

# **Water Street Ministries d/b/a Water Street Mission and Affiliate**

## **Consolidated Financial Report**

**June 30, 2019**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Water Street Ministries d/b/a  
Water Street Mission and Affiliate  
Lancaster, Pennsylvania

We have audited the accompanying consolidated financial statements of Water Street Ministries d/b/a Water Street Mission (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Water Street Ministries d/b/a Water Street Mission and Affiliate as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Adjustment**

As discussed in Note 20 to the financial statements, certain errors resulting in the understatement of amounts previously reported for investments, contributions, and investment income as of and for the year ended June 30, 2018, were discovered during the current year. Accordingly, amounts reported for investments, contributions, and investment income have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

## **Emphasis of Matter**

As described in Note 18 to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

## **Report on Summarized Comparative Information**

We have previously audited Water Street Ministries d/b/a Water Street Mission and Affiliate's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 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 consolidated financial statements from which it has been derived.

*Simon Lever LLC*  
**Simon Lever LLC**  
Lititz, PA

October 14, 2019

CONSOLIDATED FINANCIAL STATEMENTS

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

	2019	Restated 2018
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Cash and cash equivalents	3,980,391	3,816,123
Receivables	166,541	62,102
Inventory	351,058	319,436
Prepaid expenses	113,234	201,578
Investments	8,862,527	8,033,346
Property and equipment, net of accumulated depreciation of \$6,616,302 - 2019; \$5,965,768 - 2018	6,548,175	6,551,218
Beneficial interest in split-interest agreements	211,766	203,856
Investments - with donor restrictions	542,919	542,919
Beneficial interest in assets held by others in perpetual trust	<u>4,256,837</u>	<u>4,314,955</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>25,033,448</u></b>	<b><u>24,045,533</u></b>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2019 and 2018**

	2019	Restated 2018
	<u>\$</u>	<u>\$</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	346,074	38,905
Accrued payroll and employee benefits	270,523	248,648
Accrued expenses	49,055	71,115
Annuity obligations	30,265	31,343
Obligations under capital lease	<u>1,778</u>	<u>2,540</u>
<b>TOTAL LIABILITIES</b>	<u>697,695</u>	<u>392,551</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Designated by board	6,427,156	6,192,204
Allocated to property and equipment	6,548,175	6,551,218
Undesignated	<u>5,266,945</u>	<u>4,974,527</u>
Total without donor restrictions	<u>18,242,276</u>	<u>17,717,949</u>
With donor restrictions	<u>6,093,477</u>	<u>5,935,033</u>
<b>TOTAL NET ASSETS</b>	<u>24,335,753</u>	<u>23,652,982</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>25,033,448</u>	<u>24,045,533</u>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2019 and 2018**

	Without Donor Restrictions	With Donor Restrictions	Comparative Totals	
			2019	Restated 2018
	\$	\$	\$	\$
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions, net of direct special event expenses of 2019-\$158,768; 2018-\$93,317	7,867,446	254,913	8,122,359	7,275,017
Contributions - non-cash	1,740,927	0	1,740,927	1,732,219
Investment income, net of investment fees	172,447	0	172,447	249,428
Income from beneficial interests	198,476	0	198,476	216,281
Program fees	123,401	0	123,401	81,209
Other income	18,681	0	18,681	29,581
Net assets released from restrictions	41,636	(41,636)	0	0
<b>Total Revenues and Other Support</b>	<b>10,163,014</b>	<b>213,277</b>	<b>10,376,291</b>	<b>9,583,735</b>
<b>EXPENSES</b>				
Program				
Water Street Mission	6,512,990	0	6,512,990	5,726,335
Water Street Health Services	914,545	0	914,545	996,211
Management and general	668,575	0	668,575	633,276
Fundraising and development	1,730,944	0	1,730,944	1,455,107
<b>Total Expenses</b>	<b>9,827,054</b>	<b>0</b>	<b>9,827,054</b>	<b>8,810,929</b>
<b>Change in Net Assets from Activities</b>	<b>335,960</b>	<b>213,277</b>	<b>549,237</b>	<b>772,806</b>
<b>OTHER CHANGES</b>				
Net realized and unrealized gains on investments	382,900	0	382,900	273,365
Gain on sale of property held for sale	0	0	0	23,576
Loss on disposal of capital assets	(190,756)	0	(190,756)	0
Adjustment to beneficial interest in split-interest agreements	0	3,285	3,285	11,019
Adjustment to beneficial interest in assets held by others in perpetual trust	0	(58,118)	(58,118)	53,495
Adjustment to annuity obligations	(3,777)	0	(3,777)	54,509
<b>Total Other Changes</b>	<b>188,367</b>	<b>(54,833)</b>	<b>133,534</b>	<b>415,964</b>
<b>CHANGES IN NET ASSETS</b>	<b>524,327</b>	<b>158,444</b>	<b>682,771</b>	<b>1,188,771</b>
Net Assets at Beginning of Year	17,717,949	5,935,033	23,652,982	22,464,211
<b><u>Net Assets at End of Year</u></b>	<b><u>18,242,276</u></b>	<b><u>6,093,477</u></b>	<b><u>24,335,753</u></b>	<b><u>23,652,982</u></b>

