Two Ten Footwear Foundation, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2020 and 2019

Two Ten Footwear Foundation, Inc.

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

The Board of Directors of
Two Ten Footwear Foundation, Inc.

We have audited the accompanying financial statements of Two Ten Footwear Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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 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 Two Ten Footwear Foundation, Inc. as of June 30, 2020 and 2019, 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.

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Emphasis of Matter – Adoption of Accounting Pronouncement

As discussed in Note A to the financial statements, Two Ten Footwear Foundation, Inc. has adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)– Restricted Cash*, ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 *Not-For-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Daniel Dennis & Company LLP

February 18, 2021

Two Ten Footwear Foundation, Inc.
Statements of Financial Position
June 30, 2020 and 2019

Assets	*2020*	*2019*
Current Assets		
Cash and cash equivalents	$ 177,863	$ 263,611
Prepaid expenses and deposits	52,806	60,894
Deferred expenses	46,850	176,058
Contributions receivable (less allowance for doubtful accounts of $1,100,000 and $320,000 in 2020 and 2019, respectively)	676,724	1,807,909
Total current assets	954,243	2,308,472
Fixed Assets		
Property and equipment, net	1,937,978	2,063,293
Other Assets		
Investments	33,434,534	35,569,367
Contributions receivable, net	1,630,326	1,883,498
Total other assets	35,064,860	37,452,865
Total assets	$ 37,957,081	$ 41,824,630
Liabilities and Net Assets		
Current Liabilities		
Accounts payable, trade	$ 142,395	$ 181,835
Accrued liabilities	402,733	545,664
Deferred income	-	82,267
Note Payable	336,047	-
Total current liabilities	881,175	809,766
Other Liabilities		
Annuities payable	39,442	48,116
Total liabilities	920,617	857,882
Net Assets		
Without donor restrictions:		
Board designated	830,184	830,184
Undesignated	(1,149,471)	709,763
With donor restrictions	37,355,751	39,426,801
Total net assets	37,036,464	40,966,748
Total liabilities and net assets	$ 37,957,081	$ 41,824,630

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statements of Activities
For the Years Ended June 30, 2020 and 2019

	Without Donor Restrictions	*With Donor Restrictios*	*2020 Total*	*2019 Total*
Revenue and Support:				
Annual giving	$ 1,630,391	$ 54,970	$ 1,685,361	$ 1,271,888
Gross revenues from special events	3,073,048	866,812	3,939,860	3,616,926
less: direct event expenses	(1,009,803)	-	(1,009,803)	(876,986)
Net revenues from special events	2,063,245	866,812	2,930,057	2,739,940
Interest and dividends	-	402,196	402,196	1,387,253
Allocated investment income	2,847,804	-	2,847,804	844,261
Net assets released from restrictions	1,480,093	(1,480,093)	-	-
Other	-	-	-	355
Total revenue and support	8,021,533	(156,115)	7,865,418	6,243,697
Expenses:				
Human services	7,128,486	-	7,128,486	4,317,374
Membership and education	207,397	-	207,397	305,591
Leadership development/public awareness	470,607	-	470,607	521,683
Total program expenses	7,806,490	-	7,806,490	5,144,648
Management and administration	993,681	-	993,681	1,054,644
Fundraising	994,747	-	994,747	912,774
Total expenses	9,794,918	-	9,794,918	7,112,066
Change in net assets before other changes	(1,773,385)	(156,115)	(1,929,500)	(868,369)
Other changes:				
Contributions	-	133,260	133,260	184,506
Net unrealized gain on investments	-	456,124	456,124	285,209
Net realized gain/(loss) on investments	(85,849)	343,485	257,636	(41,657)
Investment income allocation	-	(2,847,804)	(2,847,804)	(844,261)
Total other changes	(85,849)	(1,914,935)	(2,000,784)	(416,203)
Change in net assets	(1,859,234)	(2,071,050)	(3,930,284)	(1,284,572)
Net assets, beginning of year	1,539,947	39,426,801	40,966,748	42,251,320
Net assets, end of year	$ (319,287)	$ 37,355,751	$ 37,036,464	$ 40,966,748

