Martha's Kitchen

Financial Statements

June 30, 2019
(With Comparative Totals for 2018)

armanino

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Martha's Kitchen
San Jose, California

We have audited the accompanying financial statements of Martha's Kitchen (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's 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 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 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 Martha's Kitchen as of June 30, 2019, 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.

MOORE
An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Adjustments to Summarized Comparative Information

The financial statements of Martha's Kitchen as of June 30, 2018, were audited by other auditors whose report dated October 31, 2018, expressed an unmodified opinion on those statements. As discussed in Note 2 to the financial statements, the Organization has adjusted its 2018 summarized comparative information to retrospectively apply ASU 2016-14. The other auditors reported on the financial statements before the retrospective adjustment. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 summarized comparative information to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

Armanino LLP
San Jose, California

September 11, 2019

Martha's Kitchen
Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 140,872	$ 215,444
Accounts receivable	-	1,250
Inventory	36,621	28,482
Prepaid expenses	69,281	77,249
Total current assets	246,774	322,425
Property and equipment, net	861,700	978,221
Investments	6,143,963	6,075,438
Total assets	$ 7,252,437	$ 7,376,084
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 4,004	$ 17,463
Accrued expenses	90,060	41,044
Deferred revenue	55,600	78,950
Total current liabilities	149,664	137,457
Net assets		
Without donor restrictions		
Undesignated	1,381,615	1,163,189
Board-designated operating reserve	1,300,000	-
Board-designated lease improvements reserve	1,500,000	-
Board-designated kitchen upgrades/replacement reserve	500,000	-
Board-designated endowment	2,421,158	6,075,438
Total without donor restrictions	7,102,773	7,238,627
Total net assets	7,102,773	7,238,627
Total liabilities and net assets	$ 7,252,437	$ 7,376,084

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

Martha's Kitchen
Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support, revenue and investment income				
Support and revenue				
Contributions	$ 662,665	$ -	$ 662,665	$ 945,667
In-kind contributions	642,789	-	642,789	569,599
Special events, net of $70,114 expenses	-	102,232	102,232	124,053
Sacred Heart Nativity School lunch program	94,876	-	94,876	96,610
Government grants	50,132	-	50,132	35,000
Other revenue	2,299	-	2,299	567
Total support and revenue	1,452,761	102,232	1,554,993	1,771,496
Investment income				
Capital gains distributions	163,481	-	163,481	188,778
Interest and dividends	139,527	-	139,527	129,623
Net realized and unrealized gains	65,846	-	65,846	190,415
Total investment income	368,854	-	368,854	508,816
Net assets released from restriction	102,232	(102,232)	-	-
Total support, revenue and investment income	1,923,847	-	1,923,847	2,280,312
Functional expenses				
Program services	1,773,027	-	1,773,027	1,714,076
Support services				
Management and general	171,656	-	171,656	59,948
Fundraising	115,018	-	115,018	83,242
Total support services	286,674	-	286,674	143,190
Total functional expenses	2,059,701	-	2,059,701	1,857,266
Change in net assets	(135,854)	-	(135,854)	423,046
Net assets, beginning of year	7,238,627	-	7,238,627	6,815,581
Net assets, end of year	$ 7,102,773	$ -	$ 7,102,773	$ 7,238,627

Martha's Kitchen
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Personnel expenses					
Salaries and wages	$ 503,508	$ 116,699	$ 80,425	$ 700,632	$ 601,635
Employee benefits	86,802	21,085	13,990	121,877	109,957
Payroll taxes	40,093	9,293	6,404	55,790	47,830
Total personnel expenses	630,403	147,077	100,819	878,299	759,422
Donated food distributed	632,250	-	-	632,250	572,041
Purchased food distributed	136,975	-	-	136,975	119,225
Occupancy	160,324	3,169	3,168	166,661	159,126
Depreciation and amortization	119,478	-	-	119,478	120,952
Insurance	27,891	3,486	3,487	34,864	30,331
Equipment rental and maintenance	32,914	323	-	33,237	30,610
Travel	19,734	547	188	20,469	17,085
Professional services	-	12,975	-	12,975	9,298
Supplies	5,806	3,065	105	8,976	10,795
Telephone	3,604	451	450	4,505	4,768
Printing and publications	303	-	3,356	3,659	2,592
Postage and shipping	727	249	2,218	3,194	4,116
Donated services	2,400	-	-	2,400	2,400
Dues and subscriptions	218	294	1,027	1,539	3,689
Miscellaneous	-	20	200	220	132
Specific assistance	-	-	-	-	10,684
	$ 1,773,027	$ 171,656	$ 115,018	$ 2,059,701	$ 1,857,266
Percentage of total	86 %	8 %	6 %	100 %	

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

Martha's Kitchen
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (135,854)	$ 423,046
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Non-cash food donation	(640,389)	(567,199)
Donated food used in operations	632,250	572,041
Depreciation and amortization	119,478	120,952
Net realized and unrealized gains on investments	(65,846)	(190,415)
Changes in operating assets and liabilities		
Accounts receivable	1,250	(1,250)
Prepaid expenses	7,968	(41,301)
Accounts payable	(13,459)	2,471
Accrued expenses	49,016	-
Deferred revenue	(23,350)	22,343
Net cash provided by (used in) operating activities	(68,936)	340,688
Cash flows from investing activities		
Transfers to (from) operating account from (to) investment account	-	(516)
Purchases of property and equipment	(2,957)	(4,188)
Purchases of investments	(5,543,595)	(617,142)
Sales of investments	5,540,916	101,460
Net cash used in investing activities	(5,636)	(520,386)
Net decrease in cash and cash equivalents	(74,572)	(179,698)
Cash and cash equivalents, beginning of year	215,444	395,142
Cash and cash equivalents, end of year	$ 140,872	$ 215,444

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

Martha's Kitchen
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

1. NATURE OF OPERATIONS

Martha's Kitchen (the "Organization") is a nonprofit public benefit corporation whose mission is to provide hot meals and support to people in need in Santa Clara County, California, and surrounding areas. The Organization began in the 1960s when founder Louise Benson gave out peanut butter sandwiches and other essentials to the people in need from her garage in the Willow Glen area of San Jose, California. When neighbors complained about the lines of poor people in the neighborhood, she moved her ministry to her home parish in 1981. A few years later, the Organization was absorbed by Catholic Charities until 2001 when it incorporated as an independent nonprofit organization.

The Organization leases kitchen and dining room facilities at 311 Willow Street, San Jose, California from the Catholic Diocese of San Jose. During the year ended June 30, 2019, over 519,000 meals were either served at the facility or distributed to other food service facilities. In addition, substantial food products donated to the Organization were re-distributed to other charitable food service facilities and needy families for their use.

The Organization provides meals and support to people in need in the following counties:

- Santa Clara
- Santa Cruz
- San Benito
- Merced
- San Mateo
- Monterey

The Organization measures success by counting the number of meals prepared and the number of serving sites. In the past five years, the Organization has doubled the number of meals it prepares from less than 250,000 to over 500,000 a year; and almost doubled the number of partners-serving sites from 30 to 56.

The Organization is a community-driven organization. For a small organization, this soup kitchen that serves dinner twice a week and breakfast once a week received over 13,000 hours of volunteer time during the year ended June 30, 2019 to help with its mission of feeding the hungry. The local food bank and grocery stores as well as large venues donate food and supplies which totaled over $640,000 in the year ended June 30, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization 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"). The Organization reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - Net assets not subject to donor imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization, and/or the passage of time, or are maintained in perpetuity by the Organization. When the donor-imposed stipulation ends or the Organization satisfies an action, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Adoption of new accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).

2. Enhancing disclosures about:

   a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.

   b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.

   c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.

   d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.

   e. Methods used to allocate costs among program and support functions.

   f. Underwater endowment funds.

3. Reporting investment return net of external and direct internal investment expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting principle (continued)

4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments may include cash, corporate bonds, municipal bonds, governmental obligations, and equity securities. Such investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses, and interest and dividends, are included in the change in net assets.