See Notes to Financial Statements



Water Street Ministries d/b/a Water Street Mission and Affiliate

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2019 and 2018**

	Program Services		Support Activities			Comparative Totals	
	WSM Program Services	Water Street Health Services	Management and General	Fundraising and Development	Total	2019	Restated 2018
	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	2,717,907	432,717	329,094	567,484	896,578	4,047,202	3,630,555
Donated services	4,752	148,734	0	0	0	153,486	210,062
Employee health and retirement benefits	481,283	78,168	63,396	97,928	161,324	720,775	734,185
Payroll taxes and unemployment claims	221,267	32,382	23,054	39,498	62,552	316,201	300,010
Donated clothing and furniture	11,610	0	0	0	0	11,610	87,320
Donated food and supplies	1,493,550	0	0	0	0	1,493,550	1,212,534
Donated medical supplies	0	52,803	0	0	0	52,803	85,233
Food and supplies purchased	119,509	8,608	7,235	4,562	11,797	139,914	108,904
Occupancy	199,373	15,117	5,829	2,291	8,120	222,610	175,506
Security	10,723	422	0	0	0	11,145	12,721
Building repairs and maintenance	68,649	0	3,137	0	3,137	71,786	76,005
Equipment repairs, small equipment, and IT equipment	73,815	10,668	11,549	13,260	24,809	109,292	66,561
Vehicle fuel, repairs and maintenance	9,741	0	3,228	20	3,248	12,989	15,609
Promotional expenses	3,719	109	1,087	800,784	801,871	805,699	709,846
Insurance	135,173	13,227	24,007	12,527	36,534	184,934	171,763
Telephone	45,993	9,773	12,371	5,927	18,298	74,064	76,880
Professional fees	90,551	12,291	64,752	43,135	107,887	210,729	62,415
Scholarships	54,254	0	0	0	0	54,254	44,093
Interest expense	0	0	226	0	226	226	300
Property taxes	0	0	2,682	0	2,682	2,682	3,257
Conferences, seminars and travel	30,153	17,486	14,873	28,077	42,950	90,589	51,947
Licenses and fees	18,348	7,735	58,853	95,285	154,138	180,221	140,746
Special events	0	0	0	158,768	158,768	158,768	93,317
Other expenses	116,463	29,289	13,874	10,390	24,264	170,016	143,617
<b>Total Expenses Before Depreciation and Amortization</b>	<b>5,906,833</b>	<b>869,529</b>	<b>639,247</b>	<b>1,879,936</b>	<b>2,519,183</b>	<b>9,295,545</b>	<b>8,213,386</b>
Depreciation and amortization	606,157	45,016	29,328	9,776	39,104	690,277	690,860
Less direct expenses related to special events	0	0	0	(158,768)	(158,768)	(158,768)	(93,317)
<b>Total Functional Expenses</b>	<b>6,512,990</b>	<b>914,545</b>	<b>668,575</b>	<b>1,730,944</b>	<b>2,399,519</b>	<b>9,827,054</b>	<b>8,810,929</b>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2019 and 2018**

	2019	Restated 2018
	<u>\$</u>	<u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	682,771	1,188,771
Adjustments to reconcile changes in net assets to change in net cash from operating activities:		
Depreciation and amortization	690,277	690,860
Donated property and equipment	0	(2,673)
Donated investments	(33,068)	(185,934)
Gain on sale of property held for sale	0	(23,576)
Change in value of annuity obligations	3,777	(54,509)
Realized gain on investments	(150,384)	(16,234)
Unrealized gain on investments	(232,516)	(257,131)
Loss on disposal of capital assets	190,756	0
Change in assets and liabilities:		
Receivables	(104,439)	280,060
Inventory	(31,622)	(10,914)
Prepaid expenses	88,344	27,649
Beneficial interest in split-interest agreements	(7,910)	(11,019)
Beneficial interest in assets held by others in perpetual trust	58,118	(53,496)
Accounts payable	307,169	(29,814)
Accrued payroll and employee benefits	21,875	3,281
Accrued expenses	(22,060)	(8,279)
 Net Cash Provided by Operating Activities	 <u>1,461,088</u>	 <u>1,537,042</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,435,258)	(2,310,529)
Proceeds from sale of investments	1,022,045	1,019,077
Proceeds from mortgage receivable	0	144,924
Purchase of property and equipment	(884,720)	(385,357)
Proceeds from sale of property held for sale	0	177,275
Purchases for property held for sale	0	(13,699)
Proceeds from disposal of property and equipment	6,730	0
 Net Cash Used in Investing Activities	 <u>(1,291,203)</u>	 <u>(1,368,309)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of annuity obligations	(4,855)	(2,778)
Payment of capital lease obligation	(762)	(688)
 Net Cash Used in Financing Activities	 <u>(5,617)</u>	 <u>(3,466)</u>
 Net Change in Cash and Cash Equivalents	 164,268	 165,267
Cash and Cash Equivalents:		
Beginning	<u>3,816,123</u>	<u>3,650,856</u>
Ending	<u>3,980,391</u>	<u>3,816,123</u>

