



**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Financial Statements
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Millionair Club, Inc.
dba The Millionair Club Charity, Inc.

Financial Statements
Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Millionair Club, Inc., which comprise the statement of financial position as of December 31, 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millionair Club, Inc. as of December 31, 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.

Other Matter - Prior-period Financial Statements

The financial statements of Millionair Club, Inc. as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated May 20, 2019.

BDO USA, LLP

April 28, 2020

Financial Statements

**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 367,520	\$ 291,022
Accounts receivable, net	373,602	509,164
Contributions receivable	274,000	85,349
Inventory	236,835	245,385
Prepaid expenses	40,362	45,549
Total Current Assets	1,292,319	1,176,469
Long-Term Assets		
Cash restricted for property and equipment	143,679	159,218
Investments	2,299,997	2,503,905
Beneficial interests in trusts	373,882	333,333
Beneficial interest in assets held by the Seattle Foundation	137,618	121,590
Property and equipment, net	1,059,897	1,100,049
Total Assets	\$ 5,307,392	\$ 5,394,564
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other liabilities	\$ 41,183	\$ 73,027
Accrued payroll and related expenses	179,533	224,789
Line of credit	247,821	255,000
Total Current Liabilities	468,537	552,816
Deferred Rent Liability	72,632	75,232
Total Liabilities	541,169	628,048
Net Assets		
Without donor restrictions	4,248,662	4,273,965
With donor restrictions	517,561	492,551
Total Net Assets	4,766,223	4,766,516
Total Liabilities and Net Assets	\$ 5,307,392	\$ 5,394,564

See accompanying notes to financial statements.

**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Statements of Activities

<i>Years Ended December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Agency income	\$ 2,762,292	\$ -	\$ 2,762,292	\$ 3,597,865	\$ -	\$ 3,597,865
Contributions	1,684,798	-	1,684,798	1,245,069	10,000	1,255,069
Bequests	105,000	-	105,000	1,133,668	-	1,133,668
In-kind contributions	604,440	-	604,440	613,522	-	613,522
Special events revenue	342,625	-	342,625	252,377	-	252,377
Special events direct expenses	(26,591)	-	(26,591)	(21,978)	-	(21,978)
Change in value of beneficial interests in trusts	16,028	40,549	56,577	(14,573)	(43,368)	(57,941)
Rental income	338,393	-	338,393	340,895	-	340,895
Investment income (loss)	411,082	-	411,082	(87,879)	-	(87,879)
Net assets released from program restrictions	15,539	(15,539)	-	186,359	(186,359)	-
Total Support and Revenue	6,253,606	25,010	6,278,616	7,245,325	(219,727)	7,025,598
Expenses						
Program	5,562,915	-	5,562,915	6,347,494	-	6,347,494
Fundraising	461,379	-	461,379	570,262	-	570,262
Management and general	254,615	-	254,615	246,346	-	246,346
Total Expenses	6,278,909	-	6,278,909	7,164,102	-	7,164,102
Change in Net Assets	(25,303)	25,010	(293)	81,223	(219,727)	(138,504)
Net Assets, beginning of year	4,273,965	492,551	4,766,516	4,192,742	712,278	4,905,020
Net Assets, end of year	\$ 4,248,662	\$ 517,561	\$ 4,766,223	\$ 4,273,965	\$ 492,551	\$ 4,766,516

See accompanying notes to financial statements.

**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 3,326,295	\$ 273,342	\$ 116,812	\$ 3,716,449
Payroll taxes	373,944	30,729	13,132	417,805
Employee benefits	289,632	23,801	10,171	323,604
Total Salaries and Related Expenses	3,989,871	327,872	140,115	4,457,858
Specific assistance and food Programs, non-specific and other	574,609	-	-	574,609
Occupancy	298,475	31,659	21,152	351,286
Depreciation and amortization	177,216	3,312	2,876	183,404
Professional fees	154,956	2,762	3,149	160,867
Staff and volunteer support	67,258	60,788	20,861	148,907
Insurance	67,922	27,887	11,010	106,819
Bank fees and interest	62,175	4,937	10,432	77,544
Maintenance and repairs	54,917	3,671	17,673	76,261
Supplies	46,224	2,025	4,259	52,508
Telephone	30,455	6,354	3,729	40,538
Printing and postage	32,801	821	822	34,444
Bad debts	4,165	15,234	833	20,232
Communications and development	-	-	17,590	17,590
	1,871	648	114	2,633
Total Expenses	5,562,915	487,970	254,615	6,305,500
Less: special events direct expenses	-	(26,591)	-	(26,591)
Net Expenses	\$ 5,562,915	\$ 461,379	\$ 254,615	\$ 6,278,909

