TRINITY COUNSELING SERVICE
(a not-for-profit corporation)

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Trinity Counseling Service
Table of Contents
June 30, 2019 and 2018

LEAR & PANNEPACKER, LLP
Certified Public Accountants and Advisors
791 Alexander Road, Princeton, NJ 08540
Tel: (609) 452-2200 Fax: (609) 452-1065

Golden Crest Corporate Center
2277 State Highway #33, Suite 408, Hamilton, NJ 08690
Tel: (609) 807-2200 Fax: (609) 981-7373

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Trinity Counseling Service

We have audited the accompanying financial statements of Trinity Counseling Service (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 organization'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trinity Counseling Service as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lear & Pannepacker, LLP

Princeton, New Jersey
May 3, 2020

Trinity Counseling Service
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 605,287	$ 218,062
Patient fees receivable, net	21,603	62,247
Prepaid expenses	19,473	15,797
Unconditional promises to give	556,000	53,834
Security deposits	21,000	--
Property and equipment, net	602,903	46,815
Investments	6,200,987	6,691,724
Total assets	$ 8,027,253	$ 7,088,479
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	$ 150,212	$ 71,323
Deferred income and refundable advances	--	24,850
Total liabilities	150,212	96,173
Net assets		
Without donor restriction	5,915,759	5,585,263
With donor restrictions	1,961,282	1,407,043
Total net assets	7,877,041	6,992,306
Total liabilities and net assets	$ 8,027,253	$ 7,088,479

See notes to financial statements

Trinity Counseling Service
Statement of Activities
Year Ended June 30, 2019

	Without donor Restrictions	With donor Restrictions	Total
Public support and revenue			
Patient fees and assessments	$ 343,285	$ --	$ 343,285
Contributions	617,861	746,068	1,363,929
Special events	204,745	--	204,745
Grant revenues	67,500	--	67,500
Net investment income	239,999	--	239,999
	1,473,390	746,068	2,219,458
Net assets released from restrictions	191,829	(191,829)	--
Total public support and revenue	1,665,219	554,239	2,219,458
Expenses			
Program services	680,531	--	680,531
Management and general	332,461	--	332,461
Fundraising	321,731	--	321,731
Total expenses	1,334,723	--	1,334,723
Change in net assets	330,496	554,239	884,735
Net assets – beginning of year	5,585,263	1,407,043	6,992,306
Net assets – end of year	$ 5,915,759	$ 1,961,282	$ 7,877,041

See notes to financial statements

Trinity Counseling Service
Statement of Activities
Year Ended June 30, 2018

	Without donor Restrictions	With donor Restrictions	Total
Public support and revenue			
Patient fees and assessments	$ 479,819	$ --	$ 479,819
Contributions	141,073	70,553	211,626
Special events	74,425	--	74,425
Grant revenues	86,703	--	86,703
Net investment income	426,635	68,819	495,454
	1,208,655	139,372	1,348,027
Net assets released from restrictions	193,676	(193,676)	--
Total public support and revenue	1,402,331	(54,304)	1,348,027
Expenses			
Program services	763,241	--	763,241
Management and general	378,367	--	378,367
Fundraising	200,110	--	200,110
Total expenses	1,341,718	--	1,341,718
Change in net assets	60,613	(54,304)	6,309
Net assets – beginning of year	5,524,650	1,461,347	6,985,997
Net assets – end of year	$ 5,585,263	$ 1,407,043	$ 6,992,306

See notes to financial statements

Trinity Counseling Service
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Expenses	Management and General	Fund Raising	Total
Payroll	$ 450,498	$ 195,624	$ 140,113	$ 786,235
Special events and fundraising	--	--	85,959	85,959
Professional services	29,078	29,286	16,467	74,831
Payroll taxes	38,958	19,019	13,320	71,297
Rent	47,051	20,174	3,315	70,540
Employee benefits	21,097	24,821	20,196	66,114
Depreciation and amortization	27,592	11,824	1,970	41,386
Newsletter and development	2,373	--	29,669	32,042
Insurance	15,645	6,715	1,637	23,997
Repairs and maintenance	8,181	3,508	577	12,266
Office expenses	6,873	2,975	2,110	11,958
Utilities	7,870	3,375	555	11,800
Cleaning	6,436	2,760	454	9,650
Dues and subscriptions	3,185	2,337	2,319	7,841
Conferences	--	6,109	--	6,109
Telephone	3,421	1,478	1,064	5,963
Computer costs	2,598	1,123	808	4,529
Bank fees	2,300	994	715	4,009
Advertising	3,419	--	144	3,563
Continuing education	2,727	--	--	2,727
Postage	340	339	339	1,018
Educational programs	889	--	--	889
Total expenses	$ 680,531	$ 332,461	$ 321,731	$ 1,334,723

