HOME SWEET HOME MINISTRIES, INC.

FINANCIAL STATEMENTS

June 30, 2020

CONTENTS

GORDON, STOCKMAN & WAUGH P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Home Sweet Home Ministries, Inc.
Bloomington, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Home Sweet Home Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Sweet Home Ministries, Inc. as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Gordon, Stockman & Waugh, P.C.

Peoria, Illinois
October 21, 2020

HOME SWEET HOME MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	**793,377**
Investments		**1,346,730**
Accounts receivable		**48,343**
Prepaid expenses		**43,120**
Total current assets		**2,231,570**
LONG-TERM INVESTMENTS AND OTHER ASSETS		
Cash and money market - endowment		**54,248**
Investments - endowment		**3,743,330**
Bequests receivable		**108,315**
Cash surrender value of life insurance		**10,676**
Beneficial interest in perpetual trust		**216,350**
Beneficial interest in quasi-endowment		**67,126**
Total long-term investments and other assets		**4,200,045**
PROPERTY AND EQUIPMENT		
Property and equipment, net		**1,714,181**
Total property and equipment		**1,714,181**
Total assets	$	**8,145,796**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	**145,588**
Total liabilities		**145,588**
NET ASSETS		
Without donor restrictions		
Undesignated		**2,627,123**
Board designated		**1,143,838**
		3,770,961
With donor restrictions		**4,229,247**
Total net assets		**8,000,208**
Total assets	$	**8,145,796**

The accompanying notes to the financial statements are an integral part of this statement.

HOME SWEET HOME MINISTRIES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Contributions	$ 2,310,766	$ 16,402	$ 2,327,168
Bequests	19,339	108,315	127,654
Special events, net of direct expenses of $10,546	59,613	-	59,613
Sales to the public	445,495	-	445,495
Grants	226,531	44,750	271,281
Program revenue	26,372	-	26,372
Interest and other	42,833	64,264	107,097
Net assets released from restrictions	633,781	(633,781)	-
	3,764,730	(400,050)	3,364,680
EXPENSES			
Program service			
Meals	352,081	-	352,081
Shelter care	681,461	-	681,461
Community services	388,390	-	388,390
Retail operations	745,267	-	745,267
	2,167,199	-	2,167,199
Supporting services			
Management and general	441,663	-	441,663
Fund raising	314,454	-	314,454
	756,117	-	756,117
	2,923,316	-	2,923,316
CHANGE IN NET ASSETS	841,414	(400,050)	441,364
NET ASSETS - BEGINNING - AS PREVIOUSLY REPORTED	2,954,258	4,604,586	7,558,844
PRIOR PERIOD ADJUSTMENT - NOTE 13	(24,711)	24,711	-
NET ASSETS - BEGINNING - AS RESTATED	2,929,547	4,629,297	7,558,844
NET ASSETS - ENDING	$ 3,770,961	$ 4,229,247	$ 8,000,208

The accompanying notes to the financial statements are an integral part of this statement.