See accompanying notes to financial statements.

**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Statement of Functional Expenses

<i>Year Ended December 31, 2018</i>	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 4,006,301	\$ 321,084	\$ 94,211	\$ 4,421,596
Payroll taxes	550,245	44,099	12,939	607,283
Employee benefits	279,661	22,413	6,576	308,650
Total Salaries and Related Expenses	4,836,207	387,596	113,726	5,337,529
Specific assistance and food Programs, non-specific and other	529,676	-	-	529,676
Occupancy	303,432	54,501	18,481	376,414
Depreciation and amortization	178,931	1,524	2,495	182,950
Professional fees	142,645	970	1,353	144,968
Staff and volunteer support	89,604	29,262	17,352	136,218
Insurance	55,903	45,482	12,619	114,004
Bank fees and interest	54,616	4,425	7,254	66,295
Maintenance and repairs	46,534	4,385	3,798	54,717
Supplies	48,777	2,213	3,608	54,598
Telephone	26,292	6,457	5,988	38,737
Printing and postage	28,731	1,123	648	30,502
Bad debts	5,806	18,389	1,015	25,210
Communications and development	-	-	57,974	57,974
	340	35,913	35	36,288
Total Expenses	6,347,494	592,240	246,346	7,186,080
Less: special events direct expenses	-	(21,978)	-	(21,978)
Net Expenses	\$ 6,347,494	\$ 570,262	\$ 246,346	\$ 7,164,102

See accompanying notes to financial statements.

**Millionair Club, Inc.
dba The Millionair Club Charity, Inc.**

Statements of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Cash Flows for (from) Operating Activities		
Change in net assets	\$ (293)	\$ (138,504)
Adjustments to reconcile change in net assets to net cash flows for (from) operating activities:		
Donated food	(443,204)	(507,881)
Realized and unrealized (gain) loss on investments	(327,579)	172,317
Change in value of beneficial interests in trusts	(40,549)	43,368
Change in value of beneficial interest in assets held by the Seattle Foundation	(16,028)	14,573
Depreciation and amortization	160,867	144,968
Bad debts	17,590	57,974
Changes in operating assets and liabilities:		
Accounts receivable, net	117,972	15,954
Contributions receivable	(188,651)	86,141
Inventory	451,754	409,556
Prepaid expenses	5,187	9,370
Accounts payable and accrued expenses	(77,100)	60,994
Deferred rent liability	(2,600)	1,108
Net Cash Flows for (from) Operating Activities	(342,634)	369,938
Cash Flows from (for) Investing Activities		
Purchases of investments	(839,401)	(1,662,811)
Sales of investments	1,370,888	1,335,408
Distribution received of assets of beneficial interest in trusts	-	57,176
Purchase of property and equipment	(120,715)	(187,877)
Net Cash Flows from (for) Investing Activities	410,772	(458,104)
Cash Flows for Financing Activities		
Advances from line of credit	1,722,679	2,114,527
Repayments to line of credit	(1,729,858)	(2,359,527)
Net Cash Flows for Financing Activities	(7,179)	(245,000)
Net Change in Cash and Cash Equivalents	60,959	(333,166)
Cash and Cash Equivalents, beginning of year	450,240	783,406
Cash and Cash Equivalents, end of year	\$ 511,199	\$ 450,240
Cash and Cash Equivalents, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 367,520	\$ 291,022
Cash restricted for property and equipment	143,679	159,218
	\$ 511,199	\$ 450,240

See accompanying notes to financial statements.