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Revenue and Support:			
Annual giving	$ 1,046,888	$ 225,000	$ 1,271,888
Gross revenues from special events	2,760,347	856,579	3,616,926
less: direct event expenses	(876,986)	-	(876,986)
Net revenues from special events	1,883,361	856,579	2,739,940
Interest and dividends	69,719	1,317,534	1,387,253
Allocated investment income	844,261	-	844,261
Net assets released from restrictions	973,004	(973,004)	-
Other	355	-	355
Total revenue and support	4,817,588	1,426,109	6,243,697
Expenses:			
Human services	4,317,374	-	4,317,374
Membership and education	305,591	-	305,591
Leadership development/public awareness	521,683	-	521,683
Total program expenses	5,144,648	-	5,144,648
Management and administration	1,054,644	-	1,054,644
Fundraising	912,774	-	912,774
Total expenses	7,112,066	-	7,112,066
Change in net assets before other changes	(2,294,478)	1,426,109	(868,369)
Other changes:			
Contributions	-	184,506	184,506
Net unrealized gain on investments	14,267	270,942	285,209
Net realized gain on investments	(91,138)	49,481	(41,657)
Investment income allocation	-	(844,261)	(844,261)
Total other changes	(76,871)	(339,332)	(416,203)
Change in net assets	(2,371,349)	1,086,777	(1,284,572)
Net assets, beginning of year	3,911,296	38,340,024	42,251,320
Net assets, end of year	$ 1,539,947	$ 39,426,801	$ 40,966,748

See accompanying notes to financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Human Services	*Membership and Education*	*Leadership Development/Public Awareness*	*Total Program*	*Management and Administration*	*Fundraising*	*Total*
Salaries	$ 610,090	$ 139,637	$ 273,698	$ 1,023,425	$ 296,763	$ 398,223	$ 1,718,411
Payroll tax and benefits	124,765	22,103	52,898	199,766	75,160	83,894	358,820
Consulting	165,810	7,229	29,729	202,768	277,186	63,589	543,543
Outside labor	190,517	-	855	191,372	21,017	13,982	226,371
Legal and accounting	-	-	-	-	71,983	-	71,983
Insurance	9,341	2,620	2,620	14,581	2,506	5,696	22,783
Office expense	45,178	9,053	15,250	69,481	9,531	22,202	101,214
Repairs and maintenance	95,424	26,755	26,755	148,934	25,635	58,392	232,961
Scholarship payments	1,038,093	-	-	1,038,093	-	-	1,038,093
Relief payments	3,995,794	-	-	3,995,794	-	-	3,995,794
Other operating expense	754,689	-	68,802	823,491	196,921	310,181	1,330,593
Depreciation	98,785	-	-	98,785	16,979	38,588	154,352
	$ 7,128,486	$ 207,397	$ 470,607	$ 7,806,490	$ 993,681	$ 994,747	$ 9,794,918

See accompanying notes to the financial statements.

Two Ten Footwear Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Human Services	*Membership and Education*	*Leadership Development/Public Awareness*	*Total Program*	*Management and Administration*	*Fundraising*	*Total*
Salaries	$ 670,845	$ 215,654	$ 217,907	$ 1,104,406	$ 303,956	$ 480,825	$ 1,889,187
Payroll tax and benefits	152,550	40,340	46,733	239,623	62,078	107,657	409,358
Consulting	127,485	10,263	82,035	219,783	26,989	63,809	310,581
Outside labor	43,366	-	3,715	47,081	11,967	2,364	61,412
Legal and accounting	-	-	-	-	83,794	-	83,794
Insurance	10,218	2,728	2,731	15,677	2,609	5,930	24,216
Office expense	45,961	9,554	38,152	93,667	9,060	28,593	131,320
Repairs and maintenance	80,447	21,632	25,365	127,444	23,449	47,178	198,071
Scholarship payments	973,004	-	-	973,004	-	-	973,004
Relief payments	1,895,905	-	-	1,895,905	-	-	1,895,905
Other operating expense	219,243	5,420	105,045	329,708	513,838	138,000	981,546
Depreciation	98,350	-	-	98,350	16,904	38,418	153,672
	$ 4,317,374	$ 305,591	$ 521,683	$ 5,144,648	$ 1,054,644	$ 912,774	$ 7,112,066

See accompanying notes to the financial statements.

