



CRAFT EMERGENCY RELIEF FUND, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

CRAFT EMERGENCY RELIEF FUND, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

CRAFT EMERGENCY RELIEF FUND, INC.

TABLE OF CONTENTS

SEPTEMBER 30, 2020 AND 2019

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statement of Functional Expenses - 2020	7
Statement of Functional Expenses - 2019	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 23



VT License #92-0000171

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Craft Emergency Relief Fund, Inc.
Montpelier, Vermont

We have audited the accompanying financial statements of Craft Emergency Relief Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, 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.

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 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.

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

336 Water Tower Circle, Suite 801 ■ Colchester, VT 05446 ■ 802 655 5665 ■ FAX: 802 655 5666 ■ JMM@JMMCPA.NET

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craft Emergency Relief Fund, Inc. as of September 30, 2020 and 2019, 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 of America.

Jmm & Associates

February 9, 2021

CRAFT EMERGENCY RELIEF FUND, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

A S S E T S

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 958,583	\$ 258,104
Current portion of pledges receivable	400,500	105,500
Current portion of loans receivable	12,000	25,000
Bequests receivable	-	1,000
Prepaid expenses	<u>8,467</u>	<u>10,960</u>
TOTAL CURRENT ASSETS	<u>1,379,550</u>	<u>400,564</u>
PROPERTY AND EQUIPMENT		
Equipment	15,313	15,313
Website	<u>18,500</u>	<u>18,500</u>
	33,813	33,813
Less accumulated depreciation	<u>(20,410)</u>	<u>(13,899)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>13,403</u>	<u>19,914</u>
OTHER ASSETS		
Investments	1,810,478	1,856,296
Noncurrent pledges receivable	85,000	-
Noncurrent loans receivable, net	<u>13,378</u>	<u>18,771</u>
TOTAL OTHER ASSETS	<u>1,908,856</u>	<u>1,875,067</u>
TOTAL ASSETS	<u>\$ 3,301,809</u>	<u>\$ 2,295,545</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 57,037	\$ 31,199
Grants payable	60,334	-
Accrued salaries and related liabilities	17,963	15,564
Accrued vacation	31,741	20,147
Current portion of note payable	9,000	-
	176,075	66,910
 TOTAL CURRENT LIABILITIES	 176,075	 66,910
 LONG-TERM DEBT		
Note payable, net of current portion	94,700	-
	94,700	-
TOTAL LONG-TERM DEBT	94,700	-
 TOTAL LIABILITIES	270,775	66,910
 NET ASSETS		
Net assets without donor restrictions:		
Undesignated	752,215	278,887
Board designated:		
CERF+ At the Ready Fund	156,286	156,286
Board reserve	441,898	441,898
Long-term investment	251,136	359,384
Total net assets without donor restrictions	1,601,535	1,236,455
Net assets with donor restrictions	1,429,499	992,180
	3,031,034	2,228,635
 TOTAL NET ASSETS	 3,031,034	 2,228,635
 TOTAL LIABILITIES AND NET ASSETS	\$ 3,301,809	\$ 2,295,545

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants and contributions	\$ 1,053,342	\$ 614,855
In-kind contributions	36,987	57,845
Fundraising events	3,895	11,143
Investment income	124,594	121,059
Sales and other income	25,358	14,226
	<u>1,244,176</u>	<u>819,128</u>
Net assets released from restrictions	1,408,885	394,979
	<u>2,653,061</u>	<u>1,214,107</u>
TOTAL SUPPORT AND REVENUE		
EXPENSES		
Program services:		
Emergency response	1,487,901	349,930
Education and training	323,767	310,134
Outreach, marketing and advocacy	144,735	184,136
Subtotal - program services	<u>1,956,403</u>	<u>844,200</u>
Support services:		
General and administrative	220,305	163,646
Fundraising	111,273	103,179
Subtotal - support services	<u>331,578</u>	<u>266,825</u>
TOTAL EXPENSES	<u>2,287,981</u>	<u>1,111,025</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	365,080	103,082
BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,236,455</u>	<u>1,133,373</u>
ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 1,601,535</u>	<u>\$ 1,236,455</u>

