

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST
FINANCIAL STATEMENTS

APRIL 30, 2018

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
The Ruth and Hal Launders Charitable Trust

We have reviewed the accompanying consolidated statement of assets, liabilities and net assets – modified cash basis of The Ruth and Hal Launders Charitable Trust (a nonprofit organization) as of April 30, 2018, and the related consolidated statements of revenues, expenses and other changes in net assets and cash flows – modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Trust management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 1.

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST
Consolidated Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
April 30, 2018

ASSETS

Cash and cash equivalents	\$ 487,187
Equity investments	5,324,214
Fixed income investments	11,644,994
Accrued interest	9,157
Real estate	<u>29,175,477</u>
Total assets	<u><u>\$ 46,641,029</u></u>

NET ASSETS

Unrestricted net assets	\$ 46,641,029
Temporarily restricted net assets	<u>-</u>
Total net assets	<u><u>\$ 46,641,029</u></u>

See accompanying notes and independent accountant's review report

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST
Consolidated Statement of Revenues, Expenditures and
Distributions and Change in Net Assets-Modified Cash Basis
For the Year Ended April 30, 2018

REVENUES

Investment income

Interest	\$	2,855
Dividends		207,299
Capital gain (loss) on sales of investments		210,416
Capital gain (loss) on sale of land		4,878,535
Unrealized gain (loss) on investments		565,210
Total investment income		<u>5,864,315</u>

Other income

Real estate miscellaneous income		129,746
Other income		1,888
Total other income		<u>131,634</u>
Total Income		<u>5,995,949</u>

EXPENDITURES AND DISTRIBUTIONS

Non-real estate expenditures

Association dues		750
Bank charges		151
Books and publications		78
Copy and office products		66
Courier and delivery expenses		1,094
Directors and officers liability insurance		1,250
Fiduciary compensation		173,000
Meals and food		3,682
Meeting & hotel expenses (hotel meeting expenses)		8,858
Parking		131
Postage		255
Professional and accounting		15,270
Grantmaking administration		7,990
Legal		70,056
Web site design and support		3,778
Supplies		295
Taxes (federal excise)		338,451
Telephone		593
Travel and lodging expenses		16,196
Total non-real estate expenditures		<u>641,944</u>

See accompanying notes and independent accountant's review report

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST
Consolidated Statement of Revenues, Expenditures and
Distributions and Change in Net Assets-Modified Cash Basis
For the Year Ended April 30, 2018

Real estate expenditures	
Advertising and marketing	9,750
Bank charges	197
Contract labor	
Landscaping and premises maintenance	800
Other services	28,033
Insurance	
Fire and casualty insurance	1,885
Premises liability insurance	1,150
Legal services	159,111
Licenses	50
Permit and plan filing fees	41,368
Real estate appraisal	14,500
Real estate assessments	44,488
Real estate taxes	747,712
Other real estate expenses	224,847
Utilities	
Electric	4,017
Water	416
Zoning Proffer Expenses	217,703
Total real estate expenditures	<u>1,496,027</u>
Investment expenditures	
Investment management fees	<u>34,200</u>
Total investment expenditures	<u>34,200</u>
Total expenditures	<u>2,172,171</u>
Charitable distributions	
Trustee discretionary grants	453,000
Charitable distributions - other	<u>352,106</u>
Total charitable distributions	<u>805,106</u>
Total expenditures and distributions	<u>2,977,277</u>
Change in net assets	<u>\$ 3,018,672</u>

See accompanying notes and independent accountant's review report

THE RUTH AND HAL LAUNDERS CHARITABLE TRUST
Consolidated Statement of Cash Flows - Modified Cash Basis
For the Year then ended April 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$	3,018,672
Adjustments to reconcile net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments and capital gain distributions		(775,752)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		2,242,920

CASH FLOWS FROM INVESTING ACTIVITIES

Cost of investments purchased		(7,913,633)
Proceeds from sale of investments		2,228,494
Investment in real estate		2,787,389
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(2,897,750)
NET INCREASE (DECREASE) IN CASH		(654,830)
CASH, beginning of year		1,142,017
CASH, end of year	\$	487,187

