Delivering Good, Inc.

Financial Statements

December 31, 2019 and 2018

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

The Board of Directors
Delivering Good, Inc.

We have audited the accompanying financial statements of Delivering Good, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. 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 Delivering Good, Inc. as of December 31, 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.

PKF O'Connor Davies, LLP

June 17, 2020

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 I Tel: 908.272.6200 I Fax: 908.272.2416 I www.pkfod.com

Delivering Good, Inc.

Statement of Financial Position

	December 31, 2019	December 31, 2018
ASSETS		
Cash	$ 1,604,557	$ 2,501,195
Accounts receivable	2,149,570	1,340,193
Prepaid expenses and other assets	68,223	27,459
Restricted cash	67,014	67,014
Investments	527,551	-
Property and equipment, net	31,346	61,218
Endowment investments	863,697	-
	$ 5,311,958	$ 3,997,079
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 265,972	$ 433,252
Deferred rent	24,231	63,444
Loan payable	5,025	11,455
Total Liabilities	295,228	508,151
Net Assets		
Without donor restrictions	2,376,596	2,333,483
With donor restrictions	2,640,134	1,155,445
Total Net Assets	5,016,730	3,488,928
	$ 5,311,958	$ 3,997,079

See notes to financial statements

Delivering Good, Inc.

Statement of Activities

	Year Ended December 31,					
	Without Donor	With Donor	2019	Without Donor	With Donor	2018
SUPPORT AND REVENUE	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total
Contributed merchandise, in-kind	$ 135,859,880	$ -	$ 135,859,880	$ 184,271,673	$ -	$ 184,271,673
Contributed professional services, in-kind	85,423	-	85,423	92,635	-	92,635
Contributions	1,190,913	1,644,895	2,835,808	1,010,120	1,155,445	2,165,565
Disaster relief support	20,803	138,026	158,829	550,051	-	550,051
Special events, net of direct costs of $430,232 and $522,974	1,468,678	-	1,468,678	1,676,143	-	1,676,143
Investment return, net	29,680	63,697	93,377	1,011	-	1,011
Other	39,500	-	39,500	12,598	-	12,598
Net assets released from restrictions	361,929	(361,929)	-	309,236	(309,236)	-
Total Support and Revenue	139,056,806	1,484,689	140,541,495	187,923,467	846,209	188,769,676
EXPENSES						
Programs	137,776,017	-	137,776,017	186,592,958	-	186,592,958
Management and general	503,676	-	503,676	462,513	-	462,513
Fundraising	734,000	-	734,000	660,143	-	660,143
Total Expenses	139,013,693	-	139,013,693	187,715,614	-	187,715,614
Change in Net Assets	43,113	1,484,689	1,527,802	207,853	846,209	1,054,062
NET ASSETS						
Beginning of year	2,333,483	1,155,445	3,488,928	2,125,630	309,236	2,434,866
End of year	$ 2,376,596	$ 2,640,134	$ 5,016,730	$ 2,333,483	$ 1,155,445	$ 3,488,928

See notes to financial statements

Delivering Good, Inc.

Statement of Functional Expenses

	Year Ended December 31,							
	Programs	Management and General	Fundraising	2019 Total	Programs	Management and General	Fundraising	2018 Total
Merchandise donated	$ 135,859,880	$ -	$ -	$ 135,859,880	184,271,673	-	-	$ 184,271,673
Contributed professional services	-	41,003	44,420	85,423	-	30,635	62,000	92,635
Freight charges	725,615	-	-	725,615	926,186	-	-	926,186
Salaries and wages	706,949	282,826	423,735	1,413,510	679,959	212,275	387,593	1,279,827
Payroll taxes and employee benefits	135,145	54,066	81,003	270,214	134,699	42,051	76,782	253,532
Professional fees	76,429	30,576	45,810	152,815	7,526	115,800	-	123,326
Advertising and promotion	17,543	-	11,696	29,239	22,759	-	15,172	37,931
Office expenses	33,913	13,567	20,327	67,807	32,817	10,245	18,707	61,769
Information technology	40,067	16,030	24,016	80,113	20,011	6,247	11,407	37,665
Occupancy	70,113	28,050	42,025	140,188	70,650	22,056	40,272	132,978
Travel	18,131	-	4,533	22,664	12,451	-	3,113	15,564
Meetings	1,620	442	884	2,946	3,081	840	1,680	5,601
Gift cards (disaster relief)	38,971	-	-	38,971	350,592	-	-	350,592
Bad debt	-	10,000	-	10,000	-	5,000	-	5,000
Depreciation and amortization	18,715	7,488	11,218	37,421	18,775	5,863	10,702	35,340
Insurance	-	5,667	-	5,667	-	3,045	-	3,045
State registration fees	5,338	-	4,368	9,706	12,926	-	10,576	23,502
Bank fees	5,269	1,317	6,587	13,173	8,370	2,093	10,463	20,926
Miscellaneous	22,319	12,644	13,378	48,341	20,483	6,363	11,676	38,522
Total Expenses	$ 137,776,017	$ 503,676	$ 734,000	$ 139,013,693	$ 186,592,958	$ 462,513	$ 660,143	$ 187,715,614

See notes to financial statements

Delivering Good, Inc.