Two Ten Footwear Foundation, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	*2019*
Cash Flows From Operating Activities:		
Change in net assets	$ (3,930,284)	$ (1,284,572)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	154,352	153,672
Bad debt	1,145,611	276,094
Net realized (gains)/loss on long-term investments	(257,636)	41,657
Net unrealized gains on long-term investments	(456,124)	(285,209)
Dividend income	(402,196)	(1,387,253)
Change in net present value discount	(102,409)	(51,588)
Changes in assets and liabilities		
Contributions receivable	341,944	(72,435)
Prepaid and deferred expenses	137,296	(108,281)
Accounts payable and accrued liabilities	(182,371)	522,625
Deferred income	(82,267)	(4,173)
Note Payable	336,047	-
Net cash used by operating activities	(3,298,037)	(2,199,463)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(29,037)	(80,919)
Purchase of investments	(800,000)	(500,000)
Proceeds from sale of investments	4,050,000	2,800,000
Net cash provided by investing activities	3,220,963	2,219,081
Cash Flows From Financing Activities:		
Payment of annuities	(8,674)	(24,890)
Net cash used by financing activities	(8,674)	(24,890)
Net change in cash and cash equivalents	(85,748)	(5,272)
Cash and cash equivalents, beginning of year	263,611	268,883
Cash and cash equivalents, at end of year	$ 177,863	$ 263,611

See accompanying notes to financial statements.

Note A – Summary of Significant Accounting Policies

Two Ten Footwear Foundation, Inc. (the "Foundation") is a public charity incorporated under the laws of Massachusetts to provide financial assistance to worthy individuals or to aid them in furthering their education at any school, college, university, or other institute of higher learning or to make donations to domestic entities organized and operated exclusively for charitable, scientific or educational purposes. Additionally, the Foundation provides counseling and financial assistance to people in the shoe industry and the leather and allied trades. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes. This designation may be removed at the board's direction.

Net Assets With Donor Restrictions
Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The Foundation reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Note A – Summary of Significant Accounting Policies – *Continued*

The restricted net assets of the Foundation consist of the following fund groups:

Net Assets With Donor Restrictions

Scholarship Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be expended for qualifying scholarship payments.

Building Fund – represents donor restricted funds solely for the purchase and maintenance of the building used to house the offices of the Foundation (temporarily restricted).

Leadership Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used for the purpose of developing new leadership within the Foundation.

Gerontology Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for elderly people.

Children's Fund – represents donor restricted endowments (permanent) and investment income and gains (temporarily restricted). Income may only be used to provide special resources for children.

Relief Fund – represents donor restricted endowments (permanent) and investment gains (temporarily restricted) and unrestricted funds and resources from investment income available for support and promotion of Foundation activities.

Adoption of New Accounting Pronouncements

Effective July 1, 2019, the Foundation implemented the provisions of the FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related amendments. ASU 2014-09 supersedes most existing revenue recognition guidance. ASU 2014-09 provides a principles based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Foundation expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation applied this standard on a full retrospective method. The implementation of this standard did not require the Foundation to restate previously reported results.

Note A – Summary of Significant Accounting Policies – *Continued*

Adoption of New Accounting Pronouncements – Continued

Effective July 1, 2019, the Foundation implemented the provisions of FASB's ASU No. 2018-08 *Not-For-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The new guidance is effective for transactions in which the Foundation serves as a resource recipient for fiscal years beginning after December 15, 2018. The Foundation applied the provisions of this ASU on a modified prospective basis and excluded any agreement that was completed for which all revenue had been recognized prior to the ASU's effective date. Management has concluded that the implementation of the new standard did not require an adjustment to the opening net asset balances.

During 2020, the Foundation adopted the provisions of FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. The ASU requires that a statement of cash flows explain the change during the period in total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Foundation has applied the ASU retrospectively to all prior periods presented. The adoption of the ASU did not materially change the statement of cash flows for the years ended June 30, 2020 and 2019.

Revenue Recognition

Contracts and grants are recorded over the period covered by the contract or grant as services are provided and costs are incurred. Grants and contributions without donor restrictions are recorded when cash, securities or an unconditional promise to give is received.