See notes to financial statements

Trinity Counseling Service
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Expenses	Management and General	Fund Raising	Total
Payroll	$ 513,023	$ 237,687	$ 102,413	$ 853,123
Special events and fundraising	--	--	32,715	32,715
Professional services	27,725	44,566	14,548	86,839
Payroll taxes	49,105	21,755	9,471	80,331
Rent	42,382	18,172	2,986	63,540
Employee benefits	37,911	23,269	9,246	70,426
Depreciation and amortization	7,837	3,358	559	11,754
Newsletter and development	4,170	1,799	19,379	25,348
Insurance	13,546	5,815	1,284	20,645
Counseling services	18,900	--	--	18,900
Repairs and maintenance	4,402	1,887	310	6,599
Office expenses	7,404	3,195	1,484	12,083
Utilities	5,913	2,536	417	8,866
Cleaning	6,282	2,694	443	9,419
Dues and subscriptions	6,994	1,185	1,790	9,969
Conferences	--	5,880	--	5,880
Telephone	3,526	1,521	707	5,754
Computer costs	3,531	1,523	707	5,761
Bank fees	2,474	1,068	496	4,038
Advertising	697	-	698	1,395
Continuing education	2,202	--	--	2,202
Postage	457	457	457	1,371
Educational programs	4,760	--	--	4,760
Total expenses	$ 763,241	$ 378,367	$ 200,110	$ 1,341,718

See notes to financial statements

Trinity Counseling Service
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 884,735	$ 6,309
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,386	11,754
Gains on investments	(111,630)	(279,336)
Changes in operating assets and liabilities:		
Accounts receivable, other	--	5,000
Patient fees receivable	40,644	24
Prepaid expenses	(3,676)	9,808
Unconditional promises to give	(502,166)	23,056
Security deposits	(21,000)	--
Accounts payable and accrued expenses	78,889	35,721
Deferred income and refundable advances	(24,850)	16,009
Net cash provided by (used in) operating activities	382,332	(171,655)
Cash flows from investing activities		
Acquisition of property and equipment	(597,474)	--
Purchases and sales of investments	602,367	101,298
Net cash provided by investing activities	4,893	101,298
Net change in cash and cash equivalents	387,225	(70,357)
Cash and cash equivalents at beginning of year	218,062	288,419
Cash and cash equivalents at end of year	$ 605,287	$ 218,062

See notes to financial statements

Note 1 – Nature of organization

Trinity Counseling Service (the Organization) is a not-for-profit corporation organized in 1968. The mission of the Organization is to provide compassionate, professional counseling in a caring environment to individuals and families confronting life's challenges. Trinity Counseling Service is an out-patient mental health agency accredited by the State of New Jersey.

Trinity Counseling Service offers treatment programs which are customized to meet the individual needs of each client. Counseling services are provided to help children, adolescents, adults, and families cope with a variety of issues including depression, grief, anxiety, marriage, divorce and family issues, and school related concerns. In addition, Trinity Counseling Service partners with the Princeton Theological Seminary to provide counseling to all enrolled students and their family members. The Organization previously offered psychological evaluations for those undergoing preparation for ministry.

Other specialty and community outreach projects offered by the Organization include:

Childhood Intervention Initiative: Trinity Counseling Service partners with Princeton Public Schools, West Windsor School district and Cranbury Schools to identify and treat emerging behavioral and developmental challenges in children from low income families.

Bereavement and Caregivers Counseling Program: Trinity Counseling Service offers a program to help people cope with the loss of a loved one as well as caregivers who are dealing with a loved one's debilitating illness.