SUPPLEMENTAL DISCLOSURES:

Interest paid	\$	-
Excise tax paid net of refund	\$	338,451

See accompanying notes and independent accountant's review report

The Ruth and Hal Launderers Charitable Trust
Notes to Financial Statements
For the Year Ended April 30, 2018

Note 1. Organizational Purpose and Summary of Significant Accounting Policies

Organizational Purpose:

The Ruth and Hal Launderers Charitable Trust (the Trust) is a non-profit organization formed in 2007 with the mission to act as a catalyst to advance the development, self-sufficiency and sustainability among vulnerable populations and their support systems.

Arrowbrook Centre, LLC is a wholly-owned disregarded entity formed to manage real estate owned by The Ruth and Hal Launderers Charitable Trust.

The significant accounting policies are as follows:

Entities Whose Financial Results are consolidated in the Financial Statements:

The financial statements present in the form of consolidated financial statements, the results of The Ruth and Hal Launderers Charitable Trust and its wholly-owned subsidiary, Arrowbrook Centre, LLC, with all significant balances and transactions between the two entities eliminated.

Method of Accounting:

The Trust's policy is to prepare its financial statements on the modified cash basis of accounting. Consequently, revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Real estate investments are carried at donated cost basis adjusted for improvements and other allocated costs. All other investments are carried at fair market value.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events:

Subsequent events are events or transactions that take place after the reporting period for the statement of financial position. Certain of these events or transactions, recognized subsequent events, provide additional evidence about conditions and estimates that existed at the date of the statement of financial position and retroactively revise those amounts reflected in the financial statements. Other subsequent events, not recognized subsequent events, did not exist at the date of the statement of financial position but arose after that date and are reported as additional disclosures in the notes to the financial statements. Management evaluates all significant subsequent events from the statement of financial position date through the date the financial statements are available to be issued.

Cash and Cash Equivalents:

The Trust considers cash in bank and money market accounts to be cash equivalents.

The Ruth and Hal Launders Charitable Trust
Notes to Financial Statements
For the Year Ended April 30, 2018

Note 1, concluded

Fair Value of Measurements:

FASB ASC 820-10, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In accordance with FASB ASC 820-10, fair value is defined as the price that the Trust would receive to sell an investment or to pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The FASB ASC 820-10 hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets that the Trust had access to at the measurement date and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable inputs for the asset and have the lowest priority. The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of its non-real estate investments.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses on investments in securities are calculated on the first-in, first-out method, and are reflected in the statement of activities. Dividend income is recorded when received, and interest income is recorded as earned.

Real estate is recorded at the appraised value on the date of donation for donated assets plus the cost of improvements and allocated legal fees. Purchased real estate is recorded at the purchase price plus the cost of improvements and other allocated costs.

Income Tax Status:

The Internal Revenue Service requires the Trust to distribute within 12 month of the end of each year approximately 5% of the average fair value of its assets not used carrying out the charitable purpose of the Trust

The Internal Revenue Code imposes an excise tax on private foundations equal to 2% of net investment income.

As of April 30, 2018, the years that remain open for audit by the Internal Revenue Service begin with 2015.

Note 2. Evaluation of Subsequent Events

The Trust has evaluated subsequent events through , the date the financial statements were available to be issued.

Note 3. Allocation of Expenses

Certain expenses have been allocated to real estate and charitable distributions.

The Ruth and Hal Launders Charitable Trust
Notes to Financial Statements
For the Year Ended April 30, 2018

Note 4. Concentrations

For the year ended April 30, 2018, approximately 100% of the Trust's revenue was received from investment income, including interest, dividends, capital gains, and sale of real estate. All investments are held with one brokerage firm.

Note 5. Real Estate

Real estate is carried at appraised value on date of donation or purchase plus improvements and allocated costs. In March 2018, the Trust sold a portion of the real estate previously owned for \$8,949,500.

