

**MILLIONAIR CLUB, INC.**  
**dba THE MILLIONAIR CLUB CHARITY, INC.**

FINANCIAL REPORT

JUNE 30, 2017

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Millionair Club, Inc.  
dba The Millionair Club Charity, Inc.  
Seattle, Washington

We have audited the accompanying financial statements of Millionair Club, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millionair Club, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

*Peterson Sullivan LLP*

December 4, 2017

**MILLIONAIR CLUB, INC.**

## STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 584,326	\$ 308,631
Restricted cash		22,290
Accounts receivable, net	300,420	201,619
Contributions receivable	84,831	71,143
Bequests receivable	30,000	230,000
Inventory	109,850	225,000
Prepaid expenses	37,820	16,548
Total current assets	1,147,247	1,075,231
Long-Term Assets		
Cash restricted for property and equipment	330,183	167,500
Investments	2,619,949	1,303,368
Beneficial interests in trusts	410,704	394,540
Beneficial interest in assets held by The Seattle Foundation	125,433	115,760
Property and equipment, net	1,121,363	1,140,302
Total assets	<u>\$ 5,754,879</u>	<u>\$ 4,196,701</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,194	\$ 40,543
Accrued payroll and related expenses	185,768	184,132
Line of credit	250,000	498,829
Deferred revenue	5,000	22,290
Total current liabilities	474,962	745,794
Deferred Rent Liability	71,770	58,062
Total liabilities	546,732	803,856
Net Assets		
Unrestricted	4,467,260	2,830,805
Temporarily restricted	593,626	424,370
Permanently restricted	147,261	137,670
Total net assets	5,208,147	3,392,845
Total liabilities and net assets	<u>\$ 5,754,879</u>	<u>\$ 4,196,701</u>

See Notes to Financial Statements

**MILLIONAIR CLUB, INC.**

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>								
Agency income	\$ 3,140,027	\$ -	\$ -	\$ 3,140,027	\$ 2,080,893	\$ -	\$ -	\$ 2,080,893
Contributions	1,218,151			1,218,151	928,379			928,379
Bequests	2,473,001			2,473,001	260,787			260,787
In-kind contributions	640,988			640,988	705,706			705,706
Special events revenue	159,301	163,600		322,901	81,139	167,500		248,639
Special events direct expenses	(31,294)			(31,294)	(37,668)			(37,668)
Change in value of beneficial interests in trusts	9,673	6,573	9,591	25,837	(7,334)	(17,777)	(4,063)	(29,174)
Government grants	22,290			22,290	120,371			120,371
Rental income	309,657			309,657	246,546			246,546
Investment income (loss)	231,950			231,950	7,145			7,145
Miscellaneous	9,964			9,964	16,675			16,675
Net assets released from program restrictions	917	(917)			360,493	(360,493)		
	<u>8,184,625</u>	<u>169,256</u>	<u>9,591</u>	<u>8,363,472</u>	<u>4,763,132</u>	<u>(210,770)</u>	<u>(4,063)</u>	<u>4,548,299</u>
<b>Expenses</b>								
Program	5,837,961			5,837,961	4,673,818			4,673,818
Fundraising	517,526			517,526	436,782			436,782
Management and general	192,683			192,683	176,481			176,481
Total expenses	<u>6,548,170</u>			<u>6,548,170</u>	<u>5,287,081</u>			<u>5,287,081</u>
<b>Change in net assets</b>	<b>1,636,455</b>	<b>169,256</b>	<b>9,591</b>	<b>1,815,302</b>	<b>(523,949)</b>	<b>(210,770)</b>	<b>(4,063)</b>	<b>(738,782)</b>
Net Assets, beginning of year	2,830,805	424,370	137,670	3,392,845	3,354,754	635,140	141,733	4,131,627
Net Assets, end of year	<u>\$ 4,467,260</u>	<u>\$ 593,626</u>	<u>\$ 147,261</u>	<u>\$ 5,208,147</u>	<u>\$ 2,830,805</u>	<u>\$ 424,370</u>	<u>\$ 137,670</u>	<u>\$ 3,392,845</u>

