

**SPRING FARM CENTER ALTERNATIVE  
RESEARCH EDUCATION SANCTUARY**

**Financial Statements as of  
December 31, 2015 and 2014  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

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## INDEPENDENT AUDITOR'S REPORT

June 27, 2016

To the Board of Directors of  
Spring Farm Center Alternative Research Education Sanctuary:

### **Report on Financial Statements**

We have audited the accompanying financial statements of Spring Farm Center Alternative Research Education Sanctuary (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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.

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spring Farm Center Alternative Research Education Sanctuary as of December 31, 2015 and 2014, 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.

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 102,950	\$ 247,068
Contributions receivable	53,000	60,000
Accrued interest	78,849	79,716
Prepaid insurance	<u>6,625</u>	<u>5,404</u>
Total current assets	241,424	392,188
INVESTMENTS	23,144,549	24,234,490
PROPERTY AND EQUIPMENT, net	1,879,438	1,638,422
COLLECTIONS	44,394	44,394
ASSETS HELD FOR RESALE	<u>-</u>	<u>6,000</u>
Total assets	<u>\$ 25,309,805</u>	<u>\$ 26,315,494</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,451	\$ 32,488
Accrued salaries, taxes and pension	<u>374</u>	<u>2,605</u>
Total liabilities	<u>8,825</u>	<u>35,093</u>
NET ASSETS:		
Unrestricted	8,150,980	9,130,401
Temporarily restricted	300,000	300,000
Permanently restricted	<u>16,850,000</u>	<u>16,850,000</u>
Total net assets	<u>25,300,980</u>	<u>26,280,401</u>
Total liabilities and net assets	<u>\$ 25,309,805</u>	<u>\$ 26,315,494</u>

The accompanying notes are an integral part of these statements.

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT AND REVENUE:		
Contributions - including in-kind donations of \$42,064 and \$34,244 for 2015 and 2014, respectively	\$ 299,812	\$ 350,383
Program fees	20,738	21,909
Interest and dividend income	1,124,651	1,103,650
Realized and unrealized gains/(losses) on investments	(848,611)	1,864,429
Special events income	6,457	4,125
Sale items	330	5,300
Miscellaneous	<u>6,115</u>	<u>402</u>
Total unrestricted support and revenue	<u>609,492</u>	<u>3,350,198</u>
EXPENSES:		
Program	1,424,834	1,376,852
Management and general	126,064	119,105
Fundraising	<u>38,015</u>	<u>39,000</u>
Total expenses	<u>1,588,913</u>	<u>1,534,957</u>
CHANGE IN NET ASSETS	(979,421)	1,815,241
NET ASSETS - beginning of year	<u>26,280,401</u>	<u>24,465,160</u>
NET ASSETS - end of year	<u>\$ 25,300,980</u>	<u>\$ 26,280,401</u>

The accompanying notes are an integral part of these statements.

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES:				
Accounting service	\$ -	\$ 15,350	\$ -	\$ 15,350
Advertising and promotion	296	-	-	296
Animal/nature sanctuary	273,286	44	535	273,865
Compensation of officers	5,096	10,192	10,192	25,480
Conferences, conventions, and meetings	2,750	3,874	-	6,624
Depreciation	85,054	10,632	10,632	106,318
Grants and other assistance	250	280	-	530
Information technology	591	591	591	1,773
Insurance	29,997	3,750	3,750	37,497
Miscellaneous expenses	-	4,944	-	4,944
Occupancy	43,851	12,529	6,264	62,644
Office expenses	33,768	9,656	4,828	48,252
Other employee benefits	54,085	15,596	-	69,681
Other professional services	7,651	2,186	1,093	10,930
Other salaries and wages	531,053	36,310	-	567,363
Payroll taxes	42,613	-	-	42,613
Pension plan contributions	10,813	-	-	10,813
Spay-neuter service	193,256	-	-	193,256
Travel	12,729	130	130	12,989
Veterinarian-sanctuary service	97,695	-	-	97,695
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 1,424,834</u>	<u>\$ 126,064</u>	<u>\$ 38,015</u>	<u>\$ 1,588,913</u>

The accompanying notes are an integral part of these statements.