HOME SWEET HOME MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2020

	Program Services					Support Services			
	Meals	Shelter Care	Community Services	Retail Operations	Total	Management and General	Fund Raising	Total	Total Functional Expenses
Expenses:									
Salaries	$ 172,327	$ 363,305	$ 97,355	$ 365,687	$ 998,674	$ 208,583	$ 80,388	$ 288,971	$ 1,287,645
Staff benefits	26,711	40,847	8,029	66,487	142,074	12,354	4,049	16,403	158,477
Payroll taxes	23,700	26,626	6,954	27,175	84,455	15,643	6,097	21,740	106,195
Professional fees and contracts	15,721	103,041	22,601	88,789	230,152	150,967	73,362	224,329	454,481
Supplies	60,356	11,036	186,600	17,112	275,104	1,363	102,115	103,478	378,582
Facility & equipment	23,673	56,289	10,277	62,255	152,494	14,719	982	15,701	168,195
Postage and shipping	21	16	1	133	171	174	39,715	39,889	40,060
Technology & communications	8,954	17,404	1,644	16,710	44,712	11,904	5,448	17,352	62,064
Vehicle expense	639	2,585	2,980	40,103	46,307	4,243	37	4,280	50,587
Conferences and training	351	581	1,720	201	2,853	1,205	429	1,634	4,487
Client assistance	-	1,385	32,277	2,944	36,606	-	-	-	36,606
Miscellaneous	1,631	5,011	1,248	5,256	13,146	14,141	650	14,791	27,937
Total expenses before depreciation	334,084	628,126	371,686	692,852	2,026,748	435,296	313,272	748,568	2,775,316
Depreciation	17,997	53,335	16,704	52,415	140,451	6,367	1,182	7,549	148,000
	$ 352,081	$ 681,461	$ 388,390	$ 745,267	$ 2,167,199	$ 441,663	$ 314,454	$ 756,117	$ 2,923,316

The accompanying notes to the financial statements are an integral part of this statement.

HOME SWEET HOME MINISTRIES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 441,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	148,000
Unrealized (gain) on investments	(942)
Noncash donations of investments	(9,971)
Loss on sale of investments	1,424
Decrease in cash surrender value of life insurance	1,621
Beneficial interest in quasi endowment	6,616
Decrease in value of beneficial interests in trust	(7,301)
(Increase) decrease in operating assets	
Accounts receivable	(11,017)
Bequests receivable	250,000
Prepaid expenses	(22,085)
(Decrease) in operating liabilities	
Accounts payable and accrued expenses	(22,054)
Net cash provided by operating activities	775,655
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property	93,427
Proceeds from sale of investments	644,944
Purchase of investments	(3,755,193)
Purchase of property and equipment	(99,612)
Net cash used in investing activities	(3,116,434)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for investment in long-term assets	448,018
Net cash provided by financing activities	448,018
(DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,892,761)
BEGINNING OF YEAR CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,740,386
END OF YEAR CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 847,625

The accompanying notes to the financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Home Sweet Home Ministries, Inc. (the Organization) is a nonprofit organization whose mission is to extend Christ's love by helping individuals and families overcome homelessness and other obstacles to self-sufficiency through the provision of food, clothing, shelter, counseling, spiritual nurture, and other services. Home Sweet Home Ministries is a non-profit organization organized under the laws of the State of Illinois, principally serving individuals and families in McLean and contiguous counties.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 658-205, Not-for-Profit Entities, Presentation of Financial Statements: accounting principles generally accepted in the United States of America for Not-for-profit entities.

Accounting Pronouncements Adopted: As of July 1, 2019, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for the reporting year ending June 30, 2020 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements. During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Revenue Recognition: *Revenue from exchange transactions*: The Organization recognizes revenue in accordance with FASB ASC Topic 606. Topic 606 applies to exchange transactions with customers or members that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization recorded the following exchange transaction revenue in its statement of activities for the years ending June 30, 2020:

Sales of donated goods: The Organization operates a retail location for selling merchandise on a retail basis to the general public. For the year ended June 30, 2020, the revenues related to sales of donated goods represented approximately 14% of the Organization's total support and revenues. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Organization based on management's suggested prices. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the merchandise. No liability for probable customer returns was considered necessary as of June 30, 2020. The Mission Mart was closed during the year ended June 30, 2020.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flow: As of July 1, 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents to be included in beginning and ending cash in the cash flows statement for the year ended June 30, 2020.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The Organization maintains cash in bank deposit accounts which, at time, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total in the statement of cash flows:

Cash and cash equivalents	$ 793,377
Cash and money market - endowment	54,248
	$ 847,625

Accounts Receivable: An allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. Management believes no allowance was necessary at June 30, 2020.

