SOLAR COOKERS INTERNATIONAL, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 and 2018

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MUN CPAs

MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Solar Cookers International, Inc.
Sacramento, California

We have audited the accompanying financial statements of Solar Cookers International, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Solar Cookers International, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Solar Cookers International, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mann, Urrutia, Nelson CPAs

Sacramento, California
October 18, 2019

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	$ 410,235	$ 769,382
Investments (Note 4)	491,023	-
Accounts receivable	100	500
Grants receivable	50,000	40,000
Unconditional promise to give (Note 5)	22,650	13,800
Inventory	3,884	4,979
Prepaid expenses	7,610	9,229
Total Current Assets	985,502	837,890
Non-Current Assets		
Property and equipment, net (Note 6)	7,896	10,099
Beneficial interest in Community Foundation assets (Note 10)	42,562	41,280
Total Non-Current Assets	50,458	51,379
Total Assets	$ 1,035,960	$ 889,269
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 2,590	$ 4,482
Accrued expenses	27,857	55,072
Total Current Liabilities	30,447	59,554
Net Assets		
With donor restrictions (Note 8)	65,184	60,249
Without donor restrictions	940,329	769,466
Total Net Assets	1,005,513	829,715
Total Liabilities and Net Assets	$ 1,035,960	$ 889,269

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

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 459,301	$ 40,886	$ 500,187
Grants and contracts	182,000	-	182,000
Sales of cookers & materials	4,201	-	4,201
Special events	20,593	-	20,593
Less: Direct donor benefits	(2,192)	-	(2,192)
In-kind contributions (Note 9)	5,523	-	5,523
Investment income	17,752	-	17,752
Other revenue	3,740	-	3,740
Total Support and Revenues	690,918	40,886	731,804
Net assets released from restriction	35,951	(35,951)	-
Total Revenues	726,869	4,935	731,804
Expenses			
Program services	466,688	-	466,688
Fund development	62,009	-	62,009
General and administrative	27,309	-	27,309
Total Expenses	556,006	-	556,006
Change in Net Assets	170,863	4,935	175,798
Net Assets - July 1, 2018	769,466	60,249	829,715
Net Assets - June 30, 2019	$ 940,329	$ 65,184	$ 1,005,513

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

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES - COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 540,296	$ 20,433	$ 560,729
Grants and contracts	55,000	-	55,000
Sales of cookers and materials	4,118	-	4,118
In-kind contributions (Note 9)	31,680	-	31,680
Investment income	1,601	-	1,601
Other revenue	6,074	-	6,074
Total Support and Revenues	638,769	20,433	659,202
Net assets released from restriction	154,420	(154,420)	-
Total Revenues	793,189	(133,987)	659,202
Expenses			
Program services	611,105	-	611,105
Fund Development	64,760	-	64,760
General & Administration	39,993	-	39,993
Total Expenses	715,858	-	715,858
Change in Net Assets	77,331	(133,987)	(56,656)
Net Assets - July 1, 2017	692,135	194,236	886,371
Net Assets - June 30, 2018	$ 769,466	$ 60,249	$ 829,715

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

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Fund Development	General and Administrative	Total 2019	Total 2018
Salaries and wages	$ 291,900	$ 27,324	$ 12,726	$ 331,950	$ 425,379
Payroll taxes	27,769	2,533	1,171	31,473	39,021
Employee benefits	23,846	1,412	1,654	26,912	19,405
Accounting & audit fees	21,669	4,334	1,398	27,401	32,823
Bank & payroll charges	-	2	4,776	4,778	7,006
Cookers & other materials	387	-	-	387	-
Depreciation	1,838	287	78	2,203	2,870
Dues & subscription	3,227	319	39	3,585	4,020
In-kind expense	4,347	1,123	53	5,523	31,680
Insurance	3,783	303	3,959	8,045	2,013
Miscellaneous	-	-	-	-	255
Office expenses	927	1,093	296	2,316	4,464
Postage & shipping	1,320	170	64	1,554	1,447
Professional fees	11,418	4,819	473	16,710	31,211
Program expenses	24,257	-	-	24,257	62,521
Publication costs	10,388	6,625	-	17,013	19,052
Rent	20,732	1,550	410	22,692	21,754
Supplies	2,700	9,053	48	11,801	4,038
Telephone, fax & email	3,945	386	108	4,439	4,675
Travel & meetings	12,235	676	56	12,967	2,224
Total Expenses	$ 466,688	$ 62,009	$ 27,309	$ 556,006	$ 715,858

