

SLAVIC GOSPEL ASSOCIATION

Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

SLAVIC GOSPEL ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Slavic Gospel Association, Inc.
Loves Park, Illinois

We have audited the accompanying financial statements of Slavic Gospel Association, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Slavic Gospel Association, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Slavic Gospel Association, Inc.
Loves Park, Illinois

Emphasis of Matter

Slavic Gospel Association, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Naperville, Illinois
September 4, 2019

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,248,839	\$ 2,612,349
Marketable securities	461,694	916,119
Prepaid expenses	74,092	80,687
Other assets	37,482	28,573
Total current assets	2,822,107	3,637,728
Funds held in trust by others	410,946	398,312
Land, buildings and equipment, net	604,275	581,505
Assets held under split-interest agreements	120,751	122,988
	<u>\$ 3,958,079</u>	<u>\$ 4,740,533</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 313,412	\$ 290,913
Postretirement benefit obligation, current portion	33,048	37,302
Annuities payable, current portion	6,314	8,384
Total current liabilities	352,774	336,599
Postretirement benefit obligation, net of current portion	270,994	271,764
Annuities payable, net of current portion	27,430	47,742
Total liabilities	651,198	656,105
Net assets:		
Net assets without donor restrictions:	2,144,494	2,480,944
Net assets with donor restrictions	1,162,387	1,603,484
Total net assets	3,306,881	4,084,428
	<u>\$ 3,958,079</u>	<u>\$ 4,740,533</u>

The accompanying notes are an integral part of these financial statements

Statements of Activities

Years ended June 30, 2019 & 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Public support:						
Contributions	\$ 2,757,516	\$ 4,146,218	\$ 6,903,734	\$ 2,661,370	\$ 4,646,907	\$ 7,308,277
Foundation grants	106,552	88,401	194,953	51,001	204,228	255,229
Other:						
Investment and other income	90,460	—	90,460	29,524	—	29,524
Net assets released from restrictions:						
Time restricted	—	—	—	63,767	(63,767)	—
Purpose restricted	4,675,716	(4,675,716)	—	4,581,769	(4,581,769)	—
Total revenue	7,630,244	(441,097)	7,189,147	7,387,431	205,599	7,593,030
Expenses						
Program activities:						
Training	1,357,856	—	1,357,856	1,256,610	—	1,256,610
Equipping	2,086,321	—	2,086,321	1,948,195	—	1,948,195
Sponsoring	2,493,944	—	2,493,944	2,518,662	—	2,518,662
	5,938,121	—	5,938,121	5,723,467	—	5,723,467
Supporting activities:						
Management and general Advancement	698,816	—	698,816	758,153	—	758,153
	1,329,757	—	1,329,757	1,224,235	—	1,224,235
	2,028,573	—	2,028,573	1,982,388	—	1,982,388
Total expenses	7,966,694	—	7,966,694	7,705,855	—	7,705,855
Change in net assets	(336,450)	(441,097)	(777,547)	(318,424)	205,599	(112,825)
Net assets, beginning of year	2,480,944	1,603,484	4,084,428	2,799,368	1,397,885	4,197,253
Net assets, end of year	\$ 2,144,494	\$ 1,162,387	\$ 3,306,881	\$ 2,480,944	\$ 1,603,484	\$ 4,084,428