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	\$ 1,844,349	\$ 819,943
Investment earnings	1,855	-
Subtotal - restricted revenue	1,846,204	819,943
Net assets released from restrictions	(1,408,885)	(394,979)
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	 437,319	 424,964
 BEGINNING NET ASSETS WITH DONOR RESTRICTIONS	 992,180	 567,216
 ENDING NET ASSETS WITH DONOR RESTRICTIONS	 \$ 1,429,499	 \$ 992,180
 TOTAL CHANGE IN NET ASSETS	 \$ 802,399	 \$ 528,046

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES - 2020

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Emergency Response	Education & Training	Outreach, Marketing & Advocacy	Total Program Services	General and Administrative	Fundraising	2020 Total	2019 Total
Salaries	\$ 138,467	\$ 81,689	\$ 71,276	\$ 291,432	\$ 104,341	\$ 58,793	\$ 454,566	\$ 396,097
Employee benefits	24,101	11,380	12,618	48,099	17,643	10,257	75,999	75,564
Payroll taxes	11,313	7,359	5,765	24,437	7,020	4,753	36,210	36,395
Subtotal - personnel costs	173,881	100,428	89,659	363,968	129,004	73,803	566,775	508,056
Grant expense - individuals	994,500	20,538	-	1,015,038	-	-	1,015,038	215,412
Grant expense - organizations	250,000	144,780	-	394,780	-	-	394,780	-
Professional services	33,324	21,275	27,018	81,617	12,986	8,280	102,883	136,997
In-kind expense	-	-	-	-	36,987	-	36,987	57,845
Travel	6,450	16,809	8,736	31,995	836	3,750	36,581	55,812
Information technology	12,204	9,598	5,720	27,522	4,615	4,210	36,347	28,884
Office expenses	5,192	3,252	6,206	14,650	4,022	14,844	33,516	47,600
Occupancy	10,605	6,240	4,587	21,432	7,319	4,229	32,980	34,747
Bank and credit card fees	-	-	-	-	9,481	90	9,571	3,739
Other expense	-	-	20	20	7,839	945	8,804	4,917
Depreciation	-	-	-	-	6,511	-	6,511	6,225
Advertising and promotion	724	220	1,944	2,888	-	310	3,198	5,542
Insurance	1,021	558	442	2,021	705	407	3,133	2,626
Conferences and workshops	-	69	403	472	-	405	877	2,623
TOTAL EXPENSES	\$ 1,487,901	\$ 323,767	\$ 144,735	\$ 1,956,403	\$ 220,305	\$ 111,273	\$ 2,287,981	\$ 1,111,025

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES - 2019
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Emergency Response</u>	<u>Education & Training</u>	<u>Outreach, Marketing & Advocacy</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>
Salaries	\$ 93,022	\$ 109,534	\$ 61,844	\$ 264,400	\$ 79,113	\$ 52,584	\$ 396,097
Employee benefits	15,893	20,483	11,067	47,443	17,712	10,409	75,564
Payroll taxes	7,557	8,722	5,197	21,476	10,225	4,694	36,395
Subtotal - personnel costs	116,472	138,739	78,108	333,319	107,050	67,687	508,056
Grant expense - individuals	194,783	20,629	-	215,412	-	-	215,412
Professional services	9,971	95,595	10,957	116,523	13,479	6,995	136,997
In-kind expense	-	-	57,845	57,845	-	-	57,845
Travel	6,381	23,694	16,978	47,053	3,597	5,162	55,812
Office expenses	5,293	11,965	7,050	24,308	15,757	7,535	47,600
Occupancy	7,182	9,441	4,787	21,410	8,550	4,787	34,747
Information technology	6,920	6,924	4,510	18,354	7,655	2,875	28,884
Depreciation	1,307	1,619	872	3,798	1,555	872	6,225
Advertising and promotion	639	260	190	1,089	340	4,113	5,542
Other expense	-	-	1,450	1,450	1,357	2,110	4,917
Bank and credit card fees	-	-	9	9	3,651	79	3,739
Insurance	552	683	368	1,603	655	368	2,626
Conferences and workshops	430	585	1,012	2,027	-	596	2,623
TOTAL EXPENSES	<u>\$ 349,930</u>	<u>\$ 310,134</u>	<u>\$ 184,136</u>	<u>\$ 844,200</u>	<u>\$ 163,646</u>	<u>\$ 103,179</u>	<u>\$ 1,111,025</u>