**Millionair Club, Inc.
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Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

Founded in 1921, Millionair Club, Inc. dba The Millionair Club Charity, Inc. (“MCC”) is committed to providing jobs and supportive services to those in need in the Puget Sound Region. Through programs that encourage self-reliance, MCC offers job assistance, hot nutritious meals, transitional housing, housing assistance, showers, laundry services, and vision care to hundreds of men and women every year to prevent and end homelessness in our community. More than 800 homeowners and businesses hire screened and background checked workers each year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimated amounts.

Financial Statement Presentation

MCC reports information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions.

Support and revenue are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with and without Donor Restrictions

Net assets without donor restrictions are available to support MCC’s operations. MCC’s Board of Directors has designated certain net assets without donor restrictions to support specific projects. Board-designated net assets consist of the following:

<i>December 31,</i>	2019		2018	
Hygiene center development	\$	35,447	\$	45,285
Rebranding		-		50,000
	\$	35,447	\$	95,285

Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future time periods. Net assets with donor restrictions also represent gifts given with the intent that the principal will be maintained intact into perpetuity and the income be used for current operations. Net assets with perpetual restrictions consist entirely of a beneficial interest in a perpetual trust at December 31, 2019 and 2018. Changes in the fair value of the beneficial interest in the perpetual trust increase or decrease net assets with donor restrictions. Distributions of income from the perpetual trust are reported as investment income and may be used for current operations.

**Millionair Club, Inc.
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Notes to Financial Statements

Net assets with donor restrictions are available for the following purposes:

<i>December 31,</i>	2019	2018
Net assets with purpose or time restrictions:		
Beneficial interests in remainder and lead trusts	\$ 216,545	\$ 192,011
Freezer	89,387	99,070
Kitchen remodel	54,292	60,148
	360,224	351,229
Net assets with perpetual restrictions:		
Beneficial interest in perpetual trust	157,337	141,322
	\$ 517,561	\$ 492,551

Fair Value Measurements

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

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Millionair Club, Inc.
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Notes to Financial Statements

Investments

Investments include certificates of deposit, corporate bonds, common stock, and mutual funds. Certificates of deposit are recorded at cost plus accrued interest. Investments in common stock and mutual funds are reported at fair value using Level 1 valuation inputs determined by the quoted market price of these securities traded on national exchanges. Corporate bonds are valued based on the original principal amount multiplied by a factor and security price and are considered Level 2 in the fair value hierarchy. Realized and unrealized gains and losses are included in the statements of activities.

Investments are reported as long-term investments, as management intends to hold those investments for the long term.

Receivables

Accounts receivable are unsecured and are subject to credit risk. MCC uses the allowance method of accounting for bad debts. Accordingly, accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has recorded an allowance for uncollectible accounts of \$11,797 and \$6,467 at December 31, 2019 and 2018, respectively.

As of December 31, 2018, 53% of accounts receivable were due one customer. There were no concentrations of accounts receivable at December 31, 2019.

Contributions receivable are stated at estimated net realizable value. MCC assesses the need for an allowance on its contributions receivable in the same manner as its accounts receivable. Management has determined that an allowance for uncollectible contributions receivable was not necessary at December 31, 2019 or 2018.

Inventory

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

**Millionair Club, Inc.
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Notes to Financial Statements

Property and Equipment

Land, buildings, and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. MCC capitalizes property and equipment purchases with a cost greater than \$2,500 and a useful life in excess of one year. Depreciation and amortization of buildings, furniture and equipment, software, and vehicles is computed using the straight-line method over the estimated useful lives of the assets. Useful lives of these assets range from 3 to 15 years. Amortization of leasehold improvements is calculated based on the shorter of the life of the lease or the estimated useful life, resulting in a useful life of 10 years (the life of the lease). Property and equipment consist of the following:

<i>December 31,</i>	2019	2018
Buildings	\$ 1,901,700	\$ 1,805,510
Leasehold improvements	269,199	266,286
Furniture and equipment	743,480	721,868
Software	73,951	73,951
Vehicles	125,790	125,790
	3,114,120	2,993,405
Accumulated depreciation and amortization	(2,104,973)	(1,944,106)
	1,009,147	1,049,299
Land	50,750	50,750
	\$ 1,059,897	\$ 1,100,049

Deferred Rent Liability

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

Contributions and Bequests Revenue Recognition

Contributions (including those generated through special events) are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. MCC classifies support and revenue as without donor restrictions if the contribution is received and the restrictions are satisfied in the same year.

