ONWARD! A LEGACY FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ONWARD! A LEGACY FOUNDATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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November 15, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Onward! A Legacy Foundation
Cortez, Colorado

We have audited the accompanying financial statements of **Onward! A Legacy Foundation** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, 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 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Onward! A Legacy Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Onward! A Legacy Foundation's financial statements for the year ended December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ONWARD! A LEGACY FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 627,470	$ 147,037
Accounts receivable	2,966	5,414
Grants receivable	50,854	5,511
Pledges receivable	39,485	-
Prepaid expenses	2,883	3,049
Investments (Note 4)	2,641,197	2,596,219
Total assets	$ 3,364,855	$ 2,757,230
Liabilities and net assets		
Liabilities		
Accounts payable	$ 11,389	$ 2,104
Payroll-related accruals	25,842	3,837
Deferred revenue (Note 5)	451,250	-
Charitable remainder trust payable (Note 6)	58,495	-
Agency funds payable (Note 7)	553,334	596,235
Total liabilities	1,100,310	602,176
Net assets without donor restrictions		
Undesignated	91,720	77,133
Board-designated endowment (Note 8)	17,832	12,020
	109,552	89,153
Net assets with donor restrictions (Note 9)		
Restricted for purpose	1,655,817	1,653,935
Restricted for perpetuity	499,176	411,966
	2,154,993	2,065,901
Total net assets	2,264,545	2,155,054
Total liabilities and net assets	$ 3,364,855	$ 2,757,230

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Contributions	$ 23,334	$ 561,175	$ 584,509	$ 208,008
Grants and contracts	23,750	296,742	320,492	101,834
Special events	5,506	43,297	48,803	13,302
Less: direct cost of special events	(874)	(16,929)	(17,803)	(4,849)
Program fees	23,548	-	23,548	16,441
Investment income(loss)	(21,618)	(147,145)	(168,763)	239,516
In-kind contributions (Note 10)	44,440	-	44,440	34,633
Net assets released from restrictions (Note 11)	648,048	(648,048)	-	-
Total revenue and other support	746,134	89,092	835,226	608,885
Expense				
Program services				
Programs	346,210	-	346,210	182,818
Donor advised funds	184,812	-	184,812	97,386
Scholarship funds	64,114	-	64,114	64,789
Endowment funds	30,833	-	30,833	29,290
Total program expense	625,969	-	625,969	374,283
Supporting services				
General and administrative	82,689	-	82,689	69,813
Fund-raising	17,077	-	17,077	14,240
Total expense	725,735	-	725,735	458,336
Change in net assets	20,399	89,092	109,491	150,549
Net assets, beginning of year	89,153	2,065,901	2,155,054	2,004,505
Net assets, end of year	$ 109,552	$ 2,154,993	$ 2,264,545	$ 2,155,054

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018								2017
	Program Services					Supporting Services			
	Programs	Donor Advised Funds	Scholarship Funds	Endowment Funds	Total	General and Admin	Fund-raising	Total	Total
Salaries	$ 189,074	$ -	$ -	$ -	$ 189,074	$ 25,218	$ 5,642	$ 219,934	102,786
Payroll taxes and benefits	16,604	-	-	-	16,604	2,505	395	19,504	8,867
Grants and scholarships	28,433	184,812	56,324	29,581	299,150	-	-	299,150	226,027
Program supplies	42,559	-	4,199	1,087	47,845	850	-	48,695	34,095
Professional services - in-kind (Note 10)	-	-	-	-	-	33,120	11,040	44,160	34,632
Professional services	30,532	-	1,815	-	32,347	133	-	32,480	11,018
Audit and accounting services	-	-	-	-	-	12,650	-	12,650	12,350
Travel	10,457	-	-	-	10,457	-	-	10,457	2,546
Meals	8,158	-	-	-	8,158	941	-	9,099	7,510
Conferences and meetings	3,612	-	-	-	3,612	155	-	3,767	-
Office expense	2,417	-	118	5	2,540	1,123	-	3,663	1,104
Printing	1,869	-	255	-	2,124	1,241	-	3,365	2,280
Occupancy	2,026	-	-	-	2,026	1,200	-	3,226	3,350
Telephone	2,898	-	88	-	2,986	-	-	2,986	2,304
Postage	407	-	890	-	1,297	924	-	2,221	850
Insurance	576	-	-	-	576	1,253	-	1,829	1,596
Marketing and advertising	867	-	-	20	887	431	-	1,318	1,519
All other	5,721	-	425	140	6,286	945	-	7,231	5,502
Total	$ 346,210	$ 184,812	$ 64,114	$ 30,833	$ 625,969	$ 82,689	$ 17,077	$ 725,735	$ 458,336