Note 2 – Summary of significant accounting policies

Significant accounting policies followed by the Organization in the preparation of the accompanying financial statements are summarized below:

Basis of financial statement presentation

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 (U.S. GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Trinity Counseling Service and changes therein are classified and reported as follows:

Net assets without donor restrictions

Unrestricted net assets include all contributions received without donor restrictions, and all revenues and expenses. Unrestricted net assets may be used at the discretion of management to support the mission of the Organization and consists of net assets accumulated from the results of operations. Contributions with donor-imposed restrictions that are met during the same year as the contribution is received are included in unrestricted support that increases net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted contributions which are required to be held in perpetuity, with all or part of the income earned to be used for general or specific purposes. Other contributions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Note 2 – Summary of significant accounting policies (continued)

Cash and cash equivalents
The Organization considers cash equivalents to be all highly liquid debt instruments with a maturity of three months or less, unless held for endowment purposes. Cash equivalents consist of money market funds. The Organization's cash deposits in banks may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Unconditional promises to give
Donor contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. The Organization considers the amounts reported to be substantially collectible as of the statement of financial position date; accordingly, no allowance for doubtful amounts has been recorded.

Property and equipment
Acquisitions, improvements, and replacements of major assets are capitalized at cost, or if donated, at the approximate fair value at the date of donation. As assets are sold or retired, the cost of the accumulated depreciation is removed from the accounts and any gain or loss is recognized. Depreciation is computed using the straight-line method at rates based on the estimated useful life of the asset. The estimated useful life for equipment is five years and for furniture is seven years. Leasehold improvements are amortized over fifteen years. Repairs which neither increase the value of the asset nor extend its useful life are expensed as incurred. The Organization's policy is to capitalize all assets with a useful life of more than one year and a value of $1,000 or more.

Investments
Investments consist of mutual funds, exchange traded funds and other funds which invest in stocks, bonds and other marketable securities. Investments are reported at their fair values in the accompanying financial statements. Gains, losses, interest and dividend income are included in the change in net assets in the accompanying Statement of Activities.

Revenue and support recognition
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 restricted 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. However, restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the Statement of Activities. Contributions are recognized as revenue when they are received or unconditionally pledged.

Patient fees receivable
Patient fees receivable primarily consists of amounts due from third-party payors, including government-sponsored healthcare programs, insurance companies and patients. Contractual adjustments result from differences between billed amounts and the amounts that management anticipates receiving. Accounts receivable are recorded net of contractual adjustments and an allowance for doubtful accounts; therefore accounts receivable consists only of the amounts that management expects to receive. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term.

Note 2 – Summary of significant accounting policies (continued)

Patient fees receivable (continued)
Receivables are written off as a charge to the allowance for doubtful accounts when management determines the receivable will not be collected. Patient fees receivables are net of allowances for contractual adjustments and doubtful accounts.

Donated goods and services
It is the Organization's policy to record non-cash items and in-kind gifts at their fair value on the date they are received.

Contributed services are included in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: (1) the service requires specialized skills, (2) the service is provided by individuals who possess those skills, and (3) the service would typically need to be purchased if not contributed.

The Organization records the difference between below-market rents owed under an operating lease on its facilities and the estimated fair value rental rate as contribution revenue and a corresponding expense.

Income taxes
Trinity Counseling Service has been classified by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code ("the Code") as exempt from federal income taxes under section 501(a) of the Code.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Organization's policy is to account for interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Advertising costs
The Organization expenses advertising costs as incurred. Total advertising expense for the years ended June 30, 2019 and 2018 totaled to $3,563 and $1,395, respectively.

Functional expense allocations
Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Use of estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Trinity Counseling Service
Notes to Financial Statements
June 30, 2019 and 2018

Note 2 – Summary of significant accounting policies (continued)

Reclassifications
Certain amounts previously reported in the financial statements for the year ended June 30, 2018 have been reclassified to conform to the June 30, 2019 classifications.

Note 3 – Adoption of new accounting pronouncement
During the year ended June 30, 2019, the Organization adopted the provisions of ASU 2016-14, Not-for-Profit Entities (Top 958): Presentation of Financial Statements of Not-for-Profit Entities issues by the Financial Accounting Standards Board. The Organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the Organization's financial statements:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Expenses are reported in the statement of functional expenses by both their natural and functional classification.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 14).