Investments: Investments are carried at fair market value in the statement of financial position. Changes in fair market value are reported in the statement of activities as a change in net assets without donor restrictions or with donor restrictions, depending on the class of the related net assets.

Property and Equipment: Purchased land, buildings and equipment exceeding $1,000 each are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. If 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. Estimated useful lives are five to forty years for buildings and three to ten years for equipment. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Depreciation expense for the year ended June 30, 2020 was $148,000. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those which will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires at the later of when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

Contributions: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received during the current year where the purpose restriction was satisfied in the current year were treated as activities without donor restrictions.

Donated Assets: Donated assets, other than items such as clothing and other commodities that are directly distributed to clients, are reflected as contributions in the accompanying statements at their estimated fair market value at the date of the gift.

Contributed Services: The Organization recognizes contributed services if the service received creates or enhances a nonfinancial asset such as land or buildings or they required specialized skills and would typically need to be purchased if they had not been contributed. The organization received and recognized contributed services meeting this criterion totaling $2,371 for the year ended June 30, 2020.

Functional Allocation of Expenses: The costs of programs or activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and management and general services benefited. Such allocations are determined by management on an equitable basis based on time and effort, square footage or full time equivalent.

Income Taxes: The Organization is organized as an Illinois not-for-profit corporation and is exempt from federal taxation under Section 501(a) as described under 501(c)(3) of the Internal Revenue Code. The Organization is also registered with the State of Illinois Attorney General under the Charitable Trust and Solicitation Act and has been given a religious exemption from the annual filing requirements. Accordingly, no provision for income taxes has been recorded. The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management has evaluated the Organization's tax positions taken and concluded that the Organization had taken no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to tax examinations by the Internal Revenue Service for tax years ending prior to June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events: Management evaluated subsequent events and transactions for potential recognition or disclosure through October 21, 2020, which is the date the financial statements were available to be issued. No items requiring disclosure were identified, other than the event disclosed in Note 14.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's annual operating cash needs are determined during the budget process. During the year cash is monitored and evaluated monthly. Excess operating cash is invested in liquid assets (money market, CD's) with a financial return and minimum at risk. Excess cash (greater than a year) can be invested per the Executive Committee.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year from the statement of financial position date are as follows as of June 30, 2020:

Cash and cash equivalents	$ 793,377
Investments	1,346,730
Accounts receivable	48,343
Bequest receivable	108,315
Beneficial interest in insurance, trust and quasi-endowment	294,152
Investments - endowment	3,743,330
Cash and money market - endowment	54,248
	6,388,495
Less amounts not available to be used for general expenditures:	
Net assets with donor restrictions	4,229,247
Financial assets available to meet general expenditures over the next twelve months	$ 2,159,248

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3. PLEDGES AND BEQUEST RECEIVABLE

Pledges receivable represents promises to give which have been made by donors but have not yet been received by the Organization. The Organization considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided. As of June 30, 2020, there was a bequest receivable of $108,315 that is part of the donor restricted endowment.

NOTE 4. INVESTMENTS

Investments as of June 30, 2020 are summarized as follows at fair value:

Exchange traded funds	$ 4,324,842
Mutual funds (Equity)	765,218
	$ 5,090,060

NOTE 4. INVESTMENTS (continued)

Investment income for the year ended June 30, 2020 consists of the following:

Interest and dividends	$ 128,079
Realized and unrealized (losses)	(482)
Management fees	(20,500)
	$ 107,097

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 5. GIFT ANNUITIES AND LIFE INSURANCE POLICIES

The Organization has been named as a beneficiary of 11% of the income of the Hilda M. Padgett Trust for perpetuity. At June 30, 2020, the value of the trust was $90,091 and is based upon estimated future cash flows to the Organization discounted at 5%.

In addition, the Organization has been named one of eight beneficiaries of a designated endowment fund. At June 30, 2020, the value of the trust was $126,259 and is based upon estimated future cash flows to the Organization discounted at 5%.