The accompanying notes are an integral part of these financial statements

ONWARD! A LEGACY FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 109,491	$ 150,549
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
(Gains)losses on investments	288,435	(221,047)
Contributions restricted for long-term investment	(87,210)	-
Donated securities	-	(48,105)
Changes in operating assets and liabilities		
(Increase)decrease in accounts receivable	2,448	95,402
(Increase)decrease in grants receivable	(45,343)	5,602
(Increase)decrease in pledge receivable	(39,485)	200,000
(Increase)decrease in prepaid expenses	166	118
Increase(decrease) in accounts payable	9,285	(810)
Increase(decrease) in payroll-related accruals	22,005	(505)
Increase(decrease) in deferred revenue	451,250	-
Increase(decrease) in agency funds payable	(42,901)	39,188
Net cash provided(used) by operating activities	668,141	220,392
Cash flows from investing activities		
(Reinvestment) of investment earnings	(78,433)	(86,547)
(Purchases) of investments	(318,698)	(228,704)
Proceeds from investments	63,718	131,651
Net cash provided(used) by investing activities	(333,413)	(183,600)
Cash flows from financing activities		
Charitable gift split-interest annuity obligation undertaken	58,495	-
Investment in permanent endowment	87,210	-
Net cash provided(used) by financing activities	145,705	-
Net increase(decrease) in cash and cash equivalents	480,433	36,792
Cash and cash equivalents, beginning of year	147,037	110,245
Cash and cash equivalents, end of year	$ 627,470	$ 147,037

The accompanying notes are an integral part of these financial statements

NOTE 1 - NATURE OF ACTIVITIES

Onward! A Legacy Foundation (the Organization) is a not-for-profit organization located in Cortez, Colorado. The mission of the Organization is to provide opportunities to develop and maintain a sustainable resource base that will enhance the quality of life for residents in the Four Corners' communities. The Organization focuses its efforts on scholarships, civic beautification, social services, art and culture, and organization development. To achieve this mission, the Organization invests donor funds responsibly to preserve capital, provide growth, and earn income for grant making. The Organization is supported primarily by contributions and grants and contracts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

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

2. Basis of Presentation

   The financial statements of the Organization have been prepared in accordance with U. S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

   Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

   Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

   Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

   The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Contributions

   Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization's net assets without donor restrictions consist of general funds, board-designated funds, and miscellaneous funds.

4. Contributions (concluded)

   Miscellaneous funds are grass-roots activities organized by community groups which partner with the Organization in order to take advantage of the Organization's tax-exempt status and back office capabilities. The Organization takes responsibility for all aspects of the programs to ensure operations and management of funds are consistent with the mission and tax-exempt purpose of the Organization. The Organization retains final decision-making authority over these funds. Accordingly, these funds are recorded as support without donor restrictions when received.

   The Organization's net assets with donor restrictions consist of donor advised funds, scholarship funds, and fiscal funds that are restricted for grant-making, scholarships for individuals, or fiscal sponsorship of certain activities. Based on the nature of the underlying agreements, these contributions are reported as donor-restricted support when received. As the funds are spent for the intended purposes, the restrictions are released. The Organization receives advice from donors of donor advised funds regarding identifying grantees; however, the Organization retains final decision-making authority over these funds. The Organization considers donor advised funds restricted for grant-making purposes. An administrative fee is charged to these funds, based on agreements with the donors, which is recorded as revenue without donor restrictions by the general fund of the Organization.

5. Donations

   The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net asset with donor restrictions. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

6. Accounts, Grants, and Pledges Receivable

   The Organization has not recorded an allowance for doubtful accounts as management believes receivables are fully collectible.

7. Grants

   Grants are not recorded as expense until distributed since the Organization reserves the right to rescind any unpaid grants.

8. Estimates

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

9. Income Taxes

   The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

10. Functional Reporting of Expenses

An expense that is a direct cost of program services, administration/management, or fund-raising is recorded as such in the general ledger. When an expense is attributable to more than one function, the cost is recorded as a shared expense and then allocated based on the time and effort of staff working in each functional area. Expenses included in these financial statements that include an allocation based on time and effort of staff are: payroll and related payroll expenses and in-kind professional services.

11. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC 820, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level l); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

12. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

13. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

14. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

15. Subsequent Events

Management has evaluated subsequent events through November 15, 2019, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Description	Amount
Cash and cash equivalents	$ 627,470
Receivables	93,305
Investments	2,641,197
Total financial assets	3,361,972
Less amounts not available or budgeted for operational use within one year:	
Agency funds payable	553,334
Donor advised funds, less 2020 budgeted expense of $35,000	656,063
Scholarship funds, less 2020 budgeted expense of $40,000	759,860
Endowment funds restricted for perpetuity by donors	499,176
Fiscal funds	164,895
Charitable remainder trust liability	58,495
Board-designated endowment, less budgeted expense of $6,000	11,832
	2,703,655
Financial assets available to meet general expenditures over the next twelve months	$ 658,317

The Organization has very limited fixed overhead costs which is a strategic goal of the governing body so that contribution and investment income can be largely directed to grant-making and other program activities. Gifts without donor restrictions are used for operations, in addition to management fees charged to funds.