The Foundation records income and expenses from special event activities when the event has been completed. Expenditures incurred and income received for events that are to be held at future dates have been recorded as deferred expenses and deferred income, respectively.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Intentions to give are not included as support until collected or formally promised and legally enforceable. Gifts of non-cash assets are recorded at their fair value at the date of contribution, as determined by the donor or the Foundation.

Note A – Summary of Significant Accounting Policies – *Continued*

Contributions Receivable

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of donors to meet their obligations. It is the Foundation's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. 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.

Unconditional promises to give (contribution receivable) are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. The Foundation's cash is placed in high quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses in such accounts.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Charitable Gift Annuities

Assets received under gift annuity agreements are recorded at the fair market value of the assets when the assets are received by the Foundation as trustee. In conjunction with these gifts, the Foundation has recorded a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based on actuarial expected lives of the beneficiaries.

Note A – Summary of Significant Accounting Policies – *Continued*

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
    - Quoted prices for similar assets or liabilities in active markets;
    - Quoted prices for identical or similar assets or liabilities in inactive markets;
    - Inputs other than quoted prices that are observable for the asset or liability;
    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on relative effort exerted for the related function.

Property and Equipment

Property and equipment are recorded at cost. The Foundation capitalizes property and equipment with a cost of greater than $1,000 and a useful life longer than one year. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives, principally on the straight-line basis. The Foundation uses the direct expensing method to account for planned major maintenance activities.

Note A – Summary of Significant Accounting Policies – *Continued*

Investments

Investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs. All investment securities owned by the Foundation are held by independent custodians. The investments of the Foundation are carried on a pooled basis. Investment income, interest income and unrealized and realized gains or losses from investment transactions are allocated among the participating funds based on the market values of the investments allocated to each fund. Investment income consists of dividends and interest and is included in revenues and support. Unrealized and realized gains and losses are determined using average cost basis and include capital gains from mutual funds reinvested and are reported under *other changes* in net assets.

The financial statements include investments in alternative funds valued at $19,253,855 and $18,403,672 at June 30, 2020 and 2019, with cost basis' of $12,000,000 and $12,000,000, respectively. These values have been estimated by the investment managers of the underlying alternative funds in the absence of readily determinable fair values. Those estimated fair values may differ significantly from values that would have been used had a ready market for these investments existed at June 30, 2020 and 2019, and the differences could be material.

Income Tax Status

The Foundation is a not-for-profit organization that is exempt from Federal and Commonwealth income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which the Foundation had none for the years ended June 30, 2020 and 2019, would be subject to Federal and Commonwealth income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

GAAP requires the evaluation of tax positions taken or expected to be taken in the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Foundation has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2020 returns and believes they are more-likely-than-not of being sustained if examined by Federal or Commonwealth tax authorities. The Foundation's 2017 through 2019 tax years remain subject to tax examination by Federal and Commonwealth tax authorities.

Note B – Investments

Investments consisted of the following at June 30:

	2020	*2019*
Domestic equity funds	$ 5,344,470	$ 6,737,458
Fixed income funds	5,227,539	6,023,499
International equity funds	3,608,670	4,404,738
Alternative investment funds	19,253,855	18,403,672
Total investments	$ 33,434,534	$ 35,569,367

The Foundation classifies its investments into: Level 1, which relate to securities traded on an active market, Level 2, which relate to securities not traded on an active market but for which observable market inputs are readily available and Level 3 which relate to securities not actively traded and for which no significant observable inputs are readily available. At June 30, 2020 and 2019, all of the Foundations investments except for the alternative investment funds were Level 1 investments. The alternative investment funds are Level 3 investments. Although the alternative investment funds are considered Level 3 investments, their underlying assets are well diversified across multiple asset classes with the goal of generating risk adjusted returns over a long-term horizon.