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES:				
Accounting service	\$ -	\$ 15,050	\$ -	\$ 15,050
Advertising and promotion	520	-	-	520
Animal/nature sanctuary	232,930	8	-	232,938
Compensation of officers	5,000	10,000	10,000	25,000
Conferences, conventions, and meetings	2,081	3,757	-	5,838
Depreciation	81,730	10,216	10,216	102,162
Grants and other assistance	460	135	-	595
Information technology	1,548	1,549	1,549	4,646
Insurance	33,970	4,247	4,247	42,464
Miscellaneous expenses	-	885	-	885
Occupancy	47,699	13,628	6,813	68,140
Office expenses	37,449	10,732	5,366	53,547
Other employee benefits	61,481	12,692	-	74,173
Other professional services	4,829	1,380	690	6,899
Other salaries and wages	504,330	34,707	-	539,037
Payroll taxes	38,325	-	-	38,325
Pension plan contributions	9,949	-	-	9,949
Spay-neuter service	190,809	-	-	190,809
Travel	11,614	119	119	11,852
Veterinarian-sanctuary service	112,128	-	-	112,128
	<u>1,376,852</u>	<u>119,105</u>	<u>39,000</u>	<u>1,534,957</u>
Total functional expenses	<u>\$ 1,376,852</u>	<u>\$ 119,105</u>	<u>\$ 39,000</u>	<u>\$ 1,534,957</u>

The accompanying notes are an integral part of these statements.



**SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (979,421)	\$ 1,815,241
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	106,318	102,162
Gain on sale of property and equipment	-	(5,075)
Realized and unrealized (gains)/losses on investments	848,611	(1,864,429)
Donated securities	-	(25,502)
Changes in:		
Contributions receivable	7,000	(60,000)
Accrued interest and dividends	867	(16,407)
Prepaid insurance	(1,221)	9,341
Assets held for sale	6,000	-
Accounts payable	(24,037)	(28,801)
Accrued salaries and taxes	<u>(2,231)</u>	<u>1,083</u>
Net cash from operating activities	<u>(38,114)</u>	<u>(72,387)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(347,334)	(74,543)
Proceeds from sale of property and equipment	-	6,500
Purchase of investments	(3,278,567)	(1,206,115)
Sale of investments	<u>3,519,897</u>	<u>1,228,095</u>
Net cash from investing activities	<u>(106,004)</u>	<u>(46,063)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(144,118)	(118,450)
CASH AND CASH EQUIVALENTS - beginning of year	<u>247,068</u>	<u>365,518</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 102,950</u>	<u>\$ 247,068</u>
<b>SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Donated securities	<u>\$ -</u>	<u>\$ 25,502</u>

The accompanying notes are an integral part of these statements.

# SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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### 1. NATURE OF OPERATIONS

Spring Farm Center Alternative Research Education Sanctuary (Organization) located in Clinton, New York, is a not-for-profit organization which is a retirement/rehabilitation sanctuary for abused, abandoned, unwanted or homeless domestic animals. On its over 300 acres, the Organization offers interspecies communication consultations, workshops and lectures, happy hearth spay/neuter program, a nature sanctuary, an animal sanctuary, animal adoptions, memorial gardens, cultural events, volunteer program, and tours.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting and Presentation**

The financial statements of Spring Farm Center Alternative Research Education Sanctuary have been prepared in conformity with accounting principles generally accepted in the United States.

#### **Income Tax Status**

The Organization is exempt from federal income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity which is not a private foundation.

#### **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, liabilities, revenues and expenditures, as well as the disclosure of contingencies. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of these financial statements, the Organization considers all checking, savings, and money market accounts with an original maturity of three months or less to be cash and cash equivalents, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

#### **Investments**

Investments are reported at fair value on the statements of financial position. Investment income and losses (including realized gains and losses on investments, unrealized gains and losses on investments, interest, and dividends) is included in unrestricted income unless restricted by donor or law.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Risks and Uncertainties**

The Organization's investments are comprised of a variety of financial instruments and are managed and monitored by management and their investment advisor. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

### **Property and Equipment**

Property and equipment are stated at cost if purchased and at fair value if donated and depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives range from three to forty years. The Organization capitalizes all assets over \$1,000. Depreciation expense for the years ended December 31, 2015 and 2014 was \$106,318 and \$102,162, respectively.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### **Collections**

The Organization capitalizes its collections. Collections are capitalized at cost if purchased and at appraised or fair value at date of collection if received by donation. Gains and losses on donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. Depreciation is not taken on the collections.