NOTE 4 - INVESTMENTS

Investments are carried at market value and consisted of the following at year-end:

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Equities and equity funds	$ 1,233,120	$ 1,479,047	$ 245,927
Corporate bonds and bond funds	612,120	575,945	(36,175)
Preferred stock	260,415	227,940	(32,475)
Government bonds	229,022	224,989	(4,033)
Alternative investments	166,999	126,538	(40,461)
Certificates of deposit	5,785	5,797	12
Accrued interest	941	941	-
Total	$ 2,508,402	$ 2,641,197	$ 132,795

NOTE 4 - INVESTMENTS (continued)

Investment returns are summarized as follows:

Description	Amount
Interest and dividends	$ 78,433
Realized gains	50,635
Unrealized losses	(339,070)
Subtotal	(210,002)
Less: allocations to agency funds	41,239
Total	$ (168,763)

The following table summarizes the levels in the fair value hierarchy into which the Organization's investments fall as of year-end:

Description	Total	Level 1	Level 2	Level 3
Equities	$ 1,479,047	$ 1,479,047	$ -	$ -
Corporate bonds	575,945	575,945	-	-
Preferred stock	227,940	227,940	-	-
Government bonds	224,989	-	224,989	-
Alternative investments	126,538	126,538	-	-
Certificates of deposit	5,797	5,797	-	-
Accrued interest	941	941	-	-
Total	$ 2,641,197	$ 2,416,208	$ 224,989	$ -

The Organization follows the Fair Value Measurements and Disclosures Topic of FASB ASC 820 which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. The standard establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Organization has investments in equities, mutual funds, corporate fixed income bonds, and certificates of deposit in this category.
Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. The Organization has government bonds in this category.
Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Organization does not have any investments in this category.

NOTE 4 - INVESTMENTS (concluded)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE 5 - DEFERRED REVENUE

During 2018, the Organization was a awarded a grant from the state of Colorado which enables the Organization to award grants to third parties for the purpose of purchasing local produce and other food products for food pantry assistance. As of year-end, the Organization held $ 451,250 intended for grant-making related to this award. The revenue will be recognized by the Organization in 2019 when the grants are awarded.

NOTE 6 - CHARITABLE GIFT SPLIT-INTEREST ANNUITY OBLIGATIONS

During 2018, the Organization was the recipient of a charitable gift annuity (i.e. charitable remainder trust). The agreement stipulates that the beneficiary of the annuity will receive a quarterly cash distribution over their lifetime, and upon the death of the beneficiary, the assets that remain will be contributed to the Organization. The Organization maintains the assets as general assets of the Organization and a liability is recognized for the estimated present value of the annuity obligation using the discount rate and actuarial assumptions as provided in Internal Revenue Service guidelines and actuarial tables. Contribution revenue, which represents the fair value of assets donated less the annuity obligation, is recorded as revenue upon receipt of the donated assets. Contribution revenue recognized under charitable gift annuities was $ 43,565 for the year ended December 31, 2018. Assets of the Organization derived from these charitable gift annuities are invested as described in Note 4.

NOTE 7 - AGENCY FUNDS PAYABLE

When the Organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to an entity specified by the donor, professional standards require that a liability be recorded, rather than a contribution. The Organization refers to such funds as agency funds. A liability is reported for these funds held for others and is included in the Statement of Financial Position as *Agency funds payable*. Receipts and disbursements related to these funds are excluded from revenues and expenses of the Organization.

NOTE 8 - BOARD-DESIGNATED ENDOWMENT

The principal invested in the board-designated endowment is intended to be held in perpetuity, with the income used exclusively for grant-making and other charitable works. Because the Board has control, the board-designated endowment is designated as net assets without donor restrictions. See Note 12 for additional information on the endowment funds.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions were available for the following purposes:

Description	Amount
Scholarship funds	$ 799,860
Donor advised funds	691,063
Fiscal funds and other sponsored direct programs	164,894
Total	$ 1,655,817

At year-end, net assets restricted by the donor for perpetuity include:

Description	Amount
Hoover Endowed Scholarship Fund	$ 200,000
General Fund Endowment	107,743
Larsen Endowed Scholarship Fund	86,087
Searle Community Endowment Fund	64,327
Cortez Public Library Endowment Fund	41,019
Total	$ 499,176

See Note 12 for additional information on the endowment funds.

NOTE 10 - IN-KIND CONTRIBUTIONS AND RELATED PARTIES

The Organization's Executive Director owns an accounting firm, Forth & Associates, located in Cortez, Colorado, which is where the Organization's office is located. Forth & Associates provides the office equipment and general office support for the Organization. The Organization paid the Executive Director $11,600 during 2018. The Organization paid Forth and Associates $5,975 during 2018 for general bookkeeping and office support. The difference between these payments and the value of the time spent working on activities of the Organization is recorded as an in-kind contribution of professional services. During the year ended December 31, 2018, in-kind contributions of $ 44,440 were recorded. In addition, during the year ended December 31, 2018, the Organization paid $1,200 to a company owned by the Executive Director for office space.

Certain members of the Board of Directors and/or their immediate relatives are distribution advisors to certain funds held by the Organization.

NOTE 11 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

Description	Amount
Fiscal funds and other sponsored direct programs	$ 356,210
Donor advised funds	189,812
Scholarship funds	71,193
Endowment funