

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

THE GATHERING OF SOUTHEAST WISCONSIN, INC.

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Independent Auditor's Report

Board of Directors
Gathering of Southeast Wisconsin, Inc.

We have audited the accompanying financial statements of Gathering of Southeast Wisconsin, Inc. 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 Organization'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 purposes 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 Gathering of Southeast Wisconsin, Inc. 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.

Ritz Holman LLP

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Board of Directors
Gathering of Southeast Wisconsin, Inc.

Report on Summarized Comparative Information

We have previously audited Gathering of Southeast Wisconsin, Inc.'s June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



RITZ-HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
January 27, 2020

Gathering of Southeast Wisconsin, Inc.
804 E. Juneau Avenue
Milwaukee, WI 53202

In planning and performing our audit of the financial statements of Gathering of Southeast Wisconsin, Inc. for the year ended June 30, 2019, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency:

1. It was noted in testing that petty cash is not reconciled or recorded in the accounting software. It is recommended that the Organization recommended that petty cash be tracked through QuickBooks.
2. It was noted in reviewing bank reconciliation, an adjusting entry was made to reduce US Bank Checking account \$1,609 to write off an old deposit. Entry was repeat from prior year. It is recommended that Organization review bank reconciliation for items that have not cleared for over 90 days.
3. It was noted in testing credit card expenses, expenses incurred on the CitiCard credit card had not been recorded in QuickBooks since September of 2018. It is recommended the Organization reconcile the credit card activity and record monthly activity.
4. Out of 25 expenses selected for testing, one of the checks written was not signed. It is recommended that the Organization implement a process where written checks are reviewed.
5. It was noted that accrued payroll was not recorded. It is recommended that adjustments to accrual basis be made at least at year-end or as needed.
6. The donor database is not regularly reconciled to the accounting software. It is recommended that the donor database be regularly reconciled to the accounting software to verify all donations are received and recorded.

This letter does not affect our report dated January 27, 2020, on the financial statements of Gathering of Southeast Wisconsin, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.


RITZ-HOLMAN LLP
Certified Public Accountants

January 27, 2020

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January 27, 2020

To the Board of Directors
Gathering of Southeast Wisconsin, Inc.

We have audited the financial statements of Gathering of Southeast WI, Inc. for the year ended June 30, 2019, and have issued our report thereon dated January 27, 2020. Professional standards require that we provide you with the information about our responsibilities under *Generally Accepted Auditing Standards* and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gathering of Southeast Wisconsin, Inc. are described in Note A to the financial statements. The Organization's financial statements include changes required within the *Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, effective for years beginning after December 15, 2017. This standard made significant changes in reporting of net asset classes, liquidity and functional expenses. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

1. Management's estimate of the expense allocation to program, management and fundraising on the statement of activities. This estimate is based on management's estimate of costs attributable to the relative nature of the expenses. We evaluated the key factors and assumptions used to develop the allocation to programs, management and fundraising in determining that the estimate is reasonable in relation to the financial statements taken as a whole.
2. Management's estimate of depreciation is based on the estimated useful lives of assets and determination of assets still in service. We evaluated the key factors and assumptions used to develop depreciation expense and the value of fully depreciated assets in determining that it is reasonable in relation to the financial statements taken as a whole.
3. Management's estimate of in-kind donations is based on estimated fair market value of goods and services provided during the year. We evaluated the key factors and assumptions used to develop depreciation expense and the value of fully depreciated assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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To the Board of Directors
Gathering of Southeast Wisconsin, Inc.
Page Two

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Significant or material journal entries provided by you after the onset of audit fieldwork or proposed to you include the following:

- Cash was decreased by \$1,609
- Receivables were increased by \$7,125
- Fixed Assets were increased by \$6,995
- Investments were increased by \$24,540
- Credit Card Payable was increased by \$3,162
- Net Assets were increased by \$41,405

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 27, 2020.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
Gathering of Southeast Wisconsin, Inc.
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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Gathering of Southeast Wisconsin, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Ritz Holman LLP".