Appraised value on date of donation and purchase	\$ 28,027,520
Improvements and allocated legal fees	<u>1,147,957</u>
Total carrying value of real estate	<u>\$ 29,175,477</u>

Note 6. Related Party

The Trust owns 100% of the voting stock of a corporation that is operated as a non-profit enterprise. No distributions will be made to the shareholder; therefore activities performed by this corporation are not consolidated in this statement.

Note 7. Risks and Uncertainties

The Trust's assets that are exposed to credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. Beginning 2013, FDIC insurance coverage was \$250,000 per depositor at each financial institution, and at times, the Trust's cash balances exceeded federally insured limits. The Trust's assets that are subject to market risk are stocks and bonds held in brokerage accounts. The Trust maintains its investments with high-quality financial institutions. The Trust performs yearly evaluations of these institutions for relative credit standing, and management regularly monitors the composition and maturities of investments.

Note 8. Risks and Uncertainties (concluded)

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the statement of financial position. For the Trust, market risk represents the potential loss due to the decrease in value of financial instruments; credit risk represents the potential loss due to possible nonperformance of contract terms by obligors and counterparties.

Management does not anticipate that losses, if any, resulting from its market or credit risks would material affect the financial position and operations of the Trust.

The Trust invests in a variety of fixed income securities and contractual instruments, which by their nature are interest rate sensitive. Changes in interest rates will affect the value of such securities and contractual instruments.

The Ruth and Hal Lauenders Charitable Trust
Notes to Financial Statements
For the Year Ended April 30, 2018

Note 9. Investments

Investments are recorded at estimated fair value. Fair value is the amount that would be received to sell an asset, or transfer a liability, in an orderly transaction between market participants at the measurement date. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 favors the use of market-based information over entity-specific information. The standard prescribes a three level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset as of the measurement date.

The following table summarizes the investment account as of April 30, 2018:

	Cost	Market Value	Unrealized Appreciation (Depreciation)
Unrestricted			
Cash	\$ 49,467	\$ 49,467	\$ -
Fixed Income	11,239,140	11,644,994	405,854
Equities	4,791,218	5,324,214	523,996
Accrued Interest	<u>9,157</u>	<u>9,157</u>	<u>-</u>
	<u>\$ 16,088,982</u>	<u>\$ 17,027,832</u>	<u>\$ 929,850</u>

Investment return for the year ended April 30, 2018 is summarized as follows:

Interest and dividend income	\$ 210,154
Net realized and unrealized gains and losses; capital gain distributions and other partnership gains and losses	<u>5,654,161</u>
Total investment return	<u>\$5,864,315</u>

The Ruth and Hal Lauenders Charitable Trust
Notes to Financial Statements
For the Year Ended April 30, 2018

Note 10. Fair Value of Financial Instruments

The following methods and assumptions were used by the Trust in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Investments in corporate stocks, corporate bonds, US Government agency bonds, US Government notes and bonds, foreign notes and bonds and mutual funds: The fair values of investments are based on quoted market prices for those or similar investments.
- Investments in Dynamic Asset Allocation funds: The fair values of investments do not have significant observable market prices.

The estimated fair values of the Trust's financial instruments are as follows:

Financial Assets	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 487,187	\$ 487,187
Investments	<u>16,978,365</u>	<u>16,978,365</u>
Totals	<u>\$ 17,465,552</u>	<u>\$ 17,465,552</u>

Fair Value Measurements

The following table presents the Trust's fair value hierarchy for the financial assets measured at fair value on a recurring basis as of April 30, 2018:

FAIR VALUE MEASUREMENTS AT REPORTING DATE USING:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Fixed Income	\$ 11,644,994	\$ 11,644,994
Equities	5,324,214	5,324,214
Accrued Interest	<u>9,157</u>	<u>9,157</u>
	<u>\$ 16,978,365</u>	<u>\$ 16,978,365</u>

It is the Trust's policy to recognize transfers between levels as of the end of the year.