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 2,522,586	\$ 1,500,004
Cash received from interest and dividends	36,538	28,651
Cash received from loans receivable	13,863	18,599
Other operating receipts	25,358	14,226
Cash paid for personnel	(552,782)	(511,108)
Cash paid to suppliers for goods and services	<u>(1,581,204)</u>	<u>(510,395)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>464,359</u>	<u>539,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(10,902)
Sale of investments	897,569	398,758
Purchases of investments	<u>(765,149)</u>	<u>(921,921)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>132,420</u>	<u>(534,065)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	<u>103,700</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>103,700</u>	<u>-</u>
INCREASE IN CASH	700,479	5,912
BEGINNING CASH	<u>258,104</u>	<u>252,192</u>
ENDING CASH	<u>\$ 958,583</u>	<u>\$ 258,104</u>

See accompanying notes.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations and activities

Incorporated in New York in 1985 and now headquartered in Montpelier, Vermont, Craft Emergency Relief Fund, Inc. ("CERF+" or the Organization) is a national artists' service organization whose mission is to serve artists who work in craft disciplines by providing a safety net to support strong and sustainable careers. CERF+'s core services are education programs, advocacy, network building, and emergency relief. Emergency relief consists of: (a) Emergency Preparedness & Recovery Resources, (b) Emergency Preparedness Educational Programs, (c) Artist Preparedness Campaign, (d) National Coalition for Arts Preparedness & Emergency Response, and (e) Research on the Needs & Status of Working Artists. CERF+ fulfills its mission by making direct grants to craft artists facing career-threatening emergencies, coordinating a booth fee waiver and supply discount program with participating craft shows and suppliers, providing promotional, marketing and business development assistance, and by offering training and education in health, safety, insurance, and disaster preparedness. The Organization's support comes primarily from contributions from individuals, businesses and foundations.

Income taxes

CERF+ is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 501(a) of the Code. In addition, contributions to CERF+ qualify for the charitable contribution deduction under Section 170(b)(2)(A)(vi). CERF+ believes that it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts on deposit in financial institutions and other short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates market value.

CERF+ maintains all of its cash in Vermont banks. Amounts on deposit are insured up to \$250,000 per depositor per bank. Amounts on deposit in excess of the applicable FDIC limit were approximately \$708,000 and \$11,000 as of September 30, 2020 and 2019, respectively.

Basis of accounting

The financial statements of CERF+ have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial statement presentation

CERF+ is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting principles

Effective October 1, 2019, CERF+ adopted Accounting Standards Update (ASU) 2014-09 - *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and, therefore, no changes to the previously-issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective October 1, 2019, CERF+ also adopted ASU 2016-18 - *Statement of Cash Flows* (Topic 230), as amended. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash. The Organization has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets.

Effective October 1, 2019, CERF+ adopted the provisions of ASU 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. There was no material impact to the audited financial statements as a result of adoption, and no effect on net assets or previously-issued audited financial statements.

Effective October 1, 2019, CERF+ also adopted ASU 2016-01 - *Financial Instruments - Overall* (Topic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-13, *Fair Value Measurement* (Topic 820) *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. These ASUs modify or remove certain disclosure requirements that were previously required. There was no material impact to the financial statements as a result of adoption, and no effect on net assets or previously-issued financial statements.

Pending accounting standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842), which will replace the current guidance for leases found in FASB ASC 840. ASU No. 2016-02 will affect most not-for-profits for annual reporting periods beginning on or after December 15, 2020 (CERF+'s fiscal year ending September 30, 2022). ASU No. 2016-02 applies to both lessees and lessors and will require lessees with operating leases to recognize a right-of-use asset and related lease liability for leases with terms of 12 months or more. Management has not yet determined the impact of this ASU on the Organization's financial statements.