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

SOLAR COOKERS INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 175,798	$ (56,656)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,203	2,870
Decrease (Increase) in:		
Accounts receivable	400	(500)
Grants receivable	(10,000)	60,000
Unconditional promise to give	(8,850)	16,200
Beneficial interest in Community Foundation assets	(1,282)	(3,046)
Inventory	1,095	(2,599)
Prepaid expenses	1,619	(5,717)
Increase (Decrease) in:		
Accounts payable	(1,892)	(2,680)
Accrued expenses	(27,215)	6,097
Net Cash Provided by Operating Activities	131,876	13,969
Cash Flows from Investing Activities		
Purchase of investments	(491,023)	-
Purchase of equipment	-	(4,102)
Net Cash Used for Investing Activities	(491,023)	(4,102)
Net Increase (Decrease) in Cash and Cash Equivalents	(359,147)	9,867
Cash and Cash Equivalents, Beginning of Year	769,382	759,515
Cash and Cash Equivalents, End of Year	$ 410,235	$ 769,382

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Solar Cookers International, Inc. (SCI) is a non-profit organization whose mission is to improves human and environmental health by supporting the expansion of effective carbon-free solar cooking in world regions of greatest need. SCI leads through advocacy, research, and strengthening the capacity of the global solar cooking movement.

Basis of Presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and are available for general operations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, SCI considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have original maturities of three months or less.

Investments

Investments are classified into the following categories:

- Available-for-sale securities, reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of taxes, as accumulated other comprehensive income (loss) within stockholders' equity.

- Held-to-maturity securities, which management has the positive intent and ability to hold to maturity, reported at amortized cost, adjusted for the accretion of discounts and amortization of premiums.

Management determines the appropriate classification of its investments at the time of purchase and may only change the classification in certain limited circumstances. All transfers between categories are accounted for at fair value in the period which the transfer occurs.

Gains or losses on the sale of investment securities are computed on the specific identification method.

An investment security is impaired when its carrying value is greater than its fair value. Investment securities that are impaired are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether such a decline in their fair value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of SCI to retain its investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other than temporary, and management does not intend to sell the security or it is more likely than not that SCI will not be required to sell the security before recovery, for debt securities, only the portion of the impairment loss

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive income. If management intends to sell the security or it is more likely than not that SCI will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the unpaid balance. Grants receivable consists primarily of donor contributions. SCI does not charge interest on past due accounts. Management believes all receivables are fully collectible, therefore no allowance for doubtful accounts is deemed necessary. The write-off of receivables is rare and occurs at management's discretion after all collection efforts have failed.

Inventory

Inventories consist of solar cookers and educational materials which are sold to the public and are stated at the lower of cost or market, with cost determined by the first-in first-out method.

Property and Equipment

Acquisitions of property and equipment of $500 or more are capitalized. Property and equipment is recorded at acquisition cost, or at estimated fair market value as of the date of donation. Depreciation expense is provided on a straight-line basis over the estimated useful life of the respective asset, ranging from 5 to 15 years.

Revenue Recognition

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

In-Kind Contributions and Contributed Services

In accordance with ASC 958-605-50-1, SCI recognizes contributed services as contribution revenue and as assets or expenses if the services create or enhance a non-financial asset (for example, property and equipment) or

- would need to be purchased by SCI if they had not been provided by contribution.
- require specialized skills and are provided by individuals with those skills.

Functional Expense Allocation

The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on estimates of employees' time and on the usage of resources.

Salary and personnel expenses are allocated according to the approximate percentage of time each employee spends on a function. Publication costs are allocated between fundraising and program according to the character of the publication. Other expenses are primarily allocated using the same percentage as budgeted salaries.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Pursuant to a determination letter from the Internal Revenue Service, SCI is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue code and Section 23701(d) of the California Revenue and Taxation Code.

Subsequent Events

Subsequent events have been evaluated through October 18, 2019, which is the date the financial statements were available to be issued.

Use of Estimates

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

Recently Adopted Accounting Pronouncements

ASU 2016-14 - Not-for-Profit Entities (Topic 958) Presentation of Financial Statements.
The purpose of this standard is to improve and simplify the manner in which a not-for-profit entity (NFP) classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. ASU No. 2016-14 amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, and requires an NFP to, among other things, (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes (i.e., an NFP will report amounts for both net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets); (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets referenced above, rather than that of the currently required three classes (i.e., an NFP would continue to report the currently required amount of the change in total net assets for the period); and (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows, using either the direct or the indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The new requirements were adopted for SCI's June 30, 2019 year-end.