The Organization has been named owner and beneficiary of two life insurance policies. The total cash surrender value of the policies is recorded on the statement of financial position. At June 30, 2020 the total cash surrender value of the policies was $10,676.

NOTE 6. BENEFICIAL INTEREST IN QUASI-ENDOWMENT

In 2015 a donor established a quasi-endowment fund with the Illinois Prairie Community Foundation totaling $81,717 for the benefit of Home Sweet Home Ministries, Inc. Under the terms of the agreement, a minimum annual distribution shall be $5,000. The Organization can withdraw up to 25% of the fund balance in a calendar year, provided that a written request of the Board of Directors is submitted and the Foundation approves of the withdrawal. At the time of the transfer, the donor granted variance power to the Foundation. That power gives the Foundation the right to vary the terms of any gift if continued adherence to any condition or restriction is in the judgment of the Foundation's Board of Directors unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by the Foundation. At June 30, 2020, the endowment fund has a value of $67,126 which is reported in the statement of financial position as beneficial interest in quasi-endowment.

NOTE 7. PROPERTY AND EQUIPMENT

At June 30, 2020, the costs and related accumulated depreciation of property and equipment consisted of the following:

Land	$ 135,332
Building and improvements	3,767,752
Equipment and vehicles	595,224
	4,498,308
Less accumulated depreciation	2,784,127
Property and equipment, net	$ 1,714,181

NOTE 8. NOTE PAYABLE

The Organization has a line of credit available totaling $250,000, while the Organization has not drawn on the line of credit for the year ended June 30, 2020, interest is due on the 16th of each month at Prime rate plus 95 basis points, secured by real estate and due on demand subject to an acceleration clause.

NOTE 9. NET ASSETS

Board Designated

The Board of Directors has made a commitment to stewardship of excess operational and bequest funds to ensure that both current and future agency needs will be met. As a result, the board has adopted a policy to govern the reception, management and disbursal of any excess funds or other assets received from unrestricted bequests. Proceeds will be a segregated and designated into three categories as follows: Investment, Capital Reserve, and Operational Reserve. Each designation category has a spending policy. As of June 30, 2020, the board designations are as follows:

Investment	$ 597,449
Capital reserve	181,596
Operational reserve	364,793
	$ 1,143,838

NOTE 9. NET ASSETS (continued)

Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of June 30, 2020:

Subject to passage of time:	
Cash surrender value of life insurance	$ 10,676
Beneficial interests in quasi-endowment	67,126
	77,802
Subject to expenditure for specified purpose:	
Other purposes	29,202
Perpetually restricted by donor for general use:	
Donor restricted endowment for general use	3,905,893
Not subject to spending policy or appropriation:	
Beneficial interest in perpetual trust	216,350
	$ 4,229,247

The Organization's endowment consists of a bequest received which required the establishment of a permanent endowment fund, the proceeds of which are to be invested and the income from said investments to be used annually for the Organization's general purposes.

Net assets were released from donor restrictions when payments were made in satisfaction of the restrictions during the year ended June 30, 2020:

Subject to passage of time:	
Beneficial interests in quasi-endowment	$ 5,000
Endowment earnings subject to spending policy	84,911
Bequest receivable	250,000
	339,911
Subject to expenditure for specified purpose:	
Other purposes	201,782
Perpetually restricted by donor for general use:	
Donor restricted endowment for general use	92,088
	$ 633,781

NOTE 10. EMPLOYEE BENEFITS

The Organization has a tax-sheltered annuity program in accordance with Section 403(b) of the Internal Revenue Code for its employees. Every employee may elect to become a participant and defer compensation into the plan immediately upon hire. Participants are 100% vested in their own contributions at all times. After one year of service, all employees

NOTE 10. EMPLOYEE BENEFITS (continued)

not covered by collective bargaining agreements that complete 1,000 hours of service during a plan year, are over age 21 and normally work more than 20 hours per week are eligible for the employer plan contributions. The Organization's employer match is discretionary and can be adjusted at any time. The discretionary match is allocated based on a percentage of employee deferrals and is applied based on employee's deferral not exceeding 4% of compensation. The employer matching and discretionary contributions are subject to a 5-year vesting schedule. The Organization's matching and discretionary contribution for the year ended June 30, 2020 totaled $9,060.