Comparative totals

The financial statements include certain prior year summarized comparative information in total, which is not a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification

Portions of the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support

CERF+ reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the Statements of Activities as net assets released from restrictions.

CERF+ recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend are met.

Revenue recognition

Contract revenue is recognized as performance obligations under the contracts agreements are met. Any unearned funds are considered deferred revenue and reported as a liability.

CERF+ uses the allowance method for recording uncollectible accounts receivable. Balances still outstanding after management uses reasonable collection efforts are written off as bad debt. Management provides an allowance for doubtful accounts based on prior experience, review of individual accounts and current economic conditions. Management has determined that no allowance for doubtful accounts is necessary as of September 30, 2020 or 2019. There were no material contract assets or liabilities as of September 30, 2020 and 2019.

Advertising and promotion

Nondirect response advertising is expensed when incurred.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated market value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the expiration of donor restrictions when donated assets are placed into service as instructed by the donor, and reclassifies net assets with restrictions to net assets without donor restrictions at that time.

The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments costing greater than \$3,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives.

Pledges receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts, if material, are computed using estimated market interest rates applicable to the years in which the promises are received. Any amortization of these discounts would be reflected in contribution revenue. Conditional promises to give are not recorded until the conditions are met.

Loans receivable

Loans receivable are stated at unpaid balances, less a loan loss reserve. CERF+ provides for losses on loans receivable using the allowance method. The allowance method is based on experience and other circumstances which may affect the ability of third parties to meet their obligations.

Donated materials and services

Donated materials, when received, are reflected as contributions at the fair value on the date of receipt. CERF+ receives various types of in-kind support, including professional services. Contributed professional services are recognized at fair value if the services rendered (a) create or enhance long-lived assets or (b) require specialized skills, and would typically need to be purchased if not provided by donation. No amounts have been recognized for donated services, as there were no amounts which satisfied the criteria for recognition.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Salaries have been allocated to the various functional classes based on employee time records. Indirect costs that benefit multiple functional areas are allocated based on these payroll allocation percentages.

Investments

CERF+ reports investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair values in the Statements of Financial Position. Fair value is determined by "Level 1" inputs by reference to quoted market prices. Unrealized gain and loss are included in the Statements of Activities.

2) LIQUIDITY

CERF+ regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit. See Note 6 for information about the Organization's line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CERF+ considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, CERF+ operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

2) LIQUIDITY (continued)

The following table shows the total financial assets held by CERF+, and the amounts of those financial assets that could readily be made available within one year of the Statements of Financial Position dates to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Financial assets at September 30:		
Cash	\$ 958,583	\$ 258,104
Pledges receivable	485,500	105,500
Loans receivable, net	25,378	43,771
Bequest receivable	-	1,000
Investments	1,810,478	1,856,296
Subtotal - total financial assets	<u>3,279,939</u>	<u>2,264,671</u>
Less amounts not available to meet general expenditures over the next 12 months:		
Noncurrent loans receivable	(13,378)	(18,771)
Donor restricted net assets	<u>(1,429,499)</u>	<u>(992,180)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,837,062</u>	<u>\$ 1,253,720</u>

3) PLEDGES RECEIVABLE

Included in pledges receivable are the following donor restricted unconditional promises to give as of September 30:

	<u>2020</u>	<u>2019</u>
Disaster relief - Puerto Rico	\$ 50,000	\$ 100,000
Disaster relief - other	320,000	-
Future periods and programs	<u>115,500</u>	<u>5,500</u>
	<u>\$ 485,500</u>	<u>\$ 105,500</u>

Promises to give consisted of the following at September 30:

Receivable in less than one year	\$ 400,500	\$ 105,500
Receivable in two to five years	<u>85,000</u>	<u>-</u>
	<u>\$ 485,500</u>	<u>\$ 105,500</u>

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

3) PLEDGES RECEIVABLE (continued)

Pledges receivable are reported in the Statements of Financial Position at September 30 as follows:

	<u>2020</u>	<u>2019</u>
Current	\$ 400,500	\$ 105,500
Noncurrent	85,000	-
	<u>\$ 485,500</u>	<u>\$ 105,500</u>

Pledges receivable at September 30, 2020 included a pledge from one donor that accounted for 72% of total pledges. Pledges receivable at September 30, 2019 included a pledge from one donor that accounted for 96% of total pledges. Due to the nature of pledges receivable, no allowance is deemed necessary. Management has deemed the discount of pledges receivable to net present value to be immaterial.