The accompanying notes are an integral part of these financial statements

Statement of Functional Expenses

Year ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services				Supporting Activities			2019 TOTAL	2018 TOTAL
	Training	Equipping	Sponsoring	Total	Management And General	Advancement	Total		
Salary, benefits and taxes	\$ 201,254	\$ 367,468	\$ 338,416	\$ 907,138	\$ 448,478	\$ 425,289	\$ 873,767	\$ 1,780,905	\$ 1,747,790
Professional services	68,684	38,528	21,230	128,442	47,247	370,113	417,360	545,802	554,602
Printing and mailing services	—	—	—	—	—	177,811	177,811	177,811	176,203
Promotional expenses	—	—	—	—	—	71,807	71,807	71,807	60,576
Office expenses	7,413	14,921	6,805	29,139	26,850	176,740	203,590	232,729	212,417
Travel	119,726	74,800	26,828	221,354	23,113	64,672	87,785	309,139	316,217
Contributions to global/local partners	930,139	1,442,206	2,061,976	4,434,321	—	—	—	4,434,321	4,133,064
Information technology	1,078	1,911	654	3,643	39,281	15,629	54,910	58,553	50,158
Occupancy	5,508	27,896	5,833	39,237	47,397	11,620	59,017	98,254	104,474
Depreciation	4,124	9,055	6,849	20,028	39,369	9,616	48,985	69,013	56,335
Other	19,930	109,536	25,353	154,819	27,081	6,460	33,541	188,360	294,019
Total Expenses	\$ 1,357,856	\$ 2,086,321	\$ 2,493,944	\$ 5,938,121	\$ 698,816	\$ 1,329,757	\$ 2,028,573	\$ 7,966,694	\$ 7,705,855

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square footage basis, as well as salaries, benefits and taxes, travel, and certain office expenses, which are allocated on the basis of estimates of time and effort.

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

Years ended June 30, 2019 & 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from:		
Contributions	\$ 6,600,431	\$ 6,780,172
Missionary support	290,669	291,435
Foundation grants	194,953	255,229
Sales	2,795	2,951
Other	71,858	26,957
	<u>7,160,706</u>	<u>7,356,744</u>
Cash paid to suppliers, foreign affiliates, missionaries and employees for:		
Missionary activities	(295,876)	(274,897)
Grant related activities	(255,259)	(353,204)
Other ministry and supporting activities	(7,331,385)	(7,003,591)
	<u>(7,882,520)</u>	<u>(7,631,692)</u>
Net Cash Used in Operating Activities	<u>(721,814)</u>	<u>(274,948)</u>
Cash Flows from Investing Activities		
Purchase of marketable securities and assets held under split-interest agreements	(988,822)	(314,404)
Proceeds from sale of marketable securities and assets held under split-interest agreements	1,438,909	278,354
Building and equipment additions	(91,783)	(57,384)
Net Cash Provided By (Used In) Investing Activities	<u>358,304</u>	<u>(93,434)</u>
Net Decrease in Cash and Cash Equivalents	<u>(363,510)</u>	<u>(368,382)</u>
Cash and Cash Equivalents		
Beginning of year	2,612,349	2,980,731
End of year	<u>\$ 2,248,839</u>	<u>\$ 2,612,349</u>

The accompanying notes are an integral part of these financial statements

1. Nature of Organization

Slavic Gospel Association (SGA) is an Illinois nonprofit corporation classified as a 501(c)(3) religious organization by the Internal Revenue Service, and as such is exempt from federal and state income tax. Support for SGA's ministry comes primarily from donor contributions.

SGA is an interdenominational, evangelical missionary organization dedicated to helping evangelical churches make disciples of the people in the lands of Russia for our Lord and Savior, Jesus Christ, through prayer, strategic ministry and financial assistance. Its main objectives are to stimulate, develop and maintain a vital, growing base of faithful prayer support; to strengthen and encourage evangelical churches, the other SGA international ministries, and other like-minded parachurch ministries; to provide for the training and equipping of national pastors, missionaries, church planters and lay workers; to secure and coordinate the sponsorship and equipping of national missionaries, church planters and local churches; to equip local churches for strategic outreach ministries; to assist in the development of church-based media ministries; to provide Russian-language Bibles, New Testaments, Bible study tools, theology texts, commentaries, etc., as well as literature for evangelism and discipleship to facilitate the achievement of the previously stated objectives. The financial statements do not include the financial position, results of activities or cash flows of SGA's affiliated organizations in Canada, Germany, the United Kingdom, the former Soviet Union, New Zealand or Australia, due to their financial and administrative independence.

As a faith mission, SGA is dependent upon God as He moves the hearts of interested individuals, local churches and other organizations to meet financial needs. Strict fiscal integrity is maintained. The mission is a charter member of the Evangelical Council for Financial Accountability.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of SGA have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

Public Support

Contributions restricted by donors for a specific ministry program are recorded as revenue with donor restrictions until such amounts have been expended by SGA for the purposes specified. When such amounts are expended for the specific ministry program, they are reclassified to net assets without donor restrictions and reported in the statements of activities as "Net assets released from restrictions".