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The below table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Investments:				
Exchange traded funds	$ 4,324,842	$ 4,324,842	$ -	$ -
Mutual funds	765,218	765,218		-
Cash surrender value of life insurance	10,676	-	10,676	-
Beneficial interest in perpetual trusts	216,350	-	-	216,350
Beneficial interest in quasi endowment	67,126	-	-	67,126
	$ 5,384,212	$ 5,090,060	$ 10,676	$ 283,476

The following table reconciles the Organization's beginning and ending balance of level 3 assets measured at fair value on a reoccurring basis using unobservable inputs:

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Value, beginning of year	$ 376,218
Sale of property for sale	(93,427)
Distribution	(5,000)
Change in value	5,685
Value, end of year	$ 283,476

Both observable and unobservable input may be used to determine the fair value of positions classified as level 3 assets. As a result, the unrealized gains for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The change in value of the beneficial interest in perpetual trusts are shown as interest and other on the statement of activities.

NOTE 12. DONOR-RESTRICTED ENDOWMENT

As required by accounting principles generally accepted in the United States, net assets associated with the endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The state of Illinois enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. The Organization requires the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization's board of directors has interpreted the law as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted the law to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

NOTE 12. DONOR-RESTRICTED ENDOWMENT (continued)

Investment and Spending Policies: The primary investment objective for the Endowment is to preserve purchasing power of endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support the Organization's operations. The Organization's spending policy guideline is between 3% and 5% of the average fund balance over the previous 12 calendar quarters.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported within net assets with donor restrictions and were $92,088 as of June 30, 2020. Deficiencies could be the result of unfavorable market fluctuations along with continued appropriations from the endowment that were deemed prudent by the board of directors. Subsequent transfers and gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

Endowment net assets do not include the cash surrender value of life insurance, beneficial interest in quasi-endowment, or beneficial interest in perpetual trust.

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

	With Donor Restrictions
Donor-Restricted Endowment Funds:	
Original gift and amounts required to be maintained in perpetuity	$ 3,997,981
Deficiencies in endowment	(92,088)
Total endowment	$ 3,905,893

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions		
	Subject to spending policy	Donor restricted endowment	Total
Endowment net assets, beginning of year	$ 24,711	$ 3,889,666	$ 3,914,377
Investment return:			
Investment income, net of fees	87,276	-	87,276
Net (depreciation)	(27,075)	-	(27,075)
Total investment return	60,201	-	60,201
Receivables	-	108,315	108,315
Appropriation of endowment assets for expenditure	(84,912)	(92,088)	(177,000)
Endowment net assets, end of year	$ -	$ 3,905,893	$ 3,905,893

NOTE 13. RESTATEMENT

The June 30, 2019 financial statements have been restated to reclassify $24,711 of net assets without donor restrictions to net assets with donor restrictions. This restatement was the result of earnings on the endowment fund being classified as without donor restrictions.

NOTE 14. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization has not seen any significant losses in revenue or disruption in operations.

NOTE 15. PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2020, the Organization applied for and received $292,400 from the Small Business Administration's Paycheck Protection Program (PPP). The Organization is eligible for loan forgiveness if the proceeds were used in accordance with the PPP guidelines. The Organization has elected to treat the PPP proceeds as a conditional contribution in accordance with FASB ASC 958-605. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not, if conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. The Organization believes that during the year ended June 30, 2020, the proceeds were used in accordance with the conditions of the PPP, and therefore have recognized a contribution of $292,400 in the statement of activities.