See Notes to Financial Statements

**MILLIONAIR CLUB, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Program	Fundraising	Management and General	Total	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 3,391,531	\$ 302,206	\$ 96,869	\$ 3,790,606	\$ 2,605,935	\$ 238,484	\$ 69,207	\$ 2,913,626
Employee benefits	442,952	39,470	12,652	495,074	253,561	23,205	6,734	283,500
Payroll taxes	246,914	22,002	7,052	275,968	280,230	25,645	7,442	313,317
Total salaries and related expenses	4,081,397	363,678	116,573	4,561,648	3,139,726	287,334	83,383	3,510,443
Specific assistance	776,501	7,388		783,889	721,120	1,119	4	722,243
Occupancy	340,908	1,396	2,770	345,074	342,390	1,663	3,196	347,249
Program non-specific and other	171,412	46,441	15,281	233,134	127,434	19,729	18,593	165,756
Professional fees	132,625	19,094	44,436	196,155	68,124	18,972	41,822	128,918
Depreciation and amortization	75,366	2,387	1,186	78,939	84,452	712	1,319	86,483
Printing and postage	10,189	66,816	754	77,759	6,032	79,150	1,098	86,280
Insurance	53,870	4,512	969	59,351	49,673	3,084	5,534	58,291
Supplies	50,815	3,162	933	54,910	39,880	2,278	6,666	48,824
Bank and investment management fees	44,945	6,263	825	52,033	27,822	7,459	5,459	40,740
Staff and volunteer support	44,578	2,448	701	47,727	7,860	4,635	5,574	18,069
Maintenance and repairs	23,836	2,968	7,587	34,391	31,969	2,066	3,170	37,205
Telephone	29,780	2,448	647	32,875	26,582	2,622	505	29,709
Communications and development	1,739	19,819	21	21,579	754	43,627	158	44,539
Total expenses	5,837,961	548,820	192,683	6,579,464	4,673,818	474,450	176,481	5,324,749
Less: special events direct expenses		(31,294)		(31,294)		(37,668)		(37,668)
Net expenses	<u>\$ 5,837,961</u>	<u>\$ 517,526</u>	<u>\$ 192,683</u>	<u>\$ 6,548,170</u>	<u>\$ 4,673,818</u>	<u>\$ 436,782</u>	<u>\$ 176,481</u>	<u>\$ 5,287,081</u>

See Notes to Financial Statements

**MILLIONAIR CLUB, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 1,815,302	\$ (738,782)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	78,939	86,483
Donated food	(591,323)	(662,161)
Donation for purchase of property and equipment, net	(162,683)	(167,500)
Realized and unrealized loss (gain) on investments	(177,518)	78,613
Change in value of beneficial interests in trusts	(16,164)	21,840
Change in value of beneficial interest in assets held by The Seattle Foundation	(9,673)	7,334
Changes in operating assets and liabilities		
Restricted cash	22,290	82,037
Accounts receivable, net	(98,801)	106,015
Contributions receivable	(13,688)	(58,488)
Bequests receivable	200,000	(85,000)
Inventory	706,473	662,161
Prepaid expenses	(21,272)	(6,440)
Accounts payable and accrued expenses	(4,713)	3,286
Deferred revenue	(17,290)	(82,037)
Deferred rent liability	13,708	25,708
	1,723,587	(726,931)
Net cash flows from operating activities	1,723,587	(726,931)
Cash Flows from Investing Activities		
(Purchases)/sales of investments, net	(1,139,063)	939,520
Purchase of property and equipment	(60,000)	(719,432)
	(1,199,063)	220,088
Net cash flows from investing activities	(1,199,063)	220,088
Cash Flows from Financing Activity		
Proceeds (repayments) from line of credit, net	(248,829)	498,829
	(248,829)	498,829
<b>Net change in cash and cash equivalents</b>	<b>275,695</b>	<b>(8,014)</b>
Cash and Cash Equivalents, beginning of year	308,631	316,645
	308,631	316,645
Cash and Cash Equivalents, end of year	\$ 584,326	\$ 308,631

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

#### Organization

Founded in 1921, Millionair Club, Inc. dba The Millionair Club Charity, Inc. ("MCC") is committed to providing jobs and supportive services to those in need in the Puget Sound Region. Through programs that encourage self-reliance, MCC offers job assistance, hot nutritious meals, transitional housing, housing assistance, showers, laundry services, and vision care to hundreds of men and women every year to prevent and end homelessness in our community. More than 1,100 homeowners and businesses hire screened and background-checked workers each year.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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 the estimated amounts.