See Notes to Financial Statements

## **Water Street Ministries d/b/a Water Street Mission and Affiliate**

### **Notes To Consolidated Financial Statements**

#### **Note 1 - Summary of Significant Accounting Policies**

Nature of Organization – Water Street Ministries d/b/a Water Street Mission and Affiliate, hereafter referred to as “Water Street,” are nonprofit organizations located in Lancaster, Pennsylvania. The purpose of Water Street is to advance the kingdom of God through the gospel of Jesus Christ and to do missionary, relief and rescue work of all kinds. Programs include providing food, shelter, clothing and furniture, medical and dental services, youth education, recovery and religious guidance to the poor and homeless men, women and children in south-central Pennsylvania.

Contributions from individuals, corporations and foundations in the form of cash, food, medications, medical supplies and services represent a significant portion of support to Water Street. Unpaid volunteers provide a significant amount of their time to perform services for Water Street programs, administration and fundraising activities.

Principles of Consolidation – The accompanying consolidated financial statements include the activities of Water Street Ministries d/b/a Water Street Mission and its affiliate, Water Street Health Services. Water Street Health Services, a non-profit organization, provides health services free of charge to the individuals of Lancaster County who fall within specific guidelines. Inter-entity activities between Water Street Mission and Water Street Health Services have been eliminated.

Comparative Financial Statement Presentation - The summarized comparative information for the year ended June 30, 2018 is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and is presented for comparative purposes only.

Income Taxes - Water Street is exempt from federal income taxes under Sec. 501(c)(3) of the Internal Revenue Code and; therefore, no provision for income taxes is included in the accompanying consolidated financial statements.

Water Street believes its exempt status will be sustained under audit and believes it does not have any significant uncertain tax positions. No required annual returns for organizations exempt from income tax are currently under examination by taxing jurisdictions.

Accounting Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Highly liquid investments with an original maturity of three months or less are considered to be cash equivalents with the exception of amounts held as long-term investments in Water Street’s investment portfolio.

Concentration of Credit Risk – During the year, Water Street’s deposit balances with financial institutions exceeded the FDIC insured limit. Management believes that credit risk related to these excess balances is minimal. As of June 30, 2019 deposits in excess of the FDIC limits totaled \$4,097,272.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes To Consolidated Financial Statements

#### Note 1 - Summary of Significant Accounting Policies - Continued

Inventory – Inventories consist of food, medications, medical and dental supplies, and general supplies held for future consumption. Inventories are stated at wholesale value, and cost is determined on the first-in, first-out (FIFO) method. Inventory consists of both donated and purchased items.

Donations of clothing are received and inventoried for distribution to the local community. Although these items are of value, such values are not readily ascertainable. Therefore, inventories of clothing donated to Water Street's Outreach Ministries are not reported on the accompanying consolidated balance sheets.

Investments – Investments consist of money market funds, certificates of deposit, fixed income and equity mutual funds, and marketable equity and fixed income securities. Certificates of deposit are stated at cost plus accrued interest and other investments are stated at market value on the accompanying statements of consolidated financial position. Investment income includes interest, dividends, and capital gain distributions, reduced by investment fees, and is included as income without donor restriction from activities on the accompanying consolidated statements of activities unless restricted by donor or law and the restriction was not met during the current year. Realized and unrealized gains and losses on investments are excluded from changes in net assets from activities, but are included as other changes in net assets without donor restriction in the accompanying consolidated statement of activities unless restricted by donor or law and the restriction was not met during the current year.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of consolidated financial position.

Property and Equipment – Property and equipment is stated at cost, except donated capital assets, which are stated at fair market value at the date of donation. Major improvements and betterments of existing building and fixtures are capitalized, while maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently. Property and equipment with a useful life greater than one year is capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Computer equipment and software	3 - 5
Vehicles	5
Furniture and office equipment	10
Machinery and equipment	5 - 20
Buildings and building improvements	10 - 40

When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss arising from its disposal is excluded from income from activities, but is included as other changes in net assets.