The following presents a reconciliation of the Foundation's beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

Fair Value	*2020*	*2019*
Balance beginning of year	$ 18,403,672	$ 17,571,707
Unrealized gain included in change in net assets	850,183	831,965
Balance end of year	$ 19,253,855	$ 18,403,672
Unrealized gain related to assets still held at end of year	$ 7,253,855	$ 6,403,672

All investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

Note B – Investments - ***Continued***

Endowment Investment and Spending Policies

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and its own governing documents. The Foundation's endowment consists of several individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets as net assets with donor restrictions that are permanently restricted (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 classified in nets assets with permanent donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending polices, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6.25%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

Note B – Investments – *Continued*

Endowment Investment and Spending Policies - Continued

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount at least equal to 5% of a moving thirteen quarter average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 1.25% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition with donor restrictions by type of fund as of June 30, 2020 and 2019 is as follows:

	2020	*2019*
Temporarily restricted	$ 8,524,456	$10,728,766
Permanently restricted	28,831,295	28,698,035
Total	$ 37,355,751	$39,426,801

Changes in endowment net assets with donor restrictions for years ending June 30, 2020 and 2019 are as follows:

	Temporarily Restricted	*Permanently Restricted*	*Total Endowment*
2019			
Endowment net assets June 30, 2018	$ 9,826,495	$28,513,529	$38,340,024
Contributions	1,081,579	184,506	1,266,085
Investment income	1,317,534	-	1,317,534
Net appreciation	320,423	-	320,423
Released from restriction	(973,004)	-	(973,004)
Amounts appropriated for expenditure	(844,261)	-	(844,261)
Endowment net assets June 30, 2018	$ 10,728,766	$28,698,035	$39,426,801
2020			
Endowment net assets June 30, 2019	$ 10,728,766	$28,698,035	$39,426,801
Contributions	921,782	133,260	1,055,042
Investment income	402,196	-	402,196
Net appreciation	799,609	-	799,609
Released from restriction	(1,480,093)	-	(1,480,093)
Amounts appropriated for expenditure	(2,847,804)	-	(2,847,804)
Endowment net assets June 30, 2020	$ 8,524,456	$28,831,295	$37,355,751

Note B – Investments – *Continued*

Endowment Investment and Spending Policies - Continued

The investments are subject to market fluctuations and due to the level of risk associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the financial statements.

Note C – Contributions Receivable

Contributions receivable consisted of the following at June 30:

	2020	*2019*
Endowment pledges receivable	$ 1,000,000	$ 1,055,000
Relief pledges receivable	1,002,589	1,299,896
Other receivables	1,468,998	1,823,457
	3,471,587	4,178,353
Less: Net present value discount	(64,537)	(166,946)
Allowance for doubtful accounts	(1,100,000)	(320,000)
Contributions receivable, net	$ 2,307,050	$ 3,691,407

Contributions receivable are recorded at the net present value of their estimated future cash flows at a discount rate of 1.09% and 2.57% for 2020 and 2019, respectively. Contributions receivable expected to be realized are as follows at June 30:

	2020	*2019*
One year or less	$ 1,843,231	$ 2,127,909
Between one and five years	578,356	950,444
More than five years	1,050,000	1,100,000
	3,471,587	4,178,353
Less: Net present value	(64,537)	(166,946)
Allowance for doubtful accounts	(1,100,000)	(320,000)
Contributions receivable, net	$ 2,307,050	$ 3,691,407

Note D – Retirement Plan

The Foundation maintains a defined contribution retirement plan covering substantially all of its employees. Contributions to the plan are determined as a percentage of each covered employee's salary. The Foundation contributed $47,284 and $37,501 to the plan for the years ended June 30, 2020 and 2019, respectively.

Note E – Property and Equipment

Property, equipment and improvements are comprised of the following at June 30:

	2020	*2019*
Computer equipment	$ 592,084	$ 573,981
Office equipment	42,490	42,490
Furniture and fixtures	174,185	163,251
Building and building improvements	3,008,532	3,008,532
	3,817,291	3,788,254
Less accumulated depreciation	(2,426,180)	(2,271,828)
	1,391,111	1,516,426
Land	546,867	546,867
Total	$1,937,978	$2,063,293
Depreciation expense	$ 154,352	$ 153,672

Note F – Designated Net Assets

During prior fiscal years the Foundation received several substantial gifts from an individual's estate totaling $830,184. The board of directors has designated these assets for the purpose of preserving the Foundation's endowment fund.