### **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### **Donated Securities**

Donated securities are recorded as contributions at their fair value at the date of donation. There were no donated securities for the year ended December 31, 2015. Donated securities for the year ended December 31, 2014 were \$25,502.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Donated Materials and Services**

Donated materials and services are reflected as contributions at their estimated values with an offsetting charge to expense. Only those materials and services for which there is an objective basis of valuation are reflected in the financial statements. Donated materials for the years ended December 31, 2015 and 2014 were \$27,310 and \$21,579, respectively.

The Organization received donated services from several veterinarians who performed neuter operations for the feral cat spay/neuter program. The feral cat spay/neuter program clinics are performed monthly generally from March to December. Donated services for the years ended December 31, 2015 and 2014 were \$14,754 and \$12,665, respectively.

### **Functional Allocation of Expenses**

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. The costs are functionalized on a direct basis, where possible. Indirect costs are allocated on the basis of time spent, square footage or some other reasonable basis.

### **Investment Fees**

Net investment returns reflect fees paid by various investment funds to their affiliated investment advisors, transfer agents, and others as described in each fund prospectus or other published documents. These fees are deducted prior to allocation of investment earnings activity and thus not separately identifiable as an expense.

## 3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

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

### 3. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no significant changes in the methodologies used during the years ended December 31, 2015 and 2014.

#### Level 1 Fair Value Measurements

Investments in mutual funds are based on quoted net asset values of the shares held at year-end. Investments in common stocks and U.S. Government securities are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the investments at fair value as of December 31:

	2015			
	Level 1	Level 2	Level 3	Total
Common stocks:				
Consumer staples	\$ 1,838,875	\$ -	\$ -	\$ 1,838,875
Basic materials	56,400	-	-	56,400
Industrial goods	407,760	-	-	407,760
Healthcare	2,407,360	-	-	2,407,360
Services	1,137,505	-	-	1,137,505
Technology	5,018,210	-	-	5,018,210
Utilities	3,701,800	-	-	3,701,800
	<u>14,567,910</u>	<u>-</u>	<u>-</u>	<u>14,567,910</u>
Exchange-traded funds	<u>1,358,770</u>	<u>-</u>	<u>-</u>	<u>1,358,770</u>
Mutual funds:				
Open-end	5,225,956	-	-	5,225,956
Closed-end	1,798,547	-	-	1,798,547
	<u>7,024,503</u>	<u>-</u>	<u>-</u>	<u>7,024,503</u>
Fixed income securities	<u>193,366</u>	<u>-</u>	<u>-</u>	<u>193,366</u>
	<u>\$ 23,144,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,144,549</u>

### 3. FAIR VALUE MEASUREMENTS (Continued)

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks:				
Consumer staples	\$ 2,174,780	\$ -	\$ -	\$ 2,174,780
Financial	400,747	-	-	400,747
Healthcare	2,111,320	-	-	2,111,320
Services	2,199,461	-	-	2,199,461
Technology	4,755,835	-	-	4,755,835
Utilities	3,608,735	-	-	3,608,735
	<u>15,250,878</u>	<u>-</u>	<u>-</u>	<u>15,250,878</u>
Exchange-traded funds	<u>1,330,550</u>	<u>-</u>	<u>-</u>	<u>1,330,550</u>
Mutual funds:				
Open-end	5,751,932	-	-	5,751,932
Closed-end	1,692,350	-	-	1,692,350
	<u>7,444,282</u>	<u>-</u>	<u>-</u>	<u>7,444,282</u>
Fixed income securities	<u>208,780</u>	<u>-</u>	<u>-</u>	<u>208,780</u>
	<u>\$ 24,234,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,234,490</u>