Classes of Net Assets

The statements of financial position report net assets in separate classes based on the presence or absence of donor restrictions, as follows:

- a) Net assets without donor restrictions include:
 - 1) Amounts currently expendable for SGA ministries and supporting activities, without donor restrictions for specific ministry programs. These amounts may be used at management's discretion for any of SGA's charitable purposes.
 - 2) Amounts invested in assets held for long-term use in land, buildings, and equipment. While without donor restriction, these distinctions highlight the fact that these net assets are not otherwise available for current expenditure.
 - 3) Amounts held in a board-designated reserve for specific purposes.
- b) Net assets with donor restrictions include amounts restricted for use in specific ministry programs, for other operating purposes by donors and due to timing restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in interest bearing accounts (checking and savings), money market accounts, highly liquid investments with original maturities of less than 90 days, and cash held by overseas partners not yet spent. Cash accounts may, at times, exceed federally insured limits. At June 30, 2019 and 2018, SGA's cash balances exceeded federally insured limits by \$1,404,889 and \$2,032,228, respectively. SGA has not experienced any loss on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

2. Summary of Significant Accounting Policies, continued

Funds Held in Trust by Others

Included in funds held in trust by others are amounts receivable from estates, and annuities and trusts administered by others. In the case of annuities and trusts administered by others, amounts will be received upon the death of the donor. In most cases, amounts receivable from estates are expected to be received within a year. Funds held in trust by others is determined by calculating the present value of future benefits expected to be received by SGA.

Marketable Securities and Assets Held under Split-Interest Agreements

Marketable securities consist of currently expendable investments in excess of daily cash requirements. Assets held under split-interest agreements consist of non-expendable amounts invested pursuant to SGA's split-interest agreements, most of which are invested in custodial accounts separately from expendable marketable securities.

Investment securities are carried at fair value. Fair values for investment securities are based on quoted market prices where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Unrealized gains and losses are reported with realized gains and losses in the statements of activities.

Land, Buildings and Equipment

Land, buildings and equipment in excess of \$1,500 are capitalized at cost. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift. Depreciation on buildings and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from three to thirty years. The cost of normal maintenance and repairs is charged to operating expenses as incurred. Expenditures that increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset.

Annuities Payable

SGA has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetime. A portion of the transfer is considered to be a charitable contribution that is deductible for federal income tax purposes.

The difference between the amount received for the gift annuity and SGA's liability for future payments, determined on an actuarial basis, is included in contributions without donor restrictions at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values with an assumed rate of return of 3%.

Functional Allocation of Expenses

The costs of providing the various ministry programs and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting activities benefited. The Advancement supporting activity classification represents the fundraising function within the organization. All expenses are recorded when incurred in accordance with the accrual basis of accounting.

SGA incurred joint costs totaling \$327,808 and \$294,691 for certain advancement projects for 2019 and 2018, respectively. Joint costs are costs incurred in activities that involve a combination of fund-raising and program and/or management and general activities. Of these costs, 25% and 36% were allocated to fund-raising (advancement), 13% and 16% to management and general, and 62% and 48% to program activities for the years ended June 30, 2019 and 2018, respectively.

Recently Adopted Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. SGA adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 9), and disclosures related to functional allocation of expenses were expanded.

3. Fair Value Measurements

SGA has adopted the *Fair Value Measurement and Disclosure* topic of the FASB ASC. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. SGA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SGA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

SGA's marketable securities and assets held under split-interest agreements consist of the following:

