	-	39,890	40,843	-	-	40,843
School/other misc. supplies for patrons	36,787	-	-	36,787	11,389	-	-	11,389
Building and equipment maintenance	35,288	-	-	35,288	53,122	-	-	53,122
Adult educational program supplies	23,614	-	-	23,614	21,894	-	-	21,894
Insurance	22,636	3,395	-	26,031	17,226	2,584	-	19,810
Arts/Ideas/Kids time materials and supplies	22,059	-	-	22,059	29,771	-	-	29,771
Quality of life supplies	20,160	-	-	20,160	14,698	-	-	14,698
Auto expenses	11,974	-	-	11,974	8,241	-	-	8,241
Telephone	11,077	3,796	1,635	16,508	11,554	3,960	1,706	17,220
Credit card processing	-	8,817	-	8,817	-	1,183	-	1,183
Staff training	7,853	-	-	7,853	6,919	-	-	6,919
Database upgrade	-	-	5,475	5,475	3,550	-	-	3,550
Advertising & marketing	-	-	56,289	56,289	-	-	46,293	46,293
Office supplies	-	3,942	-	3,942	-	4,319	-	4,319
Fundraising dinner	-	-	-	-	-	-	17,659	17,659
Fundraising consultant	-	-	55,806	55,806	-	-	50,290	50,290
Professional fees	-	26,505	-	26,505	-	8,172	-	8,172
Bank Charges/other fees	-	5,486	-	5,486	-	5,857	-	5,857
Miscellaneous	-	5,981	-	5,981	-	4,009	-	4,009
Postage	-	453	38,709	39,162	725	149	37,532	38,406
Total expenses	\$ 2,966,942	\$ 315,502	\$ 157,914	\$ 3,440,358	\$ 2,823,587	\$ 255,905	\$ 153,480	\$ 3,232,972

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

TRENTON AREA SOUP KITCHEN, INC.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,204,762	\$ 325,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,872	95,142
Realized and unrealized holding (gains) losses	131,596	87,351
Changes in assets and liabilities:		
Prepaid expenses	(2,836)	-
Accounts payable	202,127	13,339
Accrued expenses	6,183	-
Accrued interest receivable	37	(5,665)
	<hr/>	<hr/>
Net cash provided by operating activities	1,657,741	515,413
Investing activities:		
Purchases of investments	(308,828)	(473,074)
Purchase of Certificates of Deposit	-	(77,288)
Maturities of Certificates of Deposit	77,288	77,214
Purchase of fixed assets and construction in progress	(620,026)	(172,654)
Disposal of property and equipment - net	-	1,516
	<hr/>	<hr/>
Net cash (used in) investing activities	(851,566)	(644,286)
Net increase (decrease) in cash	806,175	(128,873)
Cash and cash equivalents, beginning of year	<hr/> 1,819,795	<hr/> 1,948,668
Cash and cash equivalents, end of year	<hr/> <u>\$ 2,625,970</u>	<hr/> <u>\$ 1,819,795</u>
Supplemental disclose of cash flow information:		
Non-cash contributions – Securities	<hr/> \$ 51,357	<hr/> \$ 23,215

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

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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 support for the organization is 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 when they are incurred.

Basis of presentation:

The Organization classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the years ended June 30, 2018 and 2017 the Organization had accounting transactions in three of the net asset categories as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by the passage of time or by some action of the organization.
- Permanently restricted – Net assets subject to donor-imposed restrictions that will not expire by the passage of time nor can they be fulfilled by 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.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Revenue and support recognition: (continued)

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

The Organization reports gifts of cash and other assets as 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 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.

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.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Income taxes: (continued)

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.

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, 2018 and 2017.

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.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

2. Summary of significant accounting policies (continued)

Advertising and marketing:

The Organization expenses advertising and marketing costs as they are incurred. For the years ended June 30, 2018 and 2017 advertising expense was \$56,289 and \$46,293, respectively.

Allowance for doubtful accounts:

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

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.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2018 and 2017

3. Summary of significant accounting policies (continued)

Investments: (continued)

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.

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, 2018 and 2017, 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, 2017 have been reclassified to conform with the current year's presentation.

Subsequent events:

The Organization has evaluated subsequent events through December 15, 2018, the date the financial statements were available to be issued.