Future Accounting Pronouncements

ASU 2016-02 - Leases (Topic 842).
Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with a term of more than 12 months. Unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU No. 2016-02 will require both operating and finance leases to be recognized on the balance sheet. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. The new requirements are effective for SCI's June 30, 2021 year-end. Management has not yet determined the impact of this accounting standard on SCI's operations or cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASU 2016-18 - Statement of Cash Flows (Topic 230) Restricted Cash.
This standard addresses the diversity in practice that exists regarding the classification and the presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. The standard requires cash flow statements to explain the changes during a reporting period of the totals for cash, cash equivalents, restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period total amounts set forth on the statement of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. The new requirements are effective for SCI's June 30, 2020 year-end. Management has not yet determined the impact of this accounting standard on the SCI's operations or cash flows.

ASU 2018-08 - Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.
The purpose of this standard is to clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred on the basis of the following: (1) A resource provider (including a foundation, a government agency, or other) is not synonymous with the general public. A benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. (2) Execution of a resource provider's mission or the positive sentiment from acting as a donor does not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange. The amendments in this update likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. For transactions in which the Organization is a resource recipient, the new requirements are effective for the Organization’s June 30, 2020 year-end. For transactions in which the Organization is a resource provider, the new requirements are effective for the Organization’s June 30, 2021 year-end. Early adoption is permitted. Management has not yet determined the impact of this accounting standard on the Organization’s operations or cash flows.

NOTE 2: LIQUIDITY AND AVAILABILITY

SCI strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments. SCI receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs.

The following table reflects SCI's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position.

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 410,235	$ 769,382
Investments	491,023	-
Accounts receivable	100	500
Pledges and grants receivable	72,650	53,800
Total financial assets	974,008	823,682
Less amounts not available to be used within one year:		
Investments with liquidity horizons greater than one year	(73,379)	-
Donor-imposed restrictions:		
Restricted funds	(15,184)	(10,249)
Endowments	(50,000)	(50,000)
Financial assets with donor-imposed restrictions	(65,184)	(60,249)
Total financial assets not available to be used within one year	(138,563)	(60,249)
Financial assets available to meet general expenditures within one year	$ 835,445	$ 763,433

NOTE 3: CASH AND CASH EQUIVALENTS

At June 30, 2019, cash and cash equivalents included $311,932 held in commercial banks of which $250,000 was insured by the Federal Deposit Insurance Corporation, $81,033 held in credit unions of which $81,033 was insured by the National Credit Union Administration, and $11,588 held in Charles Schwab of which $11,588 was insured by the Federal Deposit Insurance Corporation. At June 30, 2018, cash and cash equivalents included $692,070 held in commercial banks of which $250,000 was insured by the Federal Deposit Insurance Corporation, and $80,831 held in credit unions of which $80,831 was insured by the National Credit Union Administration.

NOTE 4: INVESTMENTS

SCI's investments consist of mutual funds, exchange-tranded funds and certificates of deposit, all classifed as available-for-sale. There were no investments at June 30, 2018. Investments consisted of the following at June 30, 2019:

	Fair Value	Cost
Money Market Mutual Funds	$ 43,505	$ 41,536
Exchange-Traded Funds	56,870	52,017
Certificates of Deposit	390,648	392,000
Total Investments	$ 491,023	$ 485,553

Investment return is summarized as follows:

	2019	2018
Interest income	$ 9,385	$ 1,301
Net realized and unrealized gains (losses)	8,367	300
Total investment income (loss)	$ 17,752	$ 1,601

NOTE 5 : UNCONDITIONAL PROMISE TO GIVE

Unconditional promises to give, all of which management considered collectible within one year, consist of various pledges from donors which totaled $22,650 and $13,800 at June 30, 2019 and June 30, 2018, respectively.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2019	2018
Furniture and equipment	$ 29,909	$ 29,909
Less: accumulated depreciation	(22,013)	(19,810)
Total property and equipment	$ 7,896	$ 10,099

Depreciation expense was $2,203 and $2,870 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 7: LEASE COMMITMENTS

SCI leases its office space in Sacramento under a noncancelable operating lease which expires on December 31, 2019. Future minimum rental payments under the lease total $10,212. Rent expense totaled $22,682 and $21,756 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2019	2018
Africa Aid Fund	$ -	$ 4,641
Mary Frank Media Fund	5,308	5,308
Travel Fund	142	142
Kakuma Upgrade Fund	7,010	-
Puerto Rico Fund	500	-
Latin America Endowment	25,000	25,000
Latin America Endowment - unspent earnings	2,224	158
Sacramento Regional Community Foundation	25,000	25,000
Total	$ 65,184	$ 60,249

NOTE 9: IN-KIND CONTRIBUTIONS

SCI received donated goods related to its program purposes, and donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. For the year ended June 30, 2019, SCI recorded in-kind revenue of $5,523, which included $1,732 of donated grant research, graphic design and global advisory services, and $3,791 in donated program expenses. For the year ended June 30, 2018, SCI recorded in-kind revenue of $31,680, which included $18,145 in donated IT services and professional photography and $13,535 in donated program expenses.