Note 4 – Unconditional promises to give
Unconditional promises to give at June 30, 2019 and 2018 consists of the following:

	2019	2018
Receivable in less than one year	$ 209,000	$ 28,834
Receivable in one to five years	370,000	25,000
Discount to net present value	(23,000)	--
	$ 556,000	$ 53,834

Pledges have been discounted at the Organizatrion's risk-free rate of return, which is estimated to be 2% per annum. Included in unconditional promises to give at June 30, 2019 are capital campaign pledges receivable totalling $531,000 which are restricted in use for costs and expenses of the Organization's new facility and of the campaign itself.

Note 5 – Investments

Investments are stated at market value and consist of shares of multi-asset funds and mutual funds. Fair values and unrealized appreciation are summarized as follows:

June 30, 2019	Cost	Fair Value	Unrealized Appreciation
TIFF Multi-asset Fund	$ 3,350,824	$ 3,388,117	$ 37,293
Vanguard Mutual Funds	2,601,343	2,812,870	211,527
Total	$ 5,952,167	$ 6,200,987	$ 248,820
June 30, 2018			
TIFF Multi-asset Fund	$ 3,336,351	$ 3,511,564	$ 175,213
Vanguard Mutual Funds	3,027,331	3,180,160	152,829
Total	$ 6,363,682	$ 6,691,724	$ 328,042

The following schedule summarizes the investment income for the years ended December 31:

	2019	2018
Interest and dividend income	$ 141,052	$ 225,743
Realized and unrealized gains (losses), net	111,630	279,336
Investment management fees	(12,683)	(9,625)
Total	$ 239,999	$ 495,454

Note 6 – Fair value of financial instruments

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2019.

Mutual Funds and Exchange-Traded funds: Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end.

Other funds: Shares of non-publicly traded funds are valued by the investment advisor based on the values of the underlying assets.

The methods described above may produce a fair value calculation that may not be reflective of net realizable value or future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of financial instruments could result in a different fair value measurement at the reporting date.

Note 6 – Fair value of financial instruments (continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	Assets at fair value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income funds	$ 839,974	$ --	$ --	$ 839,974
Domestic stock funds	1,177,755	--	--	1,177,755
International stock funds	795,141	--	--	795,141
Other funds				
Asset allocation fund	--	3,388,117	--	3,388,117
Total assets at fair value	$ 2,812,870	$ 3,388,117	$ --	$ 6,200,987

	Assets at fair value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Exchange-traded funds				
Fixed income funds	$ 891,548	$ --	$ --	$ 891,548
Domestic stock funds	1,404,776	--	--	1,404,776
International stock funds	883,836	--	--	883,836
Other funds				
Asset allocation fund	--	3,511,564	--	3,511,564
Total assets at fair value	$ 3,180,160	$ 3,511,564	$ --	$ 6,691,724

Note 7 – Property and equipment

The costs and accumulated depreciation of property and equipment are summarized at June 30 as follows:

	2019	2018
Equipment, furniture and fixtures	$ 202,371	$ 202,371
Leasehold improvements	87,923	87,923
Construction in progress	597,474	--
Total property and equipment	887,768	290,294
Less: accumulated depreciation and amortization	(284,865)	(243,479)
Property and equipment, net	$ 602,903	$ 46,815

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 amounted to $41,386 and $11,754, respectively. Depreciation expense for the year ended June 30, 2019 includes an adjustment of $30,000 for the net asset value of assets abandoned upon the Organization's move to a new facility in November 2019.

Note 8 – Employee benefit plan

The Organization participates in a multi-employer defined contribution plan sponsored by the Episcopal Church which covers all full time employees. The plan allows employees to defer up to the statutory maximums of their salary on a pre-tax basis. The Organization is required to contribute 5% of eligible employees' salary and matches 100% of employees' contributions up to 4% of their eligible salaries. For the years ended June 30, 2019 and 2018, the employer contributions totaled $32,580 and $32,384, respectively.

Note 9 – Concentrations of credit risk
Financial instruments that are exposed to concentrations of credit risk consist of cash equivalents, patient fees receivable and investments. Cash equivalents and investments are with high quality financial institutions. Patient fees receivable are principally with insurance carriers and various individuals receiving services from the Organization. Realization of these items is dependent on various individual economic conditions. The Organization does not perform ongoing credit evaluations of the financial condition of the insurance carriers and individuals and, generally, requires no collateral from them. Cash equivalents and investments are based on quoted market prices. Approximately 58% of the Organization's revenues from patient fees and assessments were received from three insurance carriers in 2019. As of June 30, 2019, fees due from these carriers represented approximately 61% of patient fees receivable, net.