MCC records contributions from bequests as revenue when MCC is notified by the executor as to the amount of the bequest to be received and the estate has cleared probate. During the year ended December 31, 2018, one bequest represented 16% of total support and revenue. There were no concentrations of contributions and bequests during the year ended December 31, 2019.

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Notes to Financial Statements

At December 31, 2019, MCC had \$125,000 of unrecognized conditional contributions that, when recognized, will support its job assistance program.

In-Kind Contributions

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

MCC recognized \$443,204 and \$507,881 of donated food for the years ended December 31, 2019 and 2018, respectively.

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

Rental Income

MCC subleases residential units under operating leases to certain temporary employees who participate in the workforce generating agency income. The residential units are originally leased through the lease disclosed in Note 8. Subleases carry a term of six months, and revert to a month-to-month term at the expiration of the original six month term. MCC recognizes rental revenue under these leases based on tenant occupancy. MCC recognizes bad debt for any outstanding receivables associated with the lease and discontinues recognizing rental revenue when collectibility of rental payments is no longer reasonably assured.

Agency Income Concentration

During the years ended December 31, 2019 and 2018, agency income from one customer represented 16% and 15% of total support and revenue, respectively.

Federal Income Taxes

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one supporting function. Accordingly, certain costs have been allocated among the supporting services benefited. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated based on estimated use of space, and salaries and related expenses, programs, non-specific and other, professional fees, staff and volunteer support, insurance, bank fees and interest, maintenance and repairs, and other, which are allocated on the basis of time and effort.

Millionair Club, Inc.
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Notes to Financial Statements

Recent Accounting Pronouncements Adopted

ASU 2014-09, Revenue from Contracts with Customers

During the year ended December 31, 2019, MCC adopted the provisions of Accounting Standards Update (“ASU”) No. 2014-09 (“ASU 2014-09”), Revenue from Contracts with Customers (commonly referred to as Accounting Standards Codification Topic 606 (“ASC 606”), issued by the Financial Accounting Standards Board (“FASB”) using the “modified retrospective” method; as such, MCC applied the guidance only to the most recent period presented in the financial statements. The pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the organization satisfies a performance obligation

MCC recognizes agency income from the Transitional Jobs Program using an allowable practical expedient in the amount to which MCC has the right to invoice, which is determined based on each hour worked at agreed-upon fixed rates as the customer is simultaneously receiving and consuming the benefits of MCC’s performance as MCC performs. Labor hours are generally contracted for periods throughout the year on an as-needed basis. Customers are billed on a weekly basis, and payment terms are generally seven days from the date the services are invoiced.

There are no significant judgments affecting the determination of amount and timing of agency income.

The adoption of ASU 2014-09 resulted in no change to the statement of financial position or statement of activities for 2018.

ASU 2016-08, Statement of Cash Flows

During the year ended December 31, 2019, MCC adopted the provisions of ASU 2016-18, Statement of Cash Flows, (Topic 230). ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash (including those restricted for property and equipment), and requires that restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts presented on the statements of cash flows. The adoption of this ASU did not have a material effect on MCC’s financial statements. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

MCC has evaluated subsequent events through the date these financial statements were available to be issued, which was April 28, 2020.

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Notes to Financial Statements

2. Liquidity and Availability of Resources

MCC regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash needs are invested in certificates of deposit or other marketable securities as prescribed by MCC's investment policy.

Inventory is not considered a financial asset, as it consists of donated food that will be provided to persons in need. Financial assets not available include board-designated funds or net assets with donor restrictions. In the event the need arises to utilize the board-designated funds for liquidity purposes, the designations could be drawn upon through board resolution. In addition, MCC has a line of credit with available borrowing capacity of \$252,000 at December 31, 2019.