RITZ-HOLMAN LLP
Certified Public Accountants

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(With Summarized Totals for June 30, 2018)

| ASSETS | | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 76,710 | \$ 104,960 |
| Grants Receivable | 22,200 | 34,721 |
| Prepaid Expenses | 4,161 | 6,331 |
| Total Current Assets | \$ 103,071 | \$ 146,012 |
| FIXED ASSETS | | |
| Leasehold Improvements | \$ 13,825 | \$ 13,825 |
| Equipment | 65,714 | 65,714 |
| Total Fixed Assets | \$ 79,539 | \$ 79,539 |
| Less: Accumulated Depreciation | (52,525) | (44,960) |
| Net Fixed Assets | \$ 27,014 | \$ 34,579 |
| OTHER ASSETS | | |
| Investments | \$ 274,207 | \$ 295,559 |
| Mooney Scholarship Fund | 19,074 | 18,497 |
| Beneficial Interest - Greater Milwaukee Foundation | 131,410 | 132,698 |
| Total Other Assets | \$ 424,691 | \$ 446,754 |
| TOTAL ASSETS | \$ 554,776 | \$ 627,345 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 1,300 | \$ 1,456 |
| Credit Card Payable | 2,960 | 3,142 |
| Accrued Payroll Liabilities | 5,759 | 5,550 |
| Current Portion of Capital Lease Obligations | 1,356 | 1,863 |
| Total Current Liabilities | \$ 11,375 | \$ 12,011 |
| LONG-TERM LIABILITIES | | |
| Capital Lease Obligations | \$ 1,356 | \$ 3,218 |
| Less: Current Portion of Capital Lease Obligations | (1,356) | (1,863) |
| Total Long-Term Liabilities | \$ --- | \$ 1,355 |
| Total Liabilities | \$ 11,375 | \$ 13,366 |
| NET ASSETS | | |
| Without Donor Restrictions | \$ 359,807 | \$ 460,784 |
| With Donor Restrictions | 183,594 | 153,195 |
| Total Net Assets | \$ 543,401 | \$ 613,979 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 554,776 | \$ 627,345 |

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

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2019 Total</u> | <u>2018 Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|--------------------------|--------------------------|
| REVENUE | | | | |
| Churches | \$ 50,097 | \$ --- | \$ 50,097 | \$ 41,874 |
| Individuals | 145,223 | --- | 145,223 | 153,093 |
| Corporations | 21,222 | --- | 21,222 | 44,236 |
| Memorials - Bequests | 25,605 | --- | 25,605 | 22,457 |
| Foundations | 112,173 | 22,200 | 134,373 | 165,426 |
| Hunger Relief Fund of Wisconsin | 11,703 | --- | 11,703 | 13,148 |
| State and Federal Income | 28,365 | --- | 28,365 | 35,252 |
| United Way | 13,254 | --- | 13,254 | 11,172 |
| In-Kind Donations | 369,894 | --- | 369,894 | 368,574 |
| Special Event Income | 5,920 | 10,910 | 16,830 | 35,600 |
| Special Event Expenses | (6,050) | --- | (6,050) | (13,587) |
| Investment Income | 17,171 | 7,637 | 24,808 | 30,605 |
| Net Assets Released from Restrictions | 10,348 | (10,348) | --- | --- |
| Total Revenue | <u>\$ 804,925</u> | <u>\$ 30,399</u> | <u>\$ 835,324</u> | <u>\$ 907,850</u> |
| EXPENSES | | | | |
| Community Meals Program | \$ 805,307 | \$ --- | \$ 805,307 | \$ 764,116 |
| Management and Supporting Services | 59,359 | --- | 59,359 | 54,598 |
| Fundraising | 41,236 | --- | 41,236 | 36,368 |
| Total Expenses | <u>\$ 905,902</u> | <u>\$ ---</u> | <u>\$ 905,902</u> | <u>\$ 855,082</u> |
| CHANGE IN NET ASSETS | \$ (100,977) | \$ 30,399 | \$ (70,578) | \$ 52,768 |
| Net Assets, Beginning of Year | <u>460,784</u> | <u>153,195</u> | <u>613,979</u> | <u>561,211</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 359,807</u></u> | <u><u>\$ 183,594</u></u> | <u><u>\$ 543,401</u></u> | <u><u>\$ 613,979</u></u> |