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 1 - Summary of Significant Accounting Policies – Continued**

Net Assets – Water Street is required to report 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.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein consist of the following:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Water Street and/or passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by Water Street.

Contributions – Contributions received are recorded as support without donor restrictions unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. For restricted contributions where the restrictions are satisfied in the same period as receipt of contributions, Water Street reports these contributions as support without donor restrictions.

Unconditional promises to give are recognized when Water Street is notified of the promise to give. Management recognizes an allowance for uncollectible amounts based on prior experience and analysis of specific promises made.

Water Street reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Water Street reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. These contributions are recorded at their estimated values on the date of receipt.

Donated Assets and Services – Donated assets are reflected as contributions in the accompanying consolidated financial statements at their estimated market values on the date of receipt except for donations of clothing that are valued when distributed to the community. Water Street is the recipient of significant quantities of donated food, medications and medical and general supplies.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes To Consolidated Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies – Continued**

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by contribution. Contributed services for the years ended June 30, 2019 and 2018 totaled \$153,486 and \$210,062, respectively.

Long-Lived Assets – Long-Lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be realizable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Bequests – Bequests are gifts made through a will at the donor's death. These gifts may be with or without donor restrictions. Bequests are recorded at the time such proceeds are measurable. During the years ended June 30, 2019 and 2018, Water Street recognized \$857,406 and \$507,757, respectively, as contributions from bequests. Bequests receivable as of June 30, 2019 and 2018 were \$101,667 and \$4,667, respectively.

Allocation of Expenses - The cost of providing various programs and supporting activities of Water Street have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on management estimates.

Promotional and Advertising Costs – Promotional and advertising costs are charged to expense when incurred. These amounts are presented as promotional expense on the Consolidated Statements of Functional Expenses.

#### **Note 2 – Liquidity and Availability of Funds**

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, schedule principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>\$</u>
Financial assets:	
Cash and cash equivalents	3,980,391
Receivables	166,541
Investments	9,405,446
Beneficial interest in split-interest agreements	211,766
Beneficial interest in assets held by others in perpetual trust	<u>4,256,837</u>
Total financial assets available within one year	18,020,981

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 2 – Liquidity and Availability of Funds – Continued**

	<u>\$</u>
Less those unavailable for general expenditures within one year:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(1,293,721)
Restricted by donor to maintain as an endowment or perpetual trust	(4,799,756)
Board designations:	
Amounts reserved for capital expenditures or general reserves	<u>(6,427,156)</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u><u>5,500,348</u></u>

As part of its liquidity management, Water Street has a policy to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. Water Street also invests its cash in excess of its daily needs in short-term investments. Should an unforeseen liquidity need arise, Water Street could liquidate these investments.

**Note 3 – Inventory**

Inventory at June 30, 2019 and 2018 is comprised of the following:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Food	144,994	162,897
General supplies	15,343	13,199
Medical supplies and medications	156,803	105,653
Dental supplies	<u>33,918</u>	<u>37,687</u>
<u>Total</u>	<u><u>351,058</u></u>	<u><u>319,436</u></u>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 4 – Investments**

Investments are stated at market value. Following is a summary of investments held at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	96,097	134,093
Certificates of deposit		
Current	1,012,474	252,188
Long Term	0	253,026
Bonds		
Short Term	1,870,793	1,760,519
Intermediate Term	1,063,242	852,601
Long Term	371,720	558,694
Equities		
Large Cap	3,348,362	3,351,916
Mid Cap	1,097,639	989,260
Small Cap	545,119	423,968
<u>Total</u>	<u>9,405,446</u>	<u>8,576,265</u>

Investment income and gains for cash and cash equivalents and investments are comprised of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Interest, dividend, and capital gain distribution income	213,526	289,876
Less: Investment fees	(41,079)	(40,448)
<u>Investment income, net of investment fees</u>	<u>172,447</u>	<u>249,428</u>
Other Changes:		
Realized gain of investments	150,384	16,234
Unrealized gain of investments	232,516	257,131
<u>Net realized and unrealized gain of investments</u>	<u>382,900</u>	<u>273,365</u>



## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes To Consolidated Financial Statements

#### **Note 5 – Property and Equipment**

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Computer equipment and software	519,373	458,204
Vehicles	287,049	278,468
Furniture and office equipment	290,742	290,742
Machinery and equipment	1,459,232	1,444,997
Buildings and building improvements	9,837,670	9,717,975
Land and land improvements	320,585	326,600
Construction in progress	445,826	0
Total	13,160,477	12,516,986
Less: Accumulated depreciation	<u>(6,612,302)</u>	<u>(5,965,768)</u>
<u>Property and Equipment, Net of</u> <u>Accumulated Depreciation</u>	<u>6,548,175</u>	<u>6,551,218</u>

Depreciation and amortization expense charged to current operations for the years ended June 30, 2019 and 2018 totaled \$690,277 and \$690,860, respectively.