#### Financial Statement Presentation

MCC reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of MCC are classified as follows:

- Unrestricted net assets are available without restriction for support of MCC's operations.
- Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Beneficial interests in trusts	\$ 263,443	\$ 256,870
Kitchen remodel	166,583	167,500
Freezer	163,600	
	<u>\$ 593,626</u>	<u>\$ 424,370</u>

- Permanently restricted net assets represent gifts given with the intent that the principal will be maintained intact into perpetuity, and the income may be used for current operations. Permanently restricted net assets consist entirely of a beneficial interest in a perpetual trust as of June 30, 2017 and 2016. Changes in the fair value of the beneficial interest in a perpetual trust increase or decrease permanently restricted net assets.



## **Fair Value Measurements**

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and money market funds. MCC considers all short-term securities with an original maturity of three months or less to be cash equivalents (except for money market funds held as investments). MCC occasionally maintains cash balances in excess of federally insured limits. MCC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

## **Investments**

Investments include certificates of deposit, common stock, U.S. treasury bills, and mutual funds. These investments are reported at fair value using Level 1 valuation inputs determined by the quoted market price of these securities traded on national exchanges. Investments also include mortgage-backed securities. Mortgage-backed securities are valued based on the original principal amount multiplied by a factor and security price and are considered Level 2 in the fair value hierarchy. Realized and unrealized gains and losses are included in the statements of activities.

Certificates of deposit, U.S. treasury bills, and mortgage-backed securities are reported as long-term investments if they mature one year or more from the statement of financial position date, as management intends to hold those investments for the long term.

## **Receivables**

Accounts receivable are unsecured and are subject to credit risk. MCC uses the allowance method of accounting for bad debts. Accordingly, accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has recorded an allowance for uncollectible accounts of \$13,269 and \$21,331 at June 30, 2017 and 2016.

Bequests and pledges (contributions) receivable are stated at estimated net realizable value. MCC assesses the need for an allowance on its bequests and pledges receivable in the same manner as its accounts receivable. Management has determined an allowance for uncollectible bequests and pledges was not necessary at June 30, 2017 or 2016.

## **Inventory**

Inventory consists entirely of unused donated food that will be provided to persons in need. Inventory is stated at the lower of cost or market. Cost is estimated based on fair value for donated goods, which is recognized based on wholesale per pound food prices provided by Food Lifeline (Level 2 input using the market approach).

## **Property and Equipment**

Land, buildings, and equipment are capitalized at cost or if donated, at the estimated fair value at the date of donation. MCC capitalizes property and equipment purchases with a cost greater than \$2,000 and a useful life in excess of one year. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated based on the shorter of the life of the lease or the estimated useful life. Useful lives of buildings and equipment range from three to fifteen years. Property and equipment consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 50,750	\$ 50,750
Buildings	1,652,921	1,592,921
Leasehold Improvements	266,286	266,286
Furniture and equipment	617,627	617,627
Software	73,951	73,951
Vehicles	<u>125,790</u>	<u>125,790</u>
	2,787,325	2,727,325
Accumulated depreciation and amortization	<u>(1,665,962)</u>	<u>(1,587,023)</u>
	<u>\$ 1,121,363</u>	<u>\$ 1,140,302</u>

## **Deferred Revenue and Restricted Cash**

Deferred revenue at June 30, 2017, consists of sponsorships for an event during the year ending June 30, 2018. Deferred revenue at June 30, 2016, consists of receipts from a governmental agency wherein the revenue will be earned as certain milestones are met. MCC is required to place the cash in a separate bank account shown as restricted cash on the statements of financial position.

In addition, MCC holds cash and cash equivalents restricted by donors for the purpose of acquiring property and equipment, and therefore classifies these amounts held as noncurrent cash restricted for property and equipment on the statements of financial position.

## **Deferred Rent Liability**

MCC has entered into an operating lease agreement, which contains provisions for future rent increases. In accordance with accounting principles generally accepted in the United States, MCC records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent liability, which is reflected as a separate line item in the accompanying statements of financial position.

## **Agency Income**

Agency income is funds received from individuals and other companies for payroll expenses related to the Transitional Jobs Program. Income is recognized as work is performed by the transitional employees and billed to the respective companies.