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

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

| | Community Meals Programs | Management and Supporting Services | Fundraising | 2019 Total | 2018 Total |
|-------------------------------------|--------------------------------|---|-------------------------|--------------------------|--------------------------|
| Salaries and Wages | \$ 250,279 | \$ 27,470 | \$ 27,469 | \$ 305,218 | \$ 289,948 |
| Payroll Taxes | 21,290 | 4,028 | 3,452 | 28,770 | 25,159 |
| Employee Benefits | 21,965 | 4,154 | 3,563 | 29,682 | 15,175 |
| Retirement Benefits | 6,650 | 1,258 | 1,078 | 8,986 | 8,734 |
| Professional Fees | 15,579 | 2,077 | 3,116 | 20,772 | 13,861 |
| Accounting Fees | --- | 7,610 | --- | 7,610 | 7,676 |
| Insurance | 8,650 | 1,526 | --- | 10,176 | 8,655 |
| Supplies | 8,571 | --- | --- | 8,571 | 9,131 |
| Office Expenses | 3,649 | 842 | 1,123 | 5,614 | 3,980 |
| Postage | 1,794 | 359 | 1,435 | 3,588 | 3,774 |
| Program Expense | 102,957 | --- | --- | 102,957 | 113,514 |
| Equipment Rental and Maintenance | 3,770 | --- | --- | 3,770 | 529 |
| Food | 302,219 | --- | --- | 302,219 | 285,093 |
| Depreciation | 7,565 | --- | --- | 7,565 | 6,734 |
| Travel Expense | 9,010 | --- | --- | 9,010 | 9,407 |
| Occupancy | 39,655 | 9,914 | --- | 49,569 | 50,486 |
| Non-Capital Fixed Asset Purchases | 1,222 | --- | --- | 1,222 | 2,214 |
| Interest Expense | 482 | 121 | --- | 603 | 1,012 |
| Subtotal | <u>\$ 805,307</u> | <u>\$ 59,359</u> | <u>\$ 41,236</u> | <u>\$ 905,902</u> | <u>\$ 855,082</u> |
| Special Event Expenses | | | | | |
| Venue | \$ --- | \$ --- | \$ --- | \$ --- | \$ 6,586 |
| Supplies | --- | --- | 263 | 263 | 812 |
| Postage | --- | --- | 39 | 39 | --- |
| Printing | --- | --- | 3,721 | 3,721 | 403 |
| Fees | --- | --- | 2,027 | 2,027 | 5,786 |
| Total Special Events | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 6,050</u> | <u>\$ 6,050</u> | <u>\$ 13,587</u> |
| TOTAL EXPENSES | <u><u>\$ 805,307</u></u> | <u><u>\$ 59,359</u></u> | <u><u>\$ 47,286</u></u> | <u><u>\$ 911,952</u></u> | <u><u>\$ 868,669</u></u> |

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

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (70,578) | \$ 52,768 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities | | |
| Depreciation Expense | 7,565 | 6,734 |
| Unrealized and Realized (Gain) Loss on Investments | (12,115) | (22,418) |
| (Increase) Decrease in Grants Receivable | 12,521 | (19,646) |
| (Increase) Decrease in Prepaid Expenses | 2,170 | (1,848) |
| Increase (Decrease) in Accounts Payable | (156) | 263 |
| Increase (Decrease) in Credit Card Payable | (182) | (817) |
| Increase (Decrease) in Accrued Payroll and Liabilities | 209 | 885 |
| | <u>\$ (60,566)</u> | <u>\$ 15,921</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Investments | \$ 48,349 | \$ 5,818 |
| Purchases of Investments | (14,171) | (9,567) |
| Purchase of Fixed Assets | --- | (21,294) |
| | <u>\$ 34,178</u> | <u>\$ (25,043)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment on Capital Lease Obligation | \$ (1,862) | \$ (1,454) |
| | <u>\$ (1,862)</u> | <u>\$ (1,454)</u> |
| Net Decrease in Cash and Cash Equivalents | \$ (28,250) | \$ (10,576) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>104,960</u> | <u>115,536</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 76,710</u></u> | <u><u>\$ 104,960</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest Paid | \$ 603 | \$ 1,012 |