#### **Note 6 – Property Held for Sale**

During the year ended June 30, 2017, Water Street received a donated residential property classified as held for sale. As of June 30, 2017, the property had a carrying value of \$140,000. This property was sold during the year ended June 30, 2018 resulting in a gain of \$23,576.

#### **Note 7 – Beneficial Interest in Split-Interest Agreements**

Water Street is a named remainder beneficiary of several split-interest agreements. Under these agreements, Water Street has a beneficial interest in a portion of the underlying assets, which are controlled by a trustee or a third-party fiscal agent. The underlying assets are principally marketable securities. During the life of an agreement, distributions are made to income beneficiaries of the agreement. At the end of an agreement's life, the remaining assets are distributed to Water Street, and any other remainder beneficiaries. The present value of Water Street's beneficial interest in these agreements was recorded as contributions with donor restrictions when Water Street was notified of the agreement's existence and as a component of net assets with donor restriction in the accompanying consolidated statement of financial position. Subsequent changes in the fair value of the underlying assets are recorded in the accompanying consolidated statement of activities as an adjustment to beneficial interest in split-interest agreements. Management's estimated value of these agreements is based on the year-end fair market value of the agreement's assets multiplied by Water Street's beneficial interest and discounted for the agreement's estimated life.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes To Consolidated Financial Statements

#### **Note 7 – Beneficial Interest in Split-Interest Agreements – Continued**

The following schedule summarizes the income from beneficial interests in split-interest agreements at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	\$	\$
Distributions received	1,115	1,115
Adjustment for change in value	3,285	11,019
<u>Total income in beneficial interest in split-interest agreements</u>	<u>4,400</u>	<u>12,134</u>

#### **Note 8 – Beneficial Interest in Assets Held by Others in Perpetual Trust**

Water Street is the beneficiary of several trusts where the corpus of the trusts is required to be invested in perpetuity and income is to be distributed to Water Street at least annually. Management's estimated value of the beneficial interest in assets held by others in perpetual trust is based on the fair market value of the trusts' assets. Water Street has no rights to the trusts' assets, only to a percentage of income of the trusts. Accordingly, they are reported as a component of net assets with donor restrictions in the accompanying consolidated statement of financial position.

The following schedule summarizes the income from beneficial interests in assets held by others in perpetual trust as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
	\$	\$
Distributions received	197,361	215,166
Adjustment for change in value	(58,118)	53,496
<u>Total income from beneficial interest in assets held by others in perpetual trust</u>	<u>139,243</u>	<u>268,662</u>

#### **Note 9 – Annuity Obligations**

Water Street has entered into charitable gift annuity agreements with individuals to provide quarterly payments during the remainder of the individual's life in return for a charitable gift to Water Street. A portion of the amount received represents an obligation by Water Street to make the quarterly payments and the remainder represents a contribution. The obligation to make payments terminates only upon the donor's death.

Changes in the liability include annuity payments, annuity terminations and additional annuities issued and are recorded in the accompanying consolidated statements of activities as a change in value of annuity obligations. Water Street uses a 7% discount rate and the IRS life expectancy tables to value annuity obligations. As of June 30, 2019, Water Street's maximum future required annual payments to annuitants under existing agreements was \$4,352.

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 10 – Obligations Under Capital Lease**

Water Street is the lessee of a copier under a capital lease obligation with Toshiba Financial Services. The Organization is subject to monthly payments of \$82, bearing interest at 10.27%. Final payments are due August 2021. The remaining balance is \$1,778 and \$2,540 at June 30, 2019 and 2018, respectively.

A schedule of the future minimum lease payments for the year ended June 30, 2019 is as follows:

	\$
Lease payments	1,975
Less amount representing interest	(197)
<u>Present Value of Minimum Lease Payments</u>	<u>1,778</u>

Amortization of assets held under capital leases is included in depreciation and amortization expense. The gross amount of assets held under capital leases is \$3,849 for the years ended June 30, 2019 and 2018, and the accumulated amortization thereon is \$2,309 and \$1,540 at June 30, 2019 and 2018, respectively.

**Note 11 – Net Assets without Donor Restrictions – Designated by Board**

The Board of Water Street Mission has designated a portion of net assets without donor restriction for funding capital improvements and a reserve for general operations. At June 30, 2019 and 2018, the amount designated by the Board totaled \$6,427,156 and \$6,192,204, respectively.