	Total	June 30, 2019	
		Level 1	Level 2
Marketable securities:			
Fixed income mutual funds:			
Income funds	\$ 229,805	\$ 229,805	\$ -
Growth and income funds	76,490	76,490	-
Growth funds	12,988	12,988	-
Money market mutual funds	50,237	50,237	-
Equity mutual funds:			
Growth and income funds	92,174	92,174	-
	<u>\$ 461,694</u>	<u>\$ 461,694</u>	<u>\$ -</u>
Split-interest agreements:			
Fixed income mutual funds:			
Growth and income funds	\$ 9,663	\$ 9,663	\$ -
Income funds	35,061	35,061	-
Equity mutual funds:			
Growth and income funds	59,195	59,195	-
Common stock	14,387	14,387	-
Cash and money market	2,445	2,445	-
	<u>\$ 120,751</u>	<u>\$ 120,751</u>	<u>\$ -</u>
Funds held in trust by other	<u>\$ 410,946</u>	<u>\$ -</u>	<u>\$ 410,946</u>
	Total	June 30, 2018	
		Level 1	Level 2
Marketable securities:			
Fixed income mutual funds:			
Income funds	\$ 693,453	\$ 693,453	\$ -
Growth and income funds	170,652	170,652	-
Growth funds	46,768	46,768	-
Equity mutual funds:			
Growth and income funds	5,246	5,246	-
	<u>\$ 916,119</u>	<u>\$ 916,119</u>	<u>\$ -</u>
Split-interest agreements:			
Common stock	\$ 120,777	\$ 120,777	\$ -
Cash and money market	2,211	2,211	-
	<u>\$ 122,988</u>	<u>\$ 122,988</u>	<u>\$ -</u>
Funds held in trust by other	<u>\$ 398,312</u>	<u>\$ -</u>	<u>\$ 398,312</u>

The net unrealized (loss) gain in fair value of assets held under split-interest agreements during 2019 and 2018 was (\$1,608) and \$1,979, respectively.

4. Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

	2019	2018
Land	\$ 274,374	\$ 274,374
Buildings and improvements	1,182,894	1,104,488
Furniture and equipment	622,155	635,970
Vehicles	75,834	64,221
	<u>2,155,257</u>	<u>2,079,053</u>
Accumulated depreciation	(1,550,982)	(1,497,548)
	<u>\$ 604,275</u>	<u>\$ 581,505</u>

5. Defined Postretirement Health Care and Life Insurance Benefit Plan

SGA provides Medicare supplemental and life insurance benefits to employees who had 25 years of ministry prior to 1993. Medicare supplemental coverage for retiree and spouse continues for the lifetime of each individual. The life insurance coverage is fixed at \$15,000 for employees under 70 and is reduced to \$7,500 at age 70. The spouse coverage is fixed at \$5,000 and is not to exceed 50% of the amount in force for the employee. Upon the employee's death, the spouse coverage is terminated. SGA accrues the cost of these postretirement benefits over the term of employment.

The plan's current and future benefits are funded by unrestricted, undesignated net assets of SGA. The following table sets forth the amounts recognized in the statements of financial position:

	2019	2018
Accumulated postretirement benefit obligation (APBO):		
Retirees	\$ (304,042)	\$ (309,066)
Fully eligible active plan participants	-	-
	<u>(304,042)</u>	<u>(309,066)</u>
Plan assets	-	-
APBO in excess of plan assets	(304,042)	(309,066)
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	-	-
Accrued postretirement benefit cost	<u>\$ (304,042)</u>	<u>\$ (309,066)</u>

The postretirement benefit obligation is classified as follows on the statements of financial position:

	2019	2018
Postretirement benefit obligation	\$ 304,042	\$ 309,066
Less current portion	(33,048)	(37,302)
Postretirement benefit obligation - net of current portion	<u>\$ 270,994</u>	<u>\$ 271,764</u>

Benefits expected to be paid in the five fiscal years following the June 30, 2019, statements of financial position and in the aggregate for the five fiscal years thereafter are as follows:

2020	\$ 33,048
2021	31,297
2022	29,306
2023	27,155
2024	24,951
Aggregate for next five fiscal years	<u>94,275</u>
	<u>\$ 240,032</u>

5. Defined Postretirement Health Care and Life Insurance Benefit Plan, continued

Net periodic postretirement benefit cost for SGA for the periods ending June 30, 2019 and 2018, included the following components:

	2019	2018
Employer contributions	\$ 39,916	\$ 44,058
Benefits paid	\$ 39,916	\$ 44,058
Interest cost on APBO	\$ 10,255	\$ 11,045
Other	-	-
Net periodic postretirement benefit cost	\$ 10,255	\$ 11,045

Contributions for the next fiscal year are expected to be \$33,048.