Investment income is summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest income	\$ 11,275	\$ 11,277
Dividend income	1,113,376	1,092,373
Realized and unrealized gains/(losses) on investments	<u>(848,611)</u>	<u>1,864,429</u>
	<u>\$ 276,040</u>	<u>\$ 2,968,079</u>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Automobiles (estimated life 5-10 years)	\$ 61,421	\$ 62,190
Buildings and improvements (estimated life 10-40 years)	1,767,705	1,693,708
Office equipment and furnishings (estimated life 3-10 years)	112,313	108,689
Farm equipment (estimated life 10 years)	159,200	141,039
Theater equipment (estimated life 10-20 years)	57,042	57,042
Land	286,105	286,105
Windmills (estimated life 20 years)	317,164	317,164
Solar Power Equipment	<u>231,823</u>	<u>-</u>
	2,992,773	2,665,937
Less: Accumulated depreciation	<u>(1,113,335)</u>	<u>(1,027,515)</u>
Property and equipment, net	<u>\$ 1,879,438</u>	<u>\$ 1,638,422</u>

#### 6. RESTRICTED NET ASSETS

For the year ended December 31, 2015 and 2014, temporarily restricted net assets consisted of donated property of \$300,000.

In 1998, a Board member donated property and real estate to the Organization. The property donation was recorded as a fixed asset at its fair market value of \$300,000 and is being depreciated on the straight-line basis over forty years. The Board member retained a life interest in the property and maintains the property. Upon the Board member's death the temporarily restricted net asset will be released from restriction.

Permanently restricted net assets consist of a bequest that was made in 1999 in the amount of \$16,850,000. The principal is permanently restricted and any income derived from the principal is unrestricted and can be used for operations.

#### 7. RELATED PARTY TRANSACTIONS

In 2015 and 2014, Board members donated approximately \$65,000 and \$41,500 towards animal up keep and general operations, respectively. In 2014, a board member also donated securities valued at \$25,502.

#### 8. PENSION PLAN

The Organization has a Savings Incentive Match Plan for all employees who earned \$5,000 in compensation during any two calendar years. Eligible employees may make salary reduction elections twice a year. For the years ended December 31, 2015 and 2014, total pension expense was \$10,813 and \$9,949, respectively.

## 9. ENDOWMENT FUNDS

Spring Farm Center Alternative Research Education Sanctuary's endowment consists of a donor restricted fund. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment fund is made up of the following account balances as of December 31:

	<u>2015</u>	<u>2014</u>
Assets:		
Investments	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Total assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Net assets:		
Permanently restricted net assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Total liabilities and net assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>

### Interpretation of Relevant Law

Investments are reported at fair value and gains on permanently restricted net assets are to be classified according to explicit donor-imposed stipulations. Absent explicit donor-imposed stipulations, applicable state law is to be followed. The Organization has interpreted New York State Law to allow the use of gains on investments of permanently restricted net assets for specific operating purposes absent explicit donor-imposed stipulations that all or a portion of such gains be restricted. Accordingly, such gains on restricted net assets are reported as unrestricted net assets unless there is a presence of donor-imposed stipulations as to their use. Changes in fair value resulting from realized and unrealized gains and losses are reflected as net appreciation (depreciation) within the statements of activities.

The Board of Directors of Spring Farm Center Alternative Research Education Sanctuary has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Organization considers the following factors:

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



## 9. ENDOWMENT FUNDS (Continued)

### Interpretation of Relevant Law (Continued)

The following schedule represents the endowment net asset composition by type of endowment fund as of December 31:

	<u>2015</u>	<u>2014</u>
Endowment net assets, beginning of year	\$ 16,850,000	\$ 16,850,000
Interest and dividend income	1,124,651	1,103,650
Transfers to unrestricted	<u>(1,124,651)</u>	<u>(1,103,650)</u>
Endowment net assets, end of year	<u>\$ 16,850,000</u>	<u>\$ 16,850,000</u>

### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital, considering the impact of inflation, strive for consistent annual total returns, achieve long-term total returns which meet or exceed inflation, and earn the highest possible return given the risk tolerance established by the Organization. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints and stocks within various sectors to achieve capital appreciation and income.

### Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization uses the total return concept for Endowment Fund income. Under this concept, endowment income to be utilized was established at 100% for 2015 and 2014, respectively, based upon the average of the interest and dividend income of the endowment assets accounts.

## 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 27, 2016, which is the date the financial statements were available to be issued.