**Note 12 – Net Assets with Donor Restrictions**

As of June 30, 2019 and 2018, net assets with donor restrictions are subject to the following purpose or time restrictions:

	2019	2018
	\$	\$
Subject to purpose restrictions:		
Emergency Shelter Renovation	680,132	451,718
Educational Improvement Grants	279,667	262,951
Beneficial interest in split-interest agreements	211,766	203,856
Wolf Educational Endowment	65,955	60,797
Transitional Housing	56,201	56,201
Step Up Program Project	0	26,176
Teen Haven Summer Camp	0	15,460
	<u>1,293,721</u>	<u>1,077,159</u>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 12 – Net Assets with Donor Restrictions – Continued**

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Not subject to appropriation or expenditure:		
Endowment funds:		
Operating	275,832	275,832
Educational	267,087	267,087
Perpetual trust	<u>4,256,837</u>	<u>4,314,955</u>
	<u>4,799,756</u>	<u>4,857,874</u>
<u>Total net assets with donor restrictions</u>	<u>6,093,477</u>	<u>5,935,033</u>

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

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Subject to purpose restrictions:		
Step Up Program Project	26,176	0
Teen Haven Summer Camp	15,460	0
6000 Building Bathroom Renovation	0	50,000
Outreach Ministry Floor Updates	0	2,548
Annual Dinner	<u>0</u>	<u>1,000</u>
<u>Total net assets released from restrictions</u>	<u>41,636</u>	<u>53,548</u>

**Note 13 – Supplemental Disclosure of Cash Flow Information**

Cash paid for interest for the years ended June 30, 2019 and 2018 was \$226 and \$300, respectively.

Noncash investing and financing activities for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Gifts of investments received classified as operating	33,068	185,934
Gifts of property and equipment received	0	2,673

## **Water Street Ministries d/b/a Water Street Mission and Affiliate**

### **Notes To Consolidated Financial Statements**

#### **Note 14 – Retirement Plan**

Water Street maintains a defined contribution retirement plan in compliance with Section 403(b) of the Internal Revenue Code for all employees meeting certain eligibility requirements. Water Street contributes a specified dollar amount for each eligible employee. The plan allows voluntary employee contributions. Water Street matches contributions up to a certain percent of compensation. Retirement plan expense for the years ended June 30, 2019 and 2018 was \$105,065 and \$84,689, respectively.

#### **Note 15 – Contingencies**

Water Street was a recipient of a \$500,000 subsidy to create low income housing through the Affordable Housing Program of the Federal Home Loan Bank of Pittsburgh. Water Street has agreed to be bound by the Affordable Housing Program's regulations, guidelines and requirements until July 27, 2022.

If Water Street does not continue to meet the subsidy's requirements, such as a sale of the project prior to the end of the retention period, the full amount of the subsidy may be required to be repaid.

#### **Note 16 – Endowment Funds**

Water Street's endowment funds consist of funds not subject to appropriation or expenditure. Water Street's endowment funds have been pooled with Water Street's other marketable investments. See Note 1 for a description of the types of investments utilized for endowment funds.

Water Street's investments are invested in accordance with investment policies set out by a finance committee that has been appointed by the Board. Water Street's management is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring the external investment manager in order to implement the strategic asset allocation set forth by the finance committee. Water Street's investment portfolio may include marketable securities that it intends to hold for an indefinite period of time.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment use and management of Water Street's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, Water Street classifies as net assets with donor restriction for reporting purposes: (i) the original value of gifts donated to the endowment; (ii) the original value of subsequent gifts to the endowment; and (iii) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets not subject to appropriation or expenditure is classified as net assets subject to purpose restrictions until those amounts are appropriated for expenditure by Water Street.

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 16 – Endowment Funds – Continued**

Water Street has elected to follow an investment policy seeking a total return for the investment held, whether the return is derived from appreciation of capital, earnings and distributions with respect to capital, or both. This policy is designed to take advantage of investment opportunities that provide a reasonable and dependable stream of income and continued growth of the funds, while not subjecting the principal of the endowment funds to undue risk of loss. For the years ended June 30, 2019 and 2018, Water Street's spending policy allowed for annual distributions of 4% of the average of the trailing calendar quarter end balances for the previous three calendar years.