Note G – Net Assets with Donor Restrictions - Temporarily Restricted

Net assets with donor restrictions considered temporarily restricted are comprised of contributions, gains on net assets with donor restrictions that were permanently restricted and investment income with the following purpose restrictions:

	2020	*2019*
Scholarships	$ 80,600	$ 628,164
Building maintenance	212,499	235,494
Leadership development	74,714	109,853
Resources for the elderly	72,215	97,236
Resources for children	345,658	486,402
Support and promotion of Foundation activities	7,738,770	9,171,617
Total	$ 8,524,456	$10,728,766

During fiscal years 2020 and 2019, $1,038,093 and $973,004 were released from restriction related to the Foundations scholarship program and $442,000 was released in 2020 related to bad debt expense.

Note H – Net Assets with Donor Restrictions - Permanently Restricted

Net assets with donor restrictions considered permanently restricted consist of endowment funds with income restricted for the following purposes:

	2020	*2019*
Scholarships	$12,589,227	$12,455,967
Leadership development	250,000	250,000
Resources for the elderly	159,000	159,000
Resources for children	954,955	954,955
Support and promotion of Foundation activities	14,878,113	14,878,113
Total	$28,831,295	$28,698,035

Note I – Fundraising

Total fund-raising expense for the year ended June 30, 2020 and 2019 was $994,747 and $912,774, respectively. For 2020 and 2019 fund-raising expenses were approximately 17% and 18% of the total annual event and contribution revenue, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Note J – Concentration

Approximately $2,000,000 of accounts receivable are due from four large corporate/foundation donors and a single contribution from an individual donor. The corporate/foundation pledges are primarily to be received over the next three fiscal years. The individual donor's pledge of $1,000,000 is payable upon the death of the donor's surviving spouse from a trust created upon the death of the donor or from the surviving spouse's estate. The current age of the surviving spouse is seventy-five. Management believes that there will be sufficient assets to fulfill the donor's pledge at $1,000,000. Management also believes the pledges from the four large corporate/foundation donors are fully collectable.

Note K – Related Party Transactions

The Foundation receives contributions in the form of donated surplus shoes from manufacturers. The Foundation contracts with The Jay Group, who sells the shoes on behalf of and remits the proceeds to the Foundation. A member of the Foundation's board of directors is also a member of the board of directors of The Jay Group. During fiscal years 2020 and 2019, proceeds from the sale of donated surplus shoes amounted to $359,279 and $257,000, respectively. These amounts are recorded as donations on the *Statements of Activities*.

Note L – Liquidity and Availability

The following reflects the Foundation's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of the balance sheet date because of restrictions:

	2020	*2019*
Financial assets at year end:		
Cash and cash equivalents	$ 177,863	$ 263,611
Contributions receivable, net	676,724	1,807,909
Total financial assets	854,587	2,071,520
Financial assets available to meet general expenditures over the next twelve months	$ 854,587	$ 2,071,520

As part of liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenses, liabilities and obligations become due.

Note M – Note Payable

Payroll Protection Program Loan
The Foundation entered into a promissory note agreement with Bank of America dated May 1, 2020 in the amount of $336,047, which bears interest at a rate of 1% per annum and matures in May 2022 under the Small Business Administration's Payroll Protection Program. The note has no repayment terms for six months and beginning in October 2020, principal and interest payments are due monthly. The note payable is forgivable if the Foundation meets certain spending requirements such as using at least 75% of the funds for payroll and related costs and the remaining amount on qualified costs as part of the Payroll Protection Program requirements. The outstanding balance at June 30, 2020 was $336,047. The note was forgiven in January of 2021.

Note N - Contingency

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include contributor's ability to donate due to job loss. The future effects of these issues are unknown.

Note O – Subsequent Events

On July 1, 2020, the Foundation entered into a revolving line of credit agreement with Bancorp Bank with a credit limit of $5,000,000. Each advance received will bear interest at a rate equal to the bank's daily periodic rate. The line is secured by the Foundation's investments as disclosed in Note B, not including the alternative investments. The line of credit may be closed by either the bank or the Foundation at any time.

The Foundation has evaluated subsequent events through February 18, 2021, which is the date the financial statements were available to be issued.