Statement of Cash Flows

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,527,802	$ 1,054,062
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gains on investments	(67,261)	-
Depreciation and amortization	37,421	35,340
Deferred rent	(39,213)	(30,795)
Endowment contribution	(800,000)	-
Bad debt	10,000	5,000
Change in operating assets and liabilities		
Accounts receivable	(819,377)	(739,069)
Prepaid expenses and other assets	(40,764)	41,691
Accounts payable and accrued expenses	(167,280)	(87,794)
Net cash from operating activities	(358,672)	278,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,549)	(8,408)
Purchase of investments	(1,323,987)	-
Net cash from investing activities	(1,331,536)	(8,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on loan payable	(6,430)	(6,225)
Endowment contribution	800,000	-
Net cash from financing activities	793,570	(6,225)
Net change in cash and restricted cash	(896,638)	263,802
Cash and restricted cash, beginning of the year	2,568,209	2,304,407
Cash and restricted cash, end of the year	$ 1,671,571	$ 2,568,209
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 165	$ 249

See notes to financial statements

Delivering Good, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization and Tax Status

Delivering Good, Inc. (the "Organization") was incorporated on December 10, 1985 under the laws of the State of New York and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The Organization is a public charity that receives, administers and expends products for charitable, educational, and disaster relief purposes to poor, distressed, and underprivileged children, individuals, and families. The Organization maintains its office at 266 West 37th Street, New York, New York.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Effective January 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers,* as amended.

The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgements made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Recognition of Contributions

Effective January 1, 2019, the Organization adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This guidance provides a framework for evaluating whether grants should be accounted as exchange transactions or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant change in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

2. Summary of Significant Accounting Policies *(continued)*

Cash and Restricted Cash

Effective January 1, 2019, the Organization adopted ASU 2016-18 *Statement of Cash Flows* (ASC 230): “Restricted Cash”, which requires inclusion of restricted cash with cash on the Statement of Cash Flows. The Organization retrospectively applied the pronouncement to the prior-year balance. Previously, changes in restricted cash were reported on the statement of cash flow as operating, investment, or financing activities based on the nature of the underlying activity. For purposes of the statement of financial position and the statement of cash flows, cash includes cash in checking and savings accounts. Restricted cash on the statement of financial position consists of restricted cash in support of a letter of credit (see note 8). The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to such amounts presented in the statement of cash flows:

	December 31,	
	2019	2018
Cash	$ 1,604,557	$ 2,501,195
Restricted cash	67,014	67,014
Total cash and restricted cash presented in the statement of cash flows	$ 1,671,571	$ 2,568,209

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An estimated allowance for doubtful accounts is provided when necessary, based upon management’s assessment of historical and expected net collections and other business and economic conditions. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a reduction in accounts receivable.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives that range from 3 to 5 years. Leasehold improvements are amortized over the shorter of the useful life of the asset or related lease period. The Organization capitalizes amounts over $1,000 with a useful life greater than a year.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

2. Summary of Significant Accounting Policies *(continued)*

Investments and Investment Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of the asset to aggregate future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. There is no such impairment for the years ended December 31, 2019 and 2018.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits and information technology, which are allocated on the basis of estimates of time and effort as well as office expenses, occupancy, depreciation and amortization and miscellaneous, which are allocated on a square-footage basis.

Deferred Rent

U.S. GAAP requires that the rent over the life of a lease be expensed on a straight-line basis notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent liability on the statement of financial position. The cumulative balance for deferred rent at December 31, 2019 and 2018 of $24,231 and $63,444, respectively, is reported in the accompanying statement of financial position. In addition, the liability initially recorded included landlord concessions of $140,215.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating expenses.

2. Summary of Significant Accounting Policies *(continued)*

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some net assets include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of the donor-imposed stipulations.

The Organization reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restriction and reported on the statement of activities as net assets released from restrictions.

Contributions and Promises to Give

Contributions and unconditional promises to give are measured at their net realizable values when received and are classified as either with or without donor restricted support, based on donor-imposed stipulations, if any.

Contributions In-kind

The Organization receives donated merchandise as part of program services and recognizes such materials as support and expense in the statement of activities when the Organization has been granted explicit unilateral authority to dispose of such materials by transferring them to donee organizations. This merchandise is recorded in the accompanying financial statements at their fair value, as estimated by the donor and management on the date of use or receipt to the extent that such amounts can be reasonably estimated.