The components of endowment net assets at June 30, 2019 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	83,406	275,832	359,238
Restricted for Education	267,087	0	333,042	333,042
<u>Total</u>	<u>542,919</u>	<u>83,406</u>	<u>608,874</u>	<u>692,280</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Restriction	With Restriction			
	General Operating	Education	General Operating		
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2018	69,799	60,797	275,832	267,087	673,515
Investment return:					
Investment income, net of investment fees	5,900	5,597	0	0	11,497
Net realized and unrealized gain	16,403	15,561	0	0	31,964
Total Investment Return	22,303	21,158	0	0	43,461
Amounts appropriated to current operations	(8,696)	(8,250)	0	0	(16,946)
Prior year appropriated amounts spent	0	(7,750)	0	0	(7,750)
<u>Endowment net assets - June 30, 2019</u>	<u>83,406</u>	<u>65,955</u>	<u>275,832</u>	<u>267,087</u>	<u>692,280</u>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 16 – Endowment Funds – Continued**

The components of endowment net assets at June 30, 2018 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	69,799	275,832	345,631
Restricted for Education	267,087	0	327,884	327,884
<u>Total</u>	<u>542,919</u>	<u>69,799</u>	<u>603,716</u>	<u>673,515</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without Restriction	With Restriction			
	General Operating	Education	General Operating		
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2017	54,173	53,011	275,832	267,087	650,103
Investment return:					
Investment income, net of investment fees	11,296	10,957	0	0	22,253
Net realized and unrealized gain	13,226	12,829	0	0	26,055
Total Investment Return	24,522	23,786	0	0	48,308
Amounts appropriated to current operations	(8,896)	(8,629)	0	0	(17,525)
Prior year appropriated amounts spent	0	(7,371)	0	0	(7,371)
<u>Endowment net assets - June 30, 2018</u>	<u>69,799</u>	<u>60,797</u>	<u>275,832</u>	<u>267,087</u>	<u>673,515</u>

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes To Consolidated Financial Statements

#### Note 17 – Fair Value of Financial Instruments

Financial Instruments – The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The assumptions used have a significant effect on the estimated amounts reported.

Inputs and assumptions used in the valuation techniques described above are prioritized into a three tier hierarchy as follows:

- Level 1 Observable inputs, such as quoted market prices in active markets for the identical asset or liability, that are accessible at the measurement date.
- Level 2 Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.
- Level 3 Unobservable inputs that reflect the entity's own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The following methods and assumptions were used by Water Street in estimating its fair value for financial instruments:

- Cash and cash equivalents: Valued at cost which is equivalent to fair value
- Certificates of deposit: Valued at cost plus accrued interest which is equivalent to fair value
- Investments: The fair value of investments are based on quoted market prices for those or similar investments.
- Beneficial interests in split-interest agreements: The fair value is based on quoted market prices for those or similar investments covered by the agreement multiplied by Water Street's beneficial interest discounted using IRS life expectancy tables and applying a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its split-interest agreements.
- Beneficial interests in assets held by others in perpetual trust: This fair value is based on quoted market prices for those or similar investments held in trust multiplied by Water Street's beneficial interest. Management feels this approach reasonably estimates the fair value of its beneficial interest. Water Street's investments are composed approximately of 3% cash and cash equivalents, 34% fixed income, 52% equity, 10% alternatives and 1% real property.
- Annuity obligations: This fair value is based on the payment required for each annuity agreement, the annuitant's remaining life expectancy per IRS life expectancy tables and a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its annuity agreements.



**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 17 – Fair Value of Financial Instruments - Continued**

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Water Street 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.

The following table presents Water Street's fair value hierarchy for the instruments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
June 30, 2019	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	96,097	0	0	96,097
Certificates of deposit				
Current	1,012,474			1,012,474
Long Term	0			0
Bonds				
Short Term	1,870,793	0	0	1,870,793
Intermediate Term	1,063,242	0	0	1,063,242
Long Term	371,720			371,720
Equities				
Large Cap	3,348,362	0	0	3,348,362
Mid Cap	1,097,639	0	0	1,097,639
Small Cap	545,119	0	0	545,119
Beneficial interest in split-interest agreements	0	0	211,766	211,766
Beneficial interest in assets held by others in perpetual trust	0	0	4,256,837	4,256,837
<b><u>Total Assets at Fair Value</u></b>	<b>9,405,446</b>	<b>0</b>	<b>4,468,603</b>	<b>13,874,049</b>
	Level 1	Level 2	Level 3	Total
June 30, 2019	\$	\$	\$	\$
Liabilities:				
Annuity obligations	0	0	30,265	30,265
<b><u>Total Liabilities at Fair Value</u></b>	<b>0</b>	<b>0</b>	<b>30,265</b>	<b>30,265</b>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 17 – Fair Value of Financial Instruments – Continued**