4) LOANS RECEIVABLE

Until May 2018, CERF+ made loans to craft artists facing career-threatening emergencies. All loans were 60-month, interest-free, unsecured, and ranged from \$500 to \$9,000. CERF+ continues to collect payments on those outstanding loans. CERF+ reviews delinquent loans annually and writes off those at the end of their terms unless a loan is deemed clearly uncollectible prior to the end of the term. If material, CERF+ uses a "risk-free" rate of return to discount the notes receivable to net present value under the assumption that its allowance for uncollectible amounts accounts for market risk inherent in the notes.

There were 15 and 17 loans outstanding at September 30, 2020 and 2019, respectively. Write offs for fiscal years 2020 and 2019 consisted of loans of \$4,530 and \$1,357, respectively. Past due amounts at September 30, 2020 and 2019 totaled \$3,020 and \$5,139, respectively.

Loans receivable consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Loans receivable	\$ 35,378	\$ 50,462
Less loan loss reserve	(10,000)	(6,691)
	<u>25,378</u>	<u>43,771</u>
Less current portion	(12,000)	(25,000)
	<u>\$ 13,378</u>	<u>\$ 18,771</u>

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

4) LOANS RECEIVABLE (continued)

Aging of loans receivable is as follows as of September 30:

	<u>2020</u>	<u>2019</u>
Current	\$ 32,358	\$ 45,323
1 - 30 days	-	222
31 - 60 days	-	50
61 - 90 days	-	50
Over 90 days	3,020	4,817
	<u>\$ 35,378</u>	<u>\$ 50,462</u>

Maturities and estimated allowance for loans receivable are as follows for the years ending September 30:

2021	\$ 12,000
2022	14,000
2023	7,000
2024	2,378
	<u>35,378</u>
Less allowance for uncollectible amounts	<u>(10,000)</u>
	25,378
Less current portion	<u>(12,000)</u>
	<u>\$ 13,378</u>

5) INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's investments include both donor-restricted funds and funds without donor restrictions. Investments in debt securities and equity securities with readily determinable fair values are carried at fair value as determined by reference to quoted market prices and other relevant information generated by active market transactions (Level 1 inputs). Investments consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Mutual fund investments measured using net asset value		
Equity securities:		
Issuers with small to medium market capitalization (a)	\$ 44,849	\$ 186,654
Investment in real estate entities (b)	19,894	18,673
Entities in developed markets (c)	120,414	218,457
Entities in emerging and developing markets (d)	15,096	61,466
Index approach investments (e)	-	71,955
	<u>200,253</u>	<u>557,205</u>
Fixed income securities:		
Investment grade or unrated (f)	619,472	643,758
	<u>619,472</u>	<u>643,758</u>
Total mutual funds (forward)	<u>\$ 819,725</u>	<u>\$ 1,200,963</u>

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

5) INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

	<u>2020</u>	<u>2019</u>
Total mutual funds (forwarded)	\$ 819,725	\$ 1,200,963
Cash and equivalents	87,736	229,942
U.S. Treasury notes	-	179,642
Brokered certificates of deposits	185,261	-
Common stocks	717,756	245,749
Total other investments	<u>990,753</u>	<u>655,333</u>
	<u>\$ 1,810,478</u>	<u>\$ 1,856,296</u>

CERF+ uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Investments consist of funds for which there are no unfunded commitments, which redemption value is computed daily, and for which there is no notification period required to redemption. Funds seek total return, current income and preservation of capital. Further analysis of the categories of the investments and the corresponding investment strategy is as follows:

(a) These investments seek to provide long-term growth of capital primarily through investing net assets in equity securities, such as common stocks, of issuers with small to medium market capitalization.