Note 10 – Net assets with donor restrictions
Net assets with donor restrictions at June 30 consist of:

	2019	2018
Bereavement Program	$ 489,735	$ 456,434
Child Intervention Project	339,505	435,609
Time restrictions	55,000	--
Capital campaign for new facilities	562,042	--
Permanent endowment	515,000	515,000
	$ 1,961,282	$ 1,407,043

Permanent endowment funds consist of contributions for capital endowment funds that are required by the gift instrument to be invested into perpetuity. The income from such investments is used for the general maintenance of the Organization's facility and general operating purposes.

Net assets were released from donor restriction by incurring expenses satisfying the purpose specified by donors for years ended June 30, 2019 and 2018 as follows:

	2019	2018
Bereavement Program	$ 78,276	$ 88,791
Child Intervention Project	113,553	104,885
	$ 191,829	$ 193,676

Note 11 – Donated services
Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, fundraising activities, and various committee assignments. The Organization receives more than 2,000 volunteer hours per year. No amounts have been reflected in the financial statements for donated volunteer services as the criteria under U.S. GAAP for recognition has not been met.

Note 12 – Commitments

The Organization entered into a lease for office space effective June 1, 2019 through the date of the purchase of this building with monthly rent of $7,000. Simultaneously, the Organization entered into an agreement to purchase the building in which the leased office space resides for $3,177,000 on or before December 15, 2020 (Note 15). This agreement also required the Organization to make an initial deposit of $139,000 in November 2018 and an additional deposit of $160,000 on November 1, 2019.

The Organization has entered into an operating lease agreement for office space at a monthly rent of $2,545. This lease was terminated effective November 2019 and the landlord agreed to waive rent payments from July 1, 2019 through November 2019.

As this lease required rents at below market value, the Organization recorded a non-cash donation of rent totaling $33,000 for each of the years ended June 30, 2019 and 2018. Rent expense for each of the years ended June 30, 2019 and 2018 amounted to $70,540 and $63,540, respectively.

Note 13 – Endowment funds

The Organization has established endowment funds for its permanent capital endowment funds as well as net assets wth other donor restrictions. In addition, the Board of Trustees has designated a portion of the Organization's net assets as a general endowment fund to support the mission of the Organization.

The Organization has a spending policy that allows for the appropriating for distribution each year 4.5% of its board-designated endowment fund's average fair value of the prior 12 quarters. Distributions in excess of 4.5% are subject to board approval. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately CPI 4.5% annually. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of endowment assets as of June 30 are as follows:

	2019	2018
Net assets with donor restrictions (Note 10)	$ 1,961,282	$ 1,407,043
Board restricted net assets	4,335,703	5,448,077
Endowment net assets, end of year	$ 6,296,985	$ 6,855,120

Note 13 – Endowment funds (continued)
Changes in endowment assets for the years ended June 30 are as follows:

	2019	2018
Endowment net assets, beginning of year	$ 6,855,120	$ 6,762,821
Investment income	128,369	216,118
Net appreciation (depreciation)	111,630	279,336
Amounts appropriated for expenditure	(798,134)	(403,155)
Endowment net assets, end of year	$ 6,296,985	$ 6,855,120

Note 14 – Liquidity and availability of financial assets
The Organization manages its liquid resources by focusing on closely managing the Organization's expenses. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

The Organization prepares a detailed budget to ensure adequate resources to cover programs. The Organization focuses on timing vendor payments to maximize the time they have access to the cash. The following reflects the Organization's financial assets available to be used for general expenditures within one year of June 30, 2019:

Cash and cash equivalents	$ 605,287
Patient fees receivable, net	21,603
Unconditional promises to give within one year	209,000
Investments	6,200,987
Total financial assets	7,036,877
Less those unavailable for general expenditures within one year, due to:	
Donor restrictions	(1,961,282)
Board designations	(4,335,703)
Net financial assets	$ 739,892

Note 15– Subsequent events
On April 1, 2020, the Organization closed on the purchase the its facilities (Note 12).

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While management believes the Organization is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Organization and its financial statements is undetermined at this time.

The Organization has evaluated subsequent events through May 3, 2020, which was the date the financial statements were issued.