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

THE GATHERING OF SOUTHEAST WISCONSIN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - Summary of Significant Accounting Policies

Organization

The Gathering of Southeast Wisconsin, Inc. provides meals and associated services or programs to those who would otherwise go hungry or without.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Fixed Assets

Fixed assets in excess of \$1,000 are recorded at cost. Depreciation is provided over the useful life of the assets using the straight-line method.

Estimates

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

Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions and Donations

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increase net assets without donor restrictions. When a restriction expires, 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. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - Summary of Significant Accounting Policies (continued)

Functional Expenses

The Organization allocates costs based on their functional and natural classification in the statement of functional expenses. Program costs are those associated with carrying out the mission of the Organization. Whenever possible, the Organization allocates costs directly to program, management or fundraising. The cost of individuals that participate in more than one function are allocated to each function based on that individual's time in each function. Other costs that relate to more than one function are allocated based on their estimated share in each function.

NOTE B - Comparative Financial Information

The financial information shown for 2018 in the accompanying financial statements is included to provide a basis for comparison with 2019 and presents summarized totals only. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE C - Accounting Change

For the year ended June 30, 2019, the Organization's financial statements changed to adopt the *Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*, effective for years beginning after December 15, 2017. This update is required and makes significant changes in reporting of net asset classes, liquidity and functional expenses. Before the change, net assets had three classifications including unrestricted, temporarily restricted, and permanently restricted. After the change, net assets are considered to be with donor restrictions and without donor restrictions. Before the change, the amount of an endowment considered to be underwater reduced unrestricted net assets. After the change, the amount of an endowment considered to be underwater reduces net assets with donor restrictions. Other new requirements include presenting a statement of functional expenses and footnotes providing information about the functional expenses and liquid financial assets of the Organization.

The Organization applied the change on a retrospective basis within the summarized comparative information for the year ended June 30, 2018 and in information for the year ended June 30, 2019. The change also resulted in a presentation which includes a statement of functional expenses and functional expense and liquidity footnotes.

NOTE D - Liquidity

The Organization has financial assets available to meet cash needs for general expenditure consisting of the following:

| | |
|------------------------|-----------------|
| Cash | \$76,710 |
| Grants Receivable | <u>22,200</u> |
| Total Financial Assets | <u>\$98,910</u> |

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D - Liquidity (continued)

The grants receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE E - Beneficial Interest - Greater Milwaukee Foundation

The Organization has two accounts that are located at the Greater Milwaukee Foundation. The first account is a designated fund in which the Organization has a 100% beneficial interest. The balance of this account at June 30, 2019, was \$27,162. The principal from this account is inaccessible to the Organization; they only have access to the income earned. In accordance with generally accepted accounting principles, the principal amounts are not recorded on the Organization's statements of financial position.

The second account is the Gathering Memorial Fund, an Agency Endowment Fund, created by the Organization with the Greater Milwaukee Foundation. The balance of this account at June 30, 2019, was \$131,410. The principal from this account is inaccessible to the Organization; they only have access to the interest earned.

The Organization has adopted Financial Accounting Standards Transfers of Assets to Not-for-Profit or Charitable Trust That Raises or Holds Contributions for Others. The Organization has designated itself as the sole beneficiary of the income from the investment of these funds. The board of trustees of the Greater Milwaukee Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

NOTE F - Mooney Scholarship Fund

A donor-restricted endowment fund has been set up by the Organization for the Michelle Mooney Scholarship Fund of The Gathering. This money is held by the Trustees of Funds and Endowments, Inc. When the principal balance of the fund reaches \$10,000, distributions can be made. Distributions will be granted upon the recommendation of the Board of Directors of the Organization. At June 30, 2019, the fair value of this account was \$19,074.