(b) These investments seek total return through investment in global real estate equity securities by investing substantially all of its net assets in common stock and other equity securities issued by U.S. and non-U.S. real estate companies, including REIT-like entities.

(c) These investments seek to achieve long-term capital appreciation through purchasing securities of companies associated with developed market countries that the advisor has designated as approved markets.

(d) These investments seek capital appreciation by investing in common stocks of issuers in emerging and developing markets throughout the world.

(e) These investments are managed using an indexing investment approach by which the advisor attempts to approximate, before expenses, the performance of the index over the long term. The advisor will typically invest net assets in equity securities comprising the index in approximately the same proportions as they are represented in the index.

(f) These investments seek to maximize long-term return by investing its net assets in investment-grade fixed income securities, or unrated securities, that are deemed to be of comparable quality by the advisor.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

5) INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Additional analysis of the fair values and cost of investments by category were as follows as of:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
September 30, 2020:			
Cash and money funds	\$ 87,736	\$ 87,736	\$ -
Fixed income	804,733	777,960	26,773
Equities	898,115	679,601	218,514
Other	19,894	19,434	460
	<u>\$ 1,810,478</u>	<u>\$ 1,564,731</u>	<u>\$ 245,747</u>
September 30, 2019:			
Cash and money funds	\$ 229,942	\$ 229,942	\$ -
Fixed income	823,400	812,865	10,535
Equities	784,282	634,257	150,025
Other	18,672	16,864	1,808
	<u>\$ 1,856,296</u>	<u>\$ 1,693,928</u>	<u>\$ 162,368</u>

Included in investments are funds transferred into a separate "board-designated reserve fund" at the discretion of the Board, earnings from which are for the long-term benefit of the Organization.

A portion of the Organization's investments have been pledged as collateral for the Organization's line of credit (Note 6).

Investment return is summarized as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 36,538	\$ 28,651
Realized gain	22,440	67,293
Unrealized gain	83,379	37,982
Investment fees	<u>(15,908)</u>	<u>(12,867)</u>
	<u>\$ 126,449</u>	<u>\$ 121,059</u>

Investment income is reported in the Statements of Activities as follows for the years ended September 30:

Without donor restrictions	\$ 124,594	\$ 121,059
With donor restrictions	<u>1,855</u>	<u>-</u>
	<u>\$ 126,449</u>	<u>\$ 121,059</u>

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

6) LINE OF CREDIT

CERF+ has a \$100,000 line of credit with People's United Bank, N.A. The agreement matured in November 2020, was renewed and will continue at the Bank's discretion until the next review. The line of credit is secured by a pledge of certain investments held by the same bank (Note 5) and bears interest at the Bank's "Prime Rate" plus .5% (3.75% and 5.5% at September 30, 2020 and 2019, respectively). There was no outstanding balance on the line of credit at September 30, 2020 or 2019.

7) GRANTS PAYABLE

Grants payable consists of grant funding due to organizations.

8) LONG-TERM DEBT

Long-term debt consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
People's United Bank, N.A.:		
Paycheck Protection Program note with monthly payments of \$5,836 deferred until August 2021, bearing interest at 1%, uncollateralized, guaranteed by the U.S. Small Business Administration (SBA), due July 2023	\$ 103,700	\$ -
Less current portion	<u>(9,000)</u>	
	<u>\$ 94,700</u>	<u>\$ -</u>

Future maturities of long-term debt based on signed agreements are as follows for the years ending September 30:

2021	\$ 9,000
2022	52,000
2023	<u>42,700</u>
	<u>\$ 103,700</u>

If CERF+ incurs eligible expenses within the appropriate period, all or a portion of the Paycheck Protection Program loan may be forgiven by the SBA.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

9) LEASES

CERF+ leases office space under a non-cancelable lease through June 2024. Lease expenses were \$24,945 and \$20,172 for the years ended September 30, 2020 and 2019, respectively.