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

Donated services rendered by volunteers are not recorded as support and expense because they do not meet the criteria for recognition in the financial statements.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of cost of direct benefits to donors.

Advertising Costs

Advertising costs are expensed as incurred.

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax years prior to December 31, 2016.

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance on lease accounting which requires an entity to recognize a right-of-use asset and a corresponding lease liability on its statement of financial position for virtually all of its leases with a term of more than 12 months, including those classified as operating leases. Both the asset and liability will initially be measured at the present value of the future minimum lease payments, with the asset being subject to adjustments such as initial direct costs. Consistent with current U.S. GAAP guidance, the presentation of expenses and cash flows will depend primarily on the classification of the lease as either a finance or an operating lease. The new standard also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an entity's leasing activities. This amended guidance, which will be effective January 1, 2022, requires modified retrospective application, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

3. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2019	2018
Grants and contributions receivable	$ 1,936,570	$ 361,693
Endowment receivable	-	800,000
Event revenue receivables	213,000	178,500
Total Accounts Receivable	$ 2,149,570	$ 1,340,193

The Organization considers all receivables at December 31, 2019 and 2018 to be fully collected within one year, and accordingly there is no allowance for doubtful accounts recorded.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Leasehold improvements	$ 220,431	$ 220,431
Furniture and fixtures	805	805
Office equipment	46,383	38,834
	267,619	260,070
Accumulated depreciation and amortization	(236,273)	(198,852)
	$ 31,346	$ 61,218

5. Loan Payable

On August 2013, the Organization obtained a construction loan from its landlord for newly leased space. The loan is to be repaid over an 84 month period at an interest rate of 2% per annum. Interest expense totaled $165 in 2019 and $249 in 2018. The final payment of $5,025 is due in 2020.

6. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Financial assets:	
Cash	$ 1,604,557
Accounts receivable	2,149,570
Investments	527,551
Endowment investments	863,697
Total financial assets	5,145,375
Less amounts unavailable for general expenditure due to:	
Donor restricted amounts held in endowment investments	863,697
Financial assets available to meet cash needs for general expenditures within one year	$ 4,281,678

Amounts not available include amounts set aside for long-term investing from donor-restricted endowments, the income of which could be drawn upon if the governing board approves that action. However, amounts already appropriated from donor-restricted endowments for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable. The remaining donor-restricted amounts will become available within the following year.

6. Liquidity and Availability of Resources *(continued)*

The Organization strives to maintain liquid financial assets sufficient to cover six months of general expenditures. As part of its liquidity plan, excess cash is included in either checking or money market accounts. In addition, the Organization also maintains investments without donor restrictions that can be used to fund expenditures as deemed appropriate by the Board.

7. Assets Held at Fair Value

The following are major categories of assets measured at fair value on a recurring basis at December 31, 2019, grouped by the fair value hierarchy:

	December 31, 2019		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Equity mutual funds	$ 98,891	$ -	$ 98,891
Fixed income mutual funds	416,978	-	416,978
Other	11,682	-	11,682
Total Investments without Donor Restrictions	527,551	-	527,551
Equity mutual funds	346,100	-	346,100
Fixed income mutual funds	230,728	-	230,728
Other	31,326	255,543	286,869
Total Endowment Investments	608,154	255,543	863,697
Total Investments at Fair Value	$ 1,135,705	$ 255,543	$ 1,391,248

There were no assets held at fair value by the Organization at December 31, 2018.

8. Restricted Cash

In lieu of a cash security deposit for an operating lease for office space, the Organization has provided an unconditional, irrevocable letter of credit to the landlord, which expires on September 20, 2020 and is annually renewed until the lease expires. The Organization, under the terms of the letter of credit with a bank, has agreed to maintain a compensating balance equal to the letter of credit. At December 31, 2019 and 2018, $67,014 of cash is restricted for the letter of credit.

9. Retirement Plan

The Organization maintains a 401(k) employee benefit plan (the "Plan"), which is an employee benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), and is intended to be a qualified plan under Section 401(k) of the Internal Revenue Code of 1986 (the "Code"). Participants in the Plan may contribute up to 100% of pretax income, subject to the legal limitations, except for participants who were age 50 or older who may make an additional "catch-up" contribution. The Organization makes discretionary contributions to the Plan, which vest ratably over years 2-6 of service to the Organization. For the years ended December 31, 2019 and 2018, the discretionary contributions to the Plan totaled $38,415 and $35,514, respectively.

10. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and receivables. The Organization maintains its cash with financial institutions held in checking and savings accounts, which is in excess of federally insured limits. This potentially subjects the Organization to a concentration of credit risk. The Organization has not experienced any losses in such accounts. There are no significant concentrations with regard to receivables due to the broad donor base of the Organization.