During the year ended June 30, 2017 and 2016, one customer represented 11% and 20%, respectively, of total support and revenue.

## **Contributions, Bequests, and Government Grants**

Contributions (including those generated through special events) are recorded when unconditionally pledged as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. MCC classifies temporarily restricted revenue as unrestricted if the contribution is received and the restrictions are satisfied in the same year.

MCC records contributions from bequests as revenue when MCC is notified by the executor as to the amount of the bequest to be received and the estate has cleared probate. During the year ended June 30, 2017, 29% of total support and revenue was earned from one bequest. There were no material concentrations of bequests (or contributions) during the year ended June 30, 2016. At June 30, 2016, 87% of bequests receivable were from one individual estate. There were no material concentrations of bequests receivable at June 30, 2017.

Revenue from government grants is recorded when the service is provided or related qualified expenditure is incurred. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can be first reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2017 and 2016, no such adjustments were made.

## **Rental Income**

MCC subleases residential units under operating leases to certain temporary employees who participate in the workforce generating agency income. The residential units are originally leased through the lease disclosed in Note 7. Subleases carry a term of six months, and revert to a month-to-month term at the expiration of the original six-month term. MCC recognizes rental revenue under these leases based on tenant occupancy. MCC recognizes bad debt for any outstanding receivables associated with the lease, and discontinues recognizing rental revenue when collectibility of rental payments is no longer reasonably assured.

## **In-Kind Contributions**

Contributions of food are recorded as the food is received. The contributions are recognized at fair value and based on wholesale per pound food prices provided by Food Lifeline. In-kind contributions of goods other than food are recorded at fair value at the date of donation.

MCC recognized \$591,323 and \$662,161 of donated food for the years ended June 30, 2017 and 2016, respectively.

Contributed services are recognized as support and expense if the services involve specialized skills and would need to be purchased by MCC if not donated. MCC also receives donated services that are not recognized in these financial statements.

## **Federal Income Taxes**

MCC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation.

## **Subsequent Events**

MCC has evaluated subsequent events through the date these financial statements were available to be issued, which was December 4, 2017.

## **Note 2. Investments**

The following tables represent information about MCC's investments that have been measured at fair value on a recurring basis as of June 30, 2017 and 2016, and indicate the classification by level of input within the fair value hierarchy described above:

	Levels of Fair Value Measurements at June 30, 2017			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Certificates of deposit (various maturity dates through 2020)	\$ 303,743	\$ -	\$ -	\$ 303,743
Common stocks	259,473			259,473
U.S. treasury bills	81,751			81,751
Mortgage-backed securities		147,026		147,026
Mutual funds:				
Intermediate bonds	448,808			448,808
Large growth	345,676			345,676
Foreign large growth	282,118			282,118
Mid cap	227,860			227,860
Fixed income	222,097			222,097
Small cap	91,589			91,589
Foreign bond	90,917			90,917
Emerging markets	74,240			74,240
Money market	44,651			44,651
Total mutual funds	1,827,956			1,827,956
	<u>\$ 2,472,923</u>	<u>\$ 147,026</u>	<u>\$ -</u>	<u>\$ 2,619,949</u>

	Levels of Fair Value Measurements at June 30, 2016			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Certificates of deposit (various maturity dates through 2020)	\$ 359,586	\$ -	\$ -	\$ 359,586
Common stocks	116,180			116,180
U.S. treasury bills	49,511			49,511
Mortgage-backed securities		38,173		38,173
Mutual funds:				
Intermediate bonds	185,762			185,762
Large growth	134,107			134,107
Foreign large growth	107,047			107,047
Mid cap	97,657			97,657
Fixed income	90,368			90,368
Small cap	39,285			39,285
Foreign bond	37,584			37,584
Emerging markets	29,539			29,539
Money market	18,569			18,569
Total mutual funds	739,918			739,918
	<u>\$ 1,265,195</u>	<u>\$ 38,173</u>	<u>\$ -</u>	<u>\$ 1,303,368</u>

Investment income (loss) consists of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 54,432	\$ 85,758
Realized and unrealized gain (loss)	177,518	(78,613)
	<u>\$ 231,950</u>	<u>\$ 7,145</u>