Future minimum lease payments are as follows for the years ending September 30:

2021	\$	26,000
2022		27,000
2023		27,000
2024		<u>21,000</u>
	<u>\$</u>	<u>101,000</u>

10) DONATED GOODS AND MATERIALS

The values of donated goods and materials included as contributions in the financial statements and in the corresponding expenses, benefited the following purposes for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Internal purposes:		
Software licensing fees	\$ 24,000	\$ 24,000
Travel, conferences and meetings	1,163	17,710
Promotion	-	1,875
Other goods and services	-	2,650
	<u>25,163</u>	<u>46,235</u>
Brokered assistance	<u>11,824</u>	<u>11,610</u>
	<u>\$ 36,987</u>	<u>\$ 57,845</u>

Brokered assistance is in-kind support consisting of items that are donated to benefit craft artists. CERF+ serves as a conduit for the donations by spreading the word that an artist is seeking a particular item.

In addition to the amounts shown above, the Organization received hundreds of hours of donated time benefitting programs and supporting services that were not recorded in the financial statements because the services do not meet the criteria for recognition under U.S. generally accepted accounting principles.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

11) EMPLOYEE RETIREMENT PLAN

The Organization sponsors a 403(b) pension plan that covers substantially all employees. There are no minimum age or service requirements for employees to make contributions to the plan. For employees who work more than 1,000 hours per year and have completed one year of service, the Organization makes a discretionary contribution (3% of total compensation in 2020 and 2019). Employees can also make salary deferrals up to prescribed annual limits. Employer contributions to the plan were \$10,507 and \$7,164 for the years ended September 30, 2020 and 2019, respectively.

12) NET ASSETS

Board-designated net assets consist of investments designated for the long-term benefit of the Organization, including funds designated for the CERF+ "At the Ready Fund".

Net assets with donor restrictions are available to support a future period or a specific activity not completed by CERF+. Net assets with donor restrictions are as follows as of September 30:

	<u>2020</u>	<u>2019</u>
Emergency and disaster relief	\$ 506,144	\$ 231,893
Future periods and programs	212,877	82,922
COVID-19 emergency relief	212,077	-
Etsy Sellers Fund	168,258	97,898
Emergency preparedness	254,436	427,240
Artist legacy planning	7,525	7,875
Emergency and disaster relief - Puerto Rico	50,000	125,000
Board development	18,182	19,352
	<u>\$ 1,429,499</u>	<u>\$ 992,180</u>

13) COMMITMENTS AND CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to the grantors. Although that is a possibility, management deems the contingency remote since by accepting the awards and their terms, it has accommodated objectives to the provisions of the gift.

CRAFT EMERGENCY RELIEF FUND, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

14) GLOBAL PANDEMIC

In March 2020, the world experienced a global pandemic, COVID-19, which dramatically decreased economic activity. The CERF+ staff began working remotely as of March 16, 2020 as required by the State of Vermont's executive order. As of the report date, remote operations have continued and the Organization has adopted virtual staff and operational meetings as well as adjusting internal control procedures to be compatible with remote working conditions. CERF+ retained all staff members.

CERF+ has continued to receive steady support from private funders in response to the pandemic, allowing CERF+ to serve craft artists impacted by the crisis through emergency grants. CERF+ placed a temporary 12-month hold on loan payments for loan recipients in recognition of the financial hardship the pandemic had created for artists. In addition, as described in Note 8, CERF+ applied for and received an SBA Paycheck Protection Program loan in April 2020. In response to the financial emergencies that craft artists experienced due to the pandemic, CERF+ instituted a new quick relief grant program designed to serve those artists facing dire financial situations. This new grant program resulted in CERF+ providing significantly more individual grants than any time in CERF+'s history. CERF+ has also expanded its reach by providing grant funding to a partner organization to fund emergency grants to craft artists.

As of the report date, it is not possible to determine the impact of this health crisis on CERF+'s operations.

15) SUBSEQUENT EVENTS

CERF+ has evaluated events and transactions for potential recognition or disclosure through February 9, 2021, the date the financial statements were available to be issued.