Weighted-average assumption and method disclosures as of June 30, 2019 and 2018, include:

	2019	2018
Discount rate	2.80%	3.55%
Average life expectancy of participants	5 years	5 years

Furthermore for purposes of calculating the postretirement benefit obligation, SGA assumed an initial 8.0% health care cost trend for participants for 2019 and 8.0% for 2018, decreasing to 6.00% by the year 2023.

6. Defined Contribution Plan

SGA provides a 403(b) retirement plan (Plan) that covers all full-time employees. Employees are immediately fully vested. Effective July 2015, for employees with three or more years of service, SGA matches 50% of employee contributions up to 6% of the annual base salary, for a maximum employer match of 3%. Employer contributions to the plan during 2019 and 2018 totaled \$23,520 and \$24,482, respectively.

7. Transactions with Affiliates and Related Parties

During 2019 and 2018, SGA transferred \$2,448 and \$5,108, respectively, to Slavic Gospel Association, Canada for missionary and ministry activities.

Amounts received and reported as revenue from SGA affiliates totaled \$657,405 and \$589,363 for the years ended June 30, 2019 and 2018, respectively.

Amounts reported as accounts receivable from SGA affiliates totaled \$4,138 and \$6,271 for the years ended June 30, 2019 and 2018, respectively.

8. Net Assets

At June 30, 2019 and 2018, net assets consist of:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Undesignated, available for general activities	\$ 686,866	\$ 1,162,033
Board designated reserve	853,353	737,406
Net investment in land, buildings and equipment	<u>604,275</u>	<u>581,505</u>
Total net assets without donor restrictions	<u>2,144,494</u>	<u>2,480,944</u>
Net assets with donor restrictions:		
Subject to the passage of time:		
Funds held in trust by others	<u>410,946</u>	<u>398,312</u>
Subject to expenditure for specified purpose:		
Church planter program	54,431	76,472
Training programs	-	22,928
Bibles and literature	65,649	44,381
Missionary support	124,018	129,225
Outreach programs	483,930	889,937
Antioch Initiative	<u>23,413</u>	<u>42,229</u>
	<u>751,441</u>	<u>1,205,172</u>
Total net assets with donor restrictions	<u>1,162,387</u>	<u>1,603,484</u>
Total net assets	<u>\$ 3,306,881</u>	<u>\$ 4,084,428</u>

SGA's governing board, through specific action, has created self-imposed limits on net assets without donor restrictions. As of June 30, 2019 and 2018, the board has set aside \$853,353 and \$737,406, respectively, for purposes of establishing an operating reserve. These net assets can be drawn upon if the board approves such action.

9. Liquidity and Funds Available

The following table reflects SGA's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, assets held in trusts and state required annuity reserves, perpetual and term endowments and accumulated earnings subject to appropriation beyond one year, unfunded portions of line of credit commitments, liquidity reserve limits required for church extension funds, or because the board has set aside funds for specific projects or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,248,839	\$ 2,612,349
Marketable securities	461,694	916,119
Funds held in trust by others	410,946	398,312
Assets held under split-interest agreements	<u>120,751</u>	<u>122,988</u>
Financial assets, at year-end	<u>3,242,230</u>	<u>4,049,768</u>
Less those unavailable for general expenditure within one year, due to:		
Assets held under split-interest agreements	(120,751)	(122,988)
Restricted by donor with time or purpose restrictions	(1,162,387)	(1,603,484)
Board designated for operating reserves	<u>(853,353)</u>	<u>(737,406)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,105,739</u>	<u>\$ 1,585,890</u>

9. Liquidity and Funds Available, continued

SGA structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of SGA's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. Management has internally set 75-90 days of operating expenses as a reasonable cash reserve on an ongoing basis. SGA also has a \$250,000 revolving line of credit agreement with a bank, of which no funds were borrowed under this agreement during the fiscal years ended June 30, 2019 and 2018. Interest on the line of credit is paid monthly at the Wall Street Journal prime rate less 0.5% (prime was 5.5% at June 30, 2019), with a floor of 4.0%. This line of credit expires in January 2020 and is collateralized by a security interest in the following assets: chattel paper, accounts, equipment and general intangibles.

10. Subsequent Events

Subsequent events have been evaluated through September 4, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.