3. Investments

Investments as of, and for the years ended June 30, 2018 and 2017 are summarized below:

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements

Years Ended June 30, 2018 and 2017

3. Investments (continued)

Investments, at June 30, 2018 consist 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>

Investments, at June 30, 2017 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash (1)	\$ 116,605	\$ 116,608	\$ -
Equity securities (1)	1,377,843	1,375,876	(1,967)
Certificates of deposit (1)	320,000	399,066	79,066
Bonds (1)	2,173,410	2,178,602	5,192
Pooled investment (2)	73,239	115,075	41,836
	<u>\$ 4,061,097</u>	<u>\$ 4,185,224</u>	<u>\$ 124,127</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, 2018 and 2017

4. Property and equipment

Property and equipment consists of the following at June 30:

	<u>Useful Lives</u> Years	<u>2018</u>	<u>2017</u>
Building and renovations	40	\$ 2,024,781	\$ 2,019,530
Construction in progress		660,964	115,386
Equipment	5 - 15	419,954	359,874
Vehicles	5	43,743	43,743
Computers	5	26,684	17,566
Leasehold improvements	5 - 20	11,807	11,807
		<u>3,187,933</u>	<u>2,567,906</u>
Accumulated depreciation		<u>(1,065,181)</u>	<u>(949,309)</u>
Property and equipment, net		<u>\$ 2,122,752</u>	<u>\$ 1,618,597</u>

Depreciation expense amounted to \$115,872 and \$95,142 for the years ended June 30, 2018 and 2017, respectively.

The Trenton Area Soup Kitchen, Inc. incurred expenses in the amount of \$545,578 related to the building expansion during the year ended June 30, 2018. Since these are preliminary project costs, no depreciation has been recorded. Depreciation will be recorded in the year the building becomes functional.

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>2018</u>	<u>2017</u>
Food	\$ 360,303	\$ 405,934
Supplies	<u>85,630</u>	<u>54,895</u>
	<u>\$ 445,933</u>	<u>\$ 460,829</u>

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2018 and 2017

6. Net assets – temporarily restricted

Temporarily restricted net assets at June 30, 2018 and 2017 are as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets:		
Accumulated earnings on endowment	\$ 91,828	\$ 67,048
Building expansion	<u>211,641</u>	<u>-</u>
	<u>\$ 303,469</u>	<u>\$ 67,048</u>

7. Retirement Arrangement for Staff Employees

As of 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 \$18,500 and \$18,000 for the year June 30, 2018 and June 30, 2017 (an additional \$6,000 may be contributed if age 50 or older for a total of \$24,500 and \$24,000) for June 30, 2018 and June 30, 2017. 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 \$56,595 and \$48,873 for the years ended June 30, 2018 and 2017, respectively.

8. Commitments

During the current year, the organization signed a contract to begin construction on their building expansion. To date the costs incurred were architectural, engineering and project management fees.

9. Permanently Restricted Net Assets

Permanently restricted net assets consist of \$554,089 in donations to set up various endowment funds, they are subject to donor-imposed restrictions that the principal be invested in perpetuity.

10. 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.

TRENTON AREA SOUP KITCHEN, INC.

Notes to Financial Statements
Years Ended June 30, 2018 and 2017

11. 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.

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, 2018 are as follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets, beginning of year	\$ 262,992	\$ 3,301,095	\$ 67,048	\$ 554,089	\$ 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	(47,251)	(31,200)	-	-	(78,451)
Assets, end of year	<u>\$ 353,355</u>	<u>\$ 3,285,895</u>	<u>\$ 91,828</u>	<u>\$ 554,089</u>	<u>\$ 4,285,167</u>

Endowment activity and investment balances for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets, beginning of year	\$ 174,215	\$ 3,007,033	64,080	\$ 554,089	\$ 3,799,417
Contributions	75,199	294,062	-	-	369,261
Investment income	83,776	-	20,902	-	104,678
Fees	(791)	-	-	-	(791)
Net appreciation (depreciation)	(69,407)	-	(17,934)	-	(87,341)
Amounts appropriated for Expenditures	-	-	-	-	-
Assets, end of year	<u>\$ 262,992</u>	<u>\$ 3,301,095</u>	<u>\$ 67,048</u>	<u>\$ 554,089</u>	<u>\$ 4,185,224</u>