NOTE G - Endowment

Interpretation of Relevant Law

The State of Wisconsin adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds. UPMIFA requires that the portion of a donor-restricted endowment fund that is to be held in perpetuity is not reduced by losses on the investment of the fund, except to the extent required by the donor. Likewise, the amount of net assets held in perpetuity is not reduced by an organization's appropriations from the fund. The portion of the fund that is not classified as net assets held in perpetuity is reported as net assets with donor restrictions until appropriated for expenditure by the Organization.

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE G - Endowment (continued)

The Organization has adopted the following investment objectives, goals and guidelines:

Investment Objectives

The Organization's investments are defined as a hybrid combination of endowment and savings account. When possible, investments will resemble an endowment with the principal remaining invested according to investment goals and guidelines below. However, should the Organization require additional dollars to fund operations (beyond what is available in cash and cash equivalents at the time), investments will serve as a reserve savings account, and a portion of the investments may be liquidated to fund operations as needed.

In accordance with the existing policy, investments are to remain within a target band of six (6) to twelve (12) months of the current fiscal year operating budget. Should investments drop below the six-month band or exceed the 12-month band, the Organization's financial position will be reassessed by the Board of Directors.

Investment Goals

Based on the investment objectives stated above, the goals pertaining to investments include:

- Capital preservation.
- Prudent growth over an investment cycle, defined as net returns exceeding inflation over a three- to five- year period in order to preserve purchasing power.
- Liquidity and accessibility to assets should they be needed to fund operations.
- Minimization of investment expenses, including mutual fund expense ratios and transaction costs.

While capital preservation is important, a strategy that is positioned too conservatively may, over time, lead to such low returns that inflation alone diminishes the relative value of the fund. Because The Gathering of Southeast Wisconsin, Inc. is an organization whose work will most likely be needed in perpetuity, investing for some growth over the long term is prudent even if it can be somewhat unsettling in the short term, particularly in the case of a market downturn. Investment according to the guidelines below should provide sufficient capital preservation in down markets while remaining invested in equities for long-term growth

Investment Guidelines

Given the investment goals stated above, the following are allocation targets for investments:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Allowable Range</u> |
|--------------------|--------------------------|------------------------|
| Equity | 60% | 45-70%, |
| Fixed Income* | 40% | 30-55% |

*Fixed income includes cash and cash equivalents within assets designated as investments.

Direct investment in alternative investments (including, but not limited to, real estate and hedge funds) is not considered appropriate for the Organization's investments.

Fund distributions (dividends and capital gains) are to be reinvested.

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
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NOTE G - Endowment (continued)

Endowment net assets composition as of June 30, 2019, is as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
|---------------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| Michelle Mooney Scholarship Fund | \$ --- | \$ 7,048 | \$ 7,048 |
| Scholarship Fund – Held in Perpetuity | <u>---</u> | <u>12,026</u> | <u>12,026</u> |
| Total | <u>\$ ---</u> | <u>\$19,074</u> | <u>\$19,074</u> |

Changes in endowment net assets as of June 30, 2019 are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
|--|---------------------------------------|------------------------------------|-----------------------------|
| Endowment Net Assets, Beginning of Year | \$ --- | \$18,497 | \$18,497 |
| Investment Income | <u>---</u> | <u>577</u> | <u>577</u> |
| Endowment Net Assets, End of Year | <u>\$ ---</u> | <u>\$19,074</u> | <u>\$19,074</u> |

NOTE H - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

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

| <u>Investment Category</u> | <u>Fair Value</u> | <u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|----------------------------|-------------------|---|--|--|
| Mutual Funds | \$274,207 | \$274,207 | \$ --- | \$ --- |
| Michelle Mooney Fund | 19,074 | 19,074 | --- | --- |
| GMF Investments | <u>131,410</u> | <u>---</u> | <u>---</u> | <u>131,410</u> |
| Total | <u>\$424,691</u> | <u>\$293,281</u> | <u>\$ ---</u> | <u>\$131,410</u> |

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NOTE H - Fair Value Measurements (continued)

GMF Investments include equities securities, fixed income securities, absolute return hedge funds and long/short equity hedge funds. These funds are held by the Greater Milwaukee Foundation.