The following table reflects MCC's financial assets as of December 31, 2019 and 2018, available to meet general expenditures within one year of the statement of financial position date:

	2019	2018
<hr/>		
Financial assets at year-end:		
Cash and cash equivalents	\$ 367,520	\$ 291,022
Cash restricted for property and equipment	143,679	159,218
Investments	2,299,997	2,503,905
Accounts receivable, net	373,602	509,164
Contributions receivable	274,000	85,349
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	3,458,798	3,548,658
<hr/>		
Less amounts not available to be used within one year:		
Board-designated net assets	(35,447)	(95,285)
Net assets with donor restrictions for time and purpose	(143,679)	(159,218)
	<hr/>	<hr/>
Financial Assets Available to Meet Cash Needs		
for General Expenditures within One Year	\$ 3,279,672	\$ 3,294,155

3. Investments

Investments consist of the following:

<i>December 31,</i>	2019	2018
Certificates of deposit (various maturity dates through 2020)	\$ 201,449	\$ 249,796
Common stocks	1,012,020	820,927
Corporate bonds	911,874	897,831
Mutual funds:		
High-yield	168,183	262,252
Large growth	6,471	5,017
World bond	-	268,082
	<hr/>	<hr/>
	\$ 2,299,997	\$ 2,503,905

**Millionair Club, Inc.
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Notes to Financial Statements

Investment income (loss) consists of the following:

<i>Years Ended December 31,</i>	2019	2018
Interest and dividends	\$ 65,482	\$ 71,280
Realized and unrealized gain (loss)	327,579	(172,317)
Distributions from beneficial interests in lead trusts	13,621	8,875
Distributions from beneficial interests in the Seattle Foundation	4,400	4,283
	\$ 411,082	\$ (87,879)

4. Beneficial Interests in Trusts

MCC has beneficial interests in four trusts (the “Trusts”) as of December 31, 2019. Three of the trusts are remainder or lead trusts, and the remaining trust is a perpetual trust. The beneficial interests are valued at the fair value of the Trusts’ assets (using Level 3 inputs as determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions). Interests in remainder or lead trusts are included in net assets with donor restrictions, as the trust agreements stipulate MCC to receive the assets with the ability to use the assets for unrestricted purposes upon the death of all preceding beneficiaries (time restricted). Interest in the perpetual trust is included in net assets with restrictions, as the trust agreement stipulates that the income from the assets be provided to MCC and the principal remain intact into perpetuity. Under the lead and perpetual trust agreements, MCC receives annual distributions based on its interest in each respective trust. Income distributions are available to support MCC’s general operations.

MCC’s beneficial interests in the Trusts consist of the following:

<i>December 31,</i>	2019	2018
Remainder and lead trusts	\$ 216,545	\$ 192,011
Perpetual trust	157,337	141,322
	\$ 373,882	\$ 333,333

A reconciliation of the beginning and ending balances of the Trusts are as follows:

<i>Years Ended December 31,</i>	2019	2018
Beginning balance	\$ 333,333	\$ 433,877
Change in value	54,170	(34,493)
Distribution of assets	-	(57,176)
Distribution of earnings	(13,621)	(8,875)
Change in Value, net	40,549	(100,544)
Ending Balance	\$ 373,882	\$ 333,333

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The change in value of the beneficial interests (including those held by the Seattle Foundation in Note 5) is reported net of distributions of earnings on the statements of activities, as distributions are classified as investment income.