The investment portfolio is managed by professional investment advisors and managers and is diversified by type of investment and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

11. Contributions In-kind

The Organization receives merchandise from its supporters and is required to distribute this merchandise to qualified organizations. Donated merchandise is reported as in-kind contributions on the accompanying statement of activities in the amount of $135,859,880 and $184,271,673 for the years ended December 31, 2019 and 2018, respectively. The value of the merchandise was recorded at its fair value as of the date of receipt.

The Organization receives pro bono professional services from various vendors for legal and marketing services. Donated services are reported as in-kind contributed professional services on the accompanying statement of activities in the amount of $85,423 and $92,635 for the years ended December 31, 2019 and 2018, respectively. The value of the services was recorded at its fair value on the date the service was provided.

12. Related Party Transactions

Members of the Board of Directors are affiliated with companies that donate products and cash to the Organization. Donated products from these companies for 2019 and 2018 totaled $30,319,348 and $50,144,656, respectively, and are included and reported as in-kind contributions on the accompanying statement of activities. Cash contributions from these companies and individuals are included primarily within special events in the accompanying statement of activities in the amounts of $1,065,064 and $853,315 in 2019 and 2018, respectively.

13. Commitments and Contingencies

Operating Lease

The Organization leases its office space under a seven-year lease expiring in September 2020. The future minimum lease payment for the year 2020 is $95,382. The Organization is currently investigating options with the current lessor as well as other opportunities upon expiration of the lease.

The lease contains escalation clauses based on increases in real estate taxes and utility expenses.

For 2019 and 2018, total rent expense was $140,188 and $132,978, respectively.

Legal

The Organization is, from time to time in the normal course of business, a party to various claims and/or litigation matters incident to the conduct of its operations. Based on knowledge, information, and belief as of the date these financial statements were available to be issued, management does not expect the Organization to suffer any material financial liability by reason of such actions.

14. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2019	2018
Purpose restrictions:		
Program	$ 197,018	$ 198,275
Disaster Relief	34,524	44,489
Time restrictions:		
Program time restrictions	1,544,895	112,681
Endowment investment returns	63,697	-
Perpetual restrictions:		
Endowment fund	800,000	800,000
	$ 2,640,134	$ 1,155,445

Net assets with donor restrictions released from restrictions consisted of the following for the years ended December 31:

	2019	2018
Purpose restrictions	$ 249,248	$ 219,236
Time restrictions	112,681	90,000
	$ 361,929	$ 309,236

15. Endowment

Interpretation of Law

The Organization follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, the Board of Directors retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment returns to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Organization has one donor-restricted endowment fund: Students Going the Extra Mile Endowment Fund (also known as the Lari Stanton Fund). All investment income from this fund is to be spent for specified charitable purposes. The Organization does not have any funds designated by the Board of Directors that function as an endowment.

Return Objectives and Risk Parameters

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.

The Organization utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. Endowment return objectives are to provide adequate funding over the long term with a moderate level of risk. In order to achieve this objective, the Organization follows the strategy of weighing the asset allocation to higher return asset classes, including equities, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board of Director's interpretation of State law.

Spending Rate Methods

The Organization invests its endowment fund and allocates the related earnings for expenditure in accordance with the total return concept. The endowment usage is determined in accordance with the policy adopted by the Organization.

The annual appropriations from the endowment fund has been determined to be $10,000 for 2019; followed by $16,000 for 2020. Due to the establishment of the endowment fund during the 2019 year, management has determined that it is more prudent to spend the 2019 appropriation in 2020, in addition to the scheduled 2020 appropriation. In 2021 and beyond, the annual spending rate will be calculated based on the rolling average of the fund's quarter-end market values over the past twelve (12) quarters (in 2021 and 2022, the formula will be based on all quarters since inception). Barring extraordinary changes in the economic and investment environments, the spending rate will be between 3% and 5%, with a long-run target of 4%.

15. Endowment *(continued)*

Spending Rate Methods (continued)

The following is a reconciliation of the activity in the endowment fund at December 31, 2019:

	With Donor Restrictions
Balance, beginning of year, endowment funds	$ -
Addition - original gift value	800,000
Investment return, net	63,697
Balance, end of year, endowment funds	$ 863,697

Underwater Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. There were no underwater endowment funds as of December 31, 2019.

16. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 17, 2020 and have determined that there were no other subsequent events or transactions which would require recognition and disclosure in the financial statement, except as follows:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 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 the spread of 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.

16. Subsequent Events Evaluation by Management *(continued)*

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Organization applied for and received a $223,323 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration. The PPP Loan has an interest rate of 1.0% per annum, and the principal amount outstanding is eligible for forgiveness if the Organization retains its current number of personnel, as defined. The amount of the PPP Loan that is forgivable shall be reduced by a reduction in pay to employees, as defined.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization, although it is expected to impact 2020 operations, including contribution revenue, returns on investments, supply chain disruption and various expenses.

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