The Michelle Mooney Scholarship Fund of the Gathering includes cash and equities securities. The funds are held by the Trustees of Funds and Endowment, Inc.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | <u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u> | |
|---|--|------------------|
| | <u>GMF Investment</u> | <u>Total</u> |
| Beginning Balance, July 01, 2018 | \$132,698 | \$132,698 |
| Total Gains or Losses (Realized/Unrealized) | 4,060 | 4,060 |
| Purchases, Issuances, and Settlements | 3,000 | 3,000 |
| Grants Distributed | (6,969) | (6,969) |
| Investment Fees | <u>(1,379)</u> | <u>(1,379)</u> |
| Ending Balance, June 30, 2019 | <u>\$131,410</u> | <u>\$131,410</u> |

NOTE I - Capital Lease

The Organization has a capital lease for a copy machine with a fair market value of \$6,999 at lease inception. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease and, accordingly, it is recorded in the Organization's assets and liabilities. The assets are included under Fixed Assets and are being depreciated over the lease terms and useful life of five years. Accumulated depreciation was \$6,182 as of June 30, 2019, and depreciation expense of \$1,400 is included in the year ended June 30, 2019.

The following is a schedule by years of the future minimum lease payments required as of June 30, 2019:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|----------------|
| 2020 | <u>\$1,356</u> | <u>\$118</u> | <u>\$1,474</u> |
| Total | <u>\$1,356</u> | <u>\$118</u> | <u>\$1,474</u> |

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NOTE J - Operating Leases

The Organization operates at four different locations. At one location, the Organization entered into a one-year occupancy lease agreement on October 1, 2017. The lease will automatically renew annually absent a termination notice 60 days prior to termination. The monthly payments are \$1,381 as of June 30, 2019. The Organization has another one-year occupancy lease that will increase 3% upon renewal. The monthly payments are \$1,545 as of June 30, 2019. The other locations are on month-to-month agreements. Total occupancy expense for the year ended June 30, 2019 was \$49,569.

NOTE K - In-Kind Donations

The Organization receives various in-kind donations. These in-kind donations are valued at fair market value on the date of donation and are included in both revenue and expenses.

In-kind donations consist of the following for the year ended June 30, 2019:

| | <u>Amount</u> |
|-----------------------|------------------|
| Leadership Volunteers | \$ 86,112 |
| Donated Food | <u>283,782</u> |
| Total | <u>\$369,894</u> |

The Organization also received group and individual volunteer meal serving, cleaning, decorating, cooking assistance and organizing services at all meal sites for the year ended June 30, 2019.

NOTE L - Employment Contract

The Organization has a contract with a professional employer organization during 2019 to lease employees. The salaries, payroll taxes, and employee benefits have been allocated on the schedule of functional expenses for the Organization's leased employees.

NOTE M - Retirement Plan

The Organization maintains a 401(k) plan for all its employees. The Organization matches up to 5% of salaries for each employee. The Organization contributed \$8,986 to its retirement plan during the year ended June 30, 2019.

THE GATHERING OF SOUTHEAST WISCONSIN, INC.
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JUNE 30, 2019

NOTE N - Net Assets With Donor Restrictions

At June 30, 2019, the Organization had \$183,594 of net assets with donor restrictions, which consisted of the following:

| | |
|--|------------------|
| GMF | \$131,410 |
| Mooney Investment - Held In Perpetuity | 12,026 |
| Mooney Scholarship Fund | 7,048 |
| Future Event Sponsorships | 10,910 |
| Pledges Receivable | <u>22,200</u> |
| Total | <u>\$183,594</u> |

NOTE O - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2019, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE P - Subsequent Event

The Organization has evaluated events and transactions occurring after June 30, 2019, the date of the most recent statement of financial position, through the date financial statements are available to be issued, January 27, 2020, for possible adjustment to the financial statements or disclosure and determined that no subsequent events need to be disclosed.

The lease between the Organization and St. Joseph of the Capuchin Order was terminated on August 31, 2019.