<u>June 30, 2018</u>	<u>Level 1</u> <u>\$</u>	<u>Level 2</u> <u>\$</u>	<u>Level 3</u> <u>\$</u>	<u>Total</u> <u>\$</u>
<b>Assets:</b>				
Cash and cash equivalents	134,093	0	0	134,093
Certificates of deposit				
Current	252,188			252,188
Long Term	253,026			253,026
Bonds				
Short Term	1,760,519	0	0	1,760,519
Intermediate Term	852,601	0	0	852,601
Long Term	558,694			558,694
Equities				
Large Cap	3,351,916	0	0	3,351,916
Mid Cap	989,260	0	0	989,260
Small Cap	423,968	0	0	423,968
Beneficial interest in split-interest agreements	0	0	203,856	203,856
Beneficial interest in assets held by others in perpetual trust	0	0	4,314,955	4,314,955
<b><u>Total Assets at Fair Value</u></b>	<b><u>8,576,265</u></b>	<b><u>0</u></b>	<b><u>4,518,811</u></b>	<b><u>13,095,076</u></b>
	<u>Level 1</u> <u>\$</u>	<u>Level 2</u> <u>\$</u>	<u>Level 3</u> <u>\$</u>	<u>Total</u> <u>\$</u>
<u>June 30, 2018</u>				
<b>Liabilities:</b>				
Annuity obligations	0	0	31,343	31,343
<b><u>Total Liabilities at Fair Value</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>31,343</u></b>	<b><u>31,343</u></b>

Financial instruments measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
Beneficial interest in split-interest agreements		
Fair value at July 1	203,856	192,837
Current year contributions	4,625	0
Proceeds from split-interest agreements	(1,115)	(1,115)
Adjustment due to change in value of split-interest agreements	4,400	12,134
<b><u>Fair value at June 30</u></b>	<b><u>211,766</u></b>	<b><u>203,856</u></b>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 17 – Fair Value of Financial Instruments – Continued**

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Beneficial interest in assets held by others in perpetual trust		
Fair value at July 1	4,314,955	4,261,459
Investment income	91,347	112,808
Total realized and unrealized gains	92,110	198,155
Distributions received	(197,361)	(215,166)
Investment fees	(42,129)	(39,907)
Other trust expenses	(2,085)	(2,394)
<u>Fair value at June 30</u>	<u>4,256,837</u>	<u>4,314,955</u>
<u>Unrealized gains at June 30</u>	<u>466,674</u>	<u>544,435</u>
Annuity Obligations		
Fair value at July 1	31,343	88,630
Disbursement	(4,855)	(2,778)
Adjustment due to change in value of annuity obligation	3,777	(54,509)
<u>Fair value at June 30</u>	<u>30,265</u>	<u>31,343</u>

Adjustments due to changes in the value of split-interest agreements in beneficial interest in assets held by others in perpetual trust are reported in the statement of activities as a component of other changes.

**Note 18 – New Accounting Standards**

*Adopted*

During 2018, Water Street adopted Financial Accounting Standards Board (FASB) ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." The guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A main provision of this guidance is presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses both by their natural and functional classification. A summary of the net asset reconciliation caused by the adoption of ASU 2016-14 as of June 30, 2018 follow:

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes To Consolidated Financial Statements**

**Note 18 – New Accounting Standards – Continued**

	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total Net Assets
<u>Net Assets Classifications</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
As previously presented:			
Unrestricted	17,717,949	0	17,717,949
Temporarily restricted	0	1,077,159	1,077,159
Permanently restricted	0	4,857,874	4,857,874
<u>Net Assets, as reclassified</u>	<u>17,717,949</u>	<u>5,935,033</u>	<u>23,652,982</u>

During 2018, Water Street adopted FASB ASU No 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The guidance is intended to clarify whether transactions should be accounting for as a contribution or an exchange transaction and to clarify when a contribution is conditional. The guidance clarifies an exchange transaction is when a resource provider receives commensurate value for the resources provided. A resource provider is not considered to receive commensurate value when the public receives the benefit of the resources provided or when the resource provider is following out their own mission. The guidance also clarifies that a contribution is conditional when it involves a barrier and a right of return or right of release from the provider’s obligations.

**Note 19 – Subsequent Events**

Subsequent events have been evaluated through date of the independent auditor’s report, which represents the date the accompanying consolidated financial statements were available to be issued.

**Note 20 – Prior Period Adjustment**

There were corrections made to the financial statements for the year ended June 30, 2018. In that year, two investment accounts donated to Water Street were not included in the financial statements resulting in an understatement of investments of \$122,344, an understatement of contributions – non-cash of \$121,792, and an understatement of investment income of \$552. Accordingly, net assets and total changes in net assets as of June 30, 2018 have been increased by \$122,344 related to this correction.

**Note 21 – Reclassification**

Certain reclassifications to the prior year amounts have been made to conform to the current year’s presentation.