### Note 3. Beneficial Interests in Trusts

MCC has beneficial interests in five trusts ("the Trusts"). Four of the trusts are remainder or lead trusts, and the remaining trust is a perpetual trust. The beneficial interests are valued at the fair value of the Trusts' assets (using Level 3 inputs as determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions). Interests in remainder or lead trusts are included in temporarily restricted net assets as the trust agreements stipulate MCC to receive the assets with the ability to use the assets for unrestricted purposes upon the death of all preceding beneficiaries (time restricted). Interest in the perpetual trust is included in permanently restricted net assets as the trust agreement stipulates that the income from the assets be provided to MCC and the principal remain intact into perpetuity. Under the lead and perpetual trust agreements, MCC receives annual distributions based on its interest in the respective trust. Income distributions are unrestricted for MCC's general operations.

MCC's beneficial interests in the Trusts consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Remainder and lead trusts	\$ 263,443	\$ 256,870
Perpetual trust	<u>147,261</u>	<u>137,670</u>
	<u>\$ 410,704</u>	<u>\$ 394,540</u>

A reconciliation of the beginning and ending balances of the Trusts are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 394,540	\$ 416,380
Change in value	26,005	(8,132)
Distributions	<u>(9,841)</u>	<u>(13,708)</u>
Change in value, net	<u>16,164</u>	<u>(21,840)</u>
Ending balance	<u>\$ 410,704</u>	<u>\$ 394,540</u>

The change in value of the beneficial interests (including those held by the Seattle Foundation in Note 4) is reported net of distributions on the statements of activities as distributions are classified as investment income.

#### **Note 4. Beneficial Interest in Assets Held by The Seattle Foundation**

MCC has a beneficial interest in assets held by The Seattle Foundation ("the Foundation"). The beneficial interest held by the Foundation was set up with unrestricted funds of MCC in a previous year, and therefore is recognized as an unrestricted net asset. Under the terms of the agreement, MCC will receive distributions at such times as decided by the Foundation, but at least annually, in amounts as determined by the Foundation's spending policy. The timing and amount of the distributions are determined at the sole discretion of the Foundation and may invade the principal. The Foundation has variance power over the assets, which gives the Foundation the right to modify any restriction or condition regarding distributions from the fund for any charitable purpose or to any organization if, in the sole judgment of the Foundation's Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

The beneficial interest in assets held by the Foundation is stated at the fair value of the underlying investments (cash and marketable securities) as provided by the Foundation, which constitutes Level 3 inputs using the market approach.

A reconciliation of the beginning and ending balances of the beneficial interest in assets held by the Foundation is as follows for the years ended June 30:

	2017	2016
Beginning balance	\$ 115,760	\$ 123,094
Change in value	15,903	(3,106)
Distributions	(6,230)	(4,228)
Change in value, net	9,673	(7,334)
Ending balance	<u>\$ 125,433</u>	<u>\$ 115,760</u>

#### **Note 5. Line of Credit**

MCC maintains a line of credit ("the Line") with a bank carrying a maximum borrowing limit of \$500,000. The Line bears interest at the bank's prime rate plus 1%, and a minimum rate of 4.25%, resulting in a rate of 5.25% at June 30, 2017. The Line is secured by all inventory, equipment, and rents. The outstanding balance of \$250,000 at June 30, 2017, matures on February 5, 2018. MCC was in compliance with the Line's covenants at June 30, 2017 and 2016.

#### **Note 6. Employee Benefit Plan**

MCC provides 403(b) benefits to eligible employees. All eligible employees can make elective deferrals under the plan. Employees are eligible for employer contributions to the plan after age 21 and completion of one year of service. MCC, at its discretion, contributes 5% of the employee's compensation annually and matches employee contributions to the plan up to 3% of their compensation. MCC's contributions to the plan were \$63,194 and \$50,353 for the years ended June 30, 2017 and 2016, respectively. Employer contributions vest over five years. Employee contributions are 100% vested at the time of contribution.

#### **Note 7. Lease**

In 2015, MCC leased a building to provide low-income individuals housing under a non-cancelable operating lease expiring in 2024. Rent expense (net of straight-line adjustment) under this agreement was \$124,708 for each the years ended June 30, 2017 and 2016.

The future minimum lease payments are as follows for the years ending June 30:

2018	\$ 121,800
2019	125,454
2020	129,218
2021	133,094
2022	137,087
Thereafter	360,428
	<u>\$ 1,007,081</u>