NOTE 10: BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

SCI has transferred assets to the Sacramento Regional Community Foundation (Foundation) to establish an endowment fund. The agreement states that the transfer is irrevocable and that the assets will not be returned to SCI. However, the Foundation will make distributions of income earned on the endowment fund to SCI, subject to the Foundation's spending policy. SCI has granted the Foundation variance power which allows the Foundation, at its sole discretion and subject to certain conditions, to modify any condition or restriction on the distribution of funds. No distributions were received for the years ended June 30, 2019 and 2018. SCI has recorded a beneficial interest in assets held by the Foundation totaling $42,562 and $41,280 at June 30, 2019 and June 30, 2018, respectively.

NOTE 11: ENDOWMENT

SCI's endowment includes both net assets with donor restrictions and net assets without donor restrictions designated by the Board of Directors to function as general endowments. The Board has complied with the requirements of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), which provides statutory guidance for management, investment, and expenditures of endowed funds. UPMIFA does not distinguish between original corpus, income, and capital appreciation and permits all endowed funds to make a payout as deemed prudent by the Board and within UPMIFA.

SCI classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

To satisfy its long-term objectives, SCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCI targets a conservative mix of investments that places an emphasis on capital preservation.

Amounts to be appropriated for expenditure, if any, are determined annually by the Board of Directors. Changes in endowment net assets for the year ended June 30, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, July 1, 2018	$ 16,278	$ 50,158	$ 66,436
Investment income	1,693	3,376	5,069
Realized and unrealized gains	(411)	(1,310)	(1,721)
Endowment assets, June 30, 2019	$ 17,560	$ 52,224	$ 69,784

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, July 1, 2017	$ 13,233	$ 52,288	$ 65,521
Investment income	3,449	158	3,607
Realized and unrealized gains	(404)	(2,288)	(2,692)
Endowment assets, June 30, 2018	$ 16,278	$ 50,158	$ 66,436

NOTE 12: FAIR VALUE MEASUREMENTS

*FASB Accounting Standards Codification 820, Fair Value Measurement*s *and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net assets available for benefits, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. The Plan had no liabilities measured at fair value on a recurring basis. In addition, the Plan had no assets or liabilities measured at fair value on a nonrecurring basis.

Mutual Funds and Exchange-Traded Funds: Valued at the daily closing price as reported by the fund. Mutual funds and exchange-traded funds held by the Plan are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and exchange-traded funds held by the Plan are deemed to be actively traded, resulting in a Level 1 valuation.

Certificates of Deposit: Valued at amortized cost, which approximates fair value. These are included as a Level 2 valuation.

Beneficial Interest in Assets of Community Foundation: Valued using unobservable (Level 3) inputs, as the value of the beneficial interest is not published on an active market and the value is determined by the Community Foundation and the mix of investments held by the Community Foundation at a given point in time.

NOTE 12: FAIR VALUE MEASUREMENTS (CONTINUED

The following tables set forth by level, within the fair value hierarchy, SCI's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	$ 43,505	$ -	$ -	$ 43,505
Exchange-Traded Funds	56,870	-	-	56,870
Certificates of Deposit	-	390,648	-	390,648
Beneficial Interest in Assets of Community Foundation	-	-	42,562	42,562
Total assets at fair value	$ 100,375	$ 390,648	$ 42,562	$ 533,585

The following tables set forth by level, within the fair value hierarchy, SCI's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Assets of Community Foundation	$ -	$ -	$ 41,280	$ 41,280
Total assets at fair value	$ -	$ -	$ 41,280	$ 41,280

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, SCI believes the 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 is a reconciliation of SCI's investments measured using significant unobservable measurements (Level 3) for the years ended:

	June 30, 2019	June 30, 2018
Balance, beginning of year	$ 41,280	$ 38,234
Investment income (loss)	1,692	3,450
Administrative fees	(410)	(404)
Balance, end of year	$ 42,562	$ 41,280