Fair value measurements

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflect future fair values. Furthermore, although the Organization 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 certain financial instruments could result in a different fair value measurement at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 and 2 inputs because they generally provide the most reliable evidence of fair value. No Level 3 inputs were needed for the organization for the years ended June 30, 2019 and 2018.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and equipment

Property and equipment valued in excess of $1,000 at time of acquisition or donation are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	25 years
Furniture, fixtures and equipment	3 - 7 years
Automobiles	5 years

Revenue recognition

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The Organization periodically reviews the pledges for collectability. As a result of these reviews pledges deemed uncollectible are written off directly to bad debt expense. For the years ended June 30, 2019 and 2018, there was no bad debt expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor restrictions. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Sacred Heart Nativity School lunch program revenue is recognized based on the meals provided.

In-kind contributions

Donated supplies and equipment are recorded at their fair market value as of the date of the donation. Contributed services, which require specialized skills and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization also receives donated services that does not require specific expertise and are appropriately not reflected in the accompanying financial statements, but which are nonetheless central to the Organization's operations.

Donated food from Second Harvest of Silicon Valley was valued at $1.62 per pound for the year ended June 30, 2019. This valuation is based on a cost study conducted for Feeding America. Donated food from sources other than Second Harvest of Silicon Valley was valued based on the estimated purchase price by the category of the food using a variety of sources for comparison.

Advertising costs

Advertising costs are expensed as incurred. For the years ended June 30, 2019 and 2018, advertising expense totaled $200 and $200, respectively.

Expense allocation

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited. Indirect expense allocations are based on an analysis of personnel time, square footage, and similar factors.

Income tax status

The Organization is exempt from Federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Act. Management has evaluated the Organization's operations and concluded the financial statements do not include any uncertain tax positions. Accordingly, no provision for income taxes has been made in the accompanying statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of credit risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash, bonds, and equities. The Organization maintains cash deposit and transaction accounts with major U.S. and international banks, which. from time to time, may exceed federally insured limits. Management of the Organization periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2019 and 2018, and is included in "accrued expenses" in the statement of financial position. The accrued vacation balance as of June 30, 2019 and 2018 was $31,194 and $30,421, respectively.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2019 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2019. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 11, 2019.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Leasehold improvements	$ 2,045,502	$ 2,045,502
Furniture, fixtures and equipment	451,428	448,471
Automobiles	117,175	117,175
	2,614,105	2,611,148
Accumulated amortization and depreciation	(1,752,405)	(1,632,927)
	$ 861,700	$ 978,221

Amortization and depreciation expense totaled $119,478 and $120,952 for the years ended June 30, 2019 and 2018, respectively.

4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investment at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
Stocks	$ 3,066,749	$ -	$ -	$ 3,066,749
Mutual funds	2,528,271	-	-	2,528,271
Certificates of deposit	-	401,113	-	401,113
Cash and equivalents	136,329	-	-	136,329
Corporate bonds	-	11,501	-	11,501
	$ 5,731,349	$ 412,614	$ -	$ 6,143,963

The following table sets forth by level, within the fair value hierarchy, the Organization's investment at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	$ 5,638,427	$ -	$ -	$ 5,638,427
Certificates of deposit	-	428,477	-	428,477
Cash and equivalents	7,009	-	-	7,009
Corporate bonds	-	1,525	-	1,525
	$ 5,645,436	$ 430,002	$ -	$ 6,075,438

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

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.

Investments include endowment funds consisting of a board-designated endowment in amount of $2,421,158. As described in Note 8, the board-designated endowment has a spending rate of up to 5%. The Organization authorized an appropriation of $572,116 to support operations for the year ending June 30, 2020 only. Accordingly, $572,116 of appropriations from the board-designated endowment will be available within the next 12 months. The board-designated endowment could be made available in its entirety if needed.

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2019 to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	$ 140,872
Investments	6,143,963
	6,284,835
Less: portion not available for current use	
Board-designated endowment ($2,421,158 less planned appropriation of $572,116)	(1,849,042)
Board-designated operating reserve	(1,300,000)
Board-designated lease improvements reserve	(1,500,000)
Board-designated kitchen upgrades/replacement reserve	(500,000)
	(5,149,042)
	$ 1,135,793

The Organization has unrestricted cash and cash equivalents and investments available for general operation purposes. As of June 30, 2019 the Organization had $1,135,793 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

6. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2019	2018
Donated food	$ 640,389	$ 567,199
Donated services	2,400	2,400
	$ 642,789	$ 569,599

7. COMMITMENTS AND CONTINGENCIES

Operating leases

The Organization occupies premises located at 311 Willow Street, San Jose, California located in Sacred Heart Parish Hall. The property is leased for a twenty-year period beginning July 1, 2003, with an option to renew for an additional five-year period.