5. Beneficial Interest in Assets Held by the Seattle Foundation

MCC has a beneficial interest in assets held by the Seattle Foundation (the “Foundation”). The beneficial interest held by the Foundation was set up without donor restricted funds of MCC in a previous year and is therefore recognized in net assets without donor restrictions. Under the terms of the agreement, MCC will receive distributions at such times as decided by the Foundation, but at least annually, in amounts as determined by the Foundation’s spending policy. The timing and amount of the distributions are determined at the sole discretion of the Foundation and may invade the principal. The Foundation has variance power over the assets, which gives the Foundation the right to modify any restriction or condition regarding distributions from the fund for any charitable purpose or to any organization if, in the sole judgment of the Foundation’s Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

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

A reconciliation of the beginning and ending balances of the beneficial interest in assets held by the Foundation is as follows:

<i>Years Ended December 31,</i>	2019	2018
Beginning balance	\$ 121,590	\$ 136,163
Change in value	20,428	(10,290)
Distributions	(4,400)	(4,283)
Change in Value, net	16,028	(14,573)
Ending Balance	\$ 137,618	\$ 121,590

6. Line of Credit

MCC maintains a line of credit (the “Line”) with a bank carrying a maximum borrowing limit of \$500,000. The Line bears interest at the bank’s prime rate plus 1%, and a minimum rate of 4.75% (resulting in a rate of 5.75% at December 31, 2019). The Line is secured by all inventory, equipment, property, and other rights to payment, and has a maturity date of June 4, 2020. The Line’s outstanding balance is \$247,821 and \$255,000 at December 31, 2019 and 2018, respectively.

7. Employee Benefit Plan

MCC provides 403(b) benefits to eligible employees. All eligible employees can make elective deferrals under the plan. Employees are eligible for employer contributions to the plan after age 21 and completion of one year of service. MCC, at its discretion, contributes 5% of the employee’s compensation annually and matches employee contributions to the plan up to 3% of their

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compensation. MCC's contributions to the plan totaled \$100,655 and \$98,815 for the years ended December 31, 2019 and 2018, respectively. Employer contributions vest over five years. Employee contributions are 100% vested at the time of contribution.

8. Lease

MCC leases a building to provide low income individuals housing under a noncancelable operating lease expiring in 2024. Rent expense (net of straight-line adjustment) under this agreement was \$124,708 and \$124,708 for the years ended December 31, 2019 and 2018, respectively.

The future minimum lease payments are as follows:

<i>Years Ending December 31,</i>	
2020	\$ 131,127
2021	135,061
2022	139,113
2023	143,286
2024	147,585
	<hr/>
	\$ 696,172

9. Subsequent Events

COVID-19 and CARES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on MCC's financial condition, liquidity, and future results of operations. In compliance with Governor Inslee's March 23, 2020 order to "stay home, and stay healthy," except for essential services serving vulnerable populations, MCC ceased intake and job training of new clients into its temporary staffing social enterprise. MCC's Temporary Staffing Agency social enterprise activities continued to send workers to essential businesses only, but this resulted in a severe drop from budgeted levels of revenue. In the long term, MCC awaits the Governor's order to lift "stay home, stay healthy" restrictions to begin resuming normal temporary staffing activities and intake into its new hire program. The decreases in agency revenues have been countered by direct and proportionate decreases in payroll costs supporting these employees and programs, resulting in a minimal net impact in cash flows. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, MCC is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020.

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On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. There is no assurance MCC is eligible for these funds or will be able to obtain them.

MCC continues to examine the impact that the CARES Act may have on its business. Currently, MCC is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

Lease of Kitchen Space

On February 1, 2020, MCC entered into a lease agreement with Operation Sack Lunch, an unrelated nonprofit meal service organization, for the use of MCC’s kitchen space, and generally all kitchen-related equipment. The lease term matures January 31, 2025, and includes monthly base rent of \$7,500, plus additional monthly charges of \$125 for common area costs including taxes, insurance, and utilities. The lease includes annual cost of living escalations (which are not factored into the future receipts schedule below, as they are yet to be determined). Simultaneously, upon execution of the lease, MCC terminated its meals program, and gifted all food inventory to Operation Sack Lunch. MCC will no longer be accepting donations of food, as this program will continue through Operation Sack Lunch.

Future rental receipts are as follows under the terms of the lease:

<i>Years Ending December 31,</i>	
2020	\$ 83,875
2021	91,500
2022	91,500
2023	91,500
2024	91,500
Thereafter	7,625
	<hr/> \$ 457,500 <hr/>