The monthly rental payments during the current year have been $6,341 per month.

7. COMMITMENTS AND CONTINGENCIES (continued)

Operating leases (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2020	$	79,092
2021		79,092
2022		79,092
2023		79,092
	$	316,368

The Organization also rents storage facilities on a monthly basis for $924 per month. Rent expense for the years ended June 30, 2019 and 2018 totaled $86,297 and $83,119, respectively.

Contingencies

The Organization was successful in obtaining a grant in the amount of $250,000 from the City of San Jose Community Development Block Grant program to pay for other construction costs incurred to bring the kitchen up to all code requirements and for enlarging the kitchen. The agreement provides for a lien secured by a deed of trust on the leasehold interest held by the Organization with the Catholic Diocese of San Jose. The lien is in effect until December 31, 2019, and provides that the note will become due and payable if (a) there is a sale of the facility by the Organization prior to December 31, 2019, (b) upon a change in use of the facility prior to December 31, 2019, or (c) upon a default under the Deed of Trust secured by the leasehold interest.

8. BOARD-DESIGNATED NET ASSETS

Board-designated operating reserve

Martha's Kitchen's board of directors passed a board resolution during 2019 to designate funds totaling $1,300,000 for an operating reserve. The operating reserve amount is based on one year of budgeted cash operating expenses.

Board-designated lease improvements reserve

Martha's Kitchen's board of directors passed a board resolution during 2019 to designate funds totaling $1,500,000 for planned lease improvements.

8. BOARD-DESIGNATED NET ASSETS (continued)

Board-designated kitchen upgrades/replacement reserve

Martha's Kitchen's board of directors passed a board resolution during 2019 to designate funds totaling $500,000 for planned kitchen upgrades and/or kitchen equipment replacement.

Board-designated endowment

Martha's Kitchen's board of directors passed a board resolution during 2005 creating a board-designated endowment fund for long-term support of its operations. Up to 5% of the endowment fund as of the end of the prior fiscal year is authorized for an annual withdrawal to support operations, including investment management fees with respect to the endowment fund, on an as-needed basis during a fiscal year. On June 5, 2019 the board authorized a withdrawal of up to $572,116 of the endowment fund to support operations for year ending June 30, 2020 only. As of June 30, 2019 and 2018, the board-designated endowment fund balance was $2,421,158 and $6,075,438, respectively. During the year ended June 30, 2019 the Organization re-designated some of its board-designated endowment funds to other board-designated funds as described above.

Investment objective

The investment objective for the portfolio is long-term growth of capital with the endeavor to be socially responsible in the Organization's investments. The time horizon for the portfolio is sufficient to assume risk consistent with equity ownership. Cash and/or money market balances will be maintained primarily for reinvestment purposes, with a portion of funds maintained in certificates of deposit to ensure liquidity, if necessary.

The equity portion of the portfolio will be diversified across a number of mutual funds or indices, with particular emphasis on domestic large cap value and growth companies. For diversification and risk minimization purposes, a portion of the equity portfolio will consist of small/medium cap companies and/or international equities.

Fixed income holdings will consist of intermediate government and corporate bonds with investment grade rating by Standard & Poor's or Moody's; or mortgage-backed securities, such as, U.S. Government or Agency Mortgage pass-through securities rated AA or better.

The portfolio's asset allocation will pursue the long-term target mix shown below, which enables the fund to achieve stable portfolio growth with limited downside risk. In varying market environments, the allocation may change within the following guidelines.

8. BOARD-DESIGNATED NET ASSETS (continued)

Investment objective (continued)

Target investment allocation will be as follows:

	Target	Minimum	Maximum
Equity	50 %	40 %	55 %
Fixed income	40 %	35 %	55 %
Certificates of deposit	10 %	- %	- %

The target mix of the funds invested in mutual funds will be as follows:

Domestic large cap value stocks	30 %
Domestic large cap growth stocks	30 %
International stocks	25 %
Small/medium cap stocks	15 %

The allocation of the mutual fund investments will be reviewed semiannually in July and January and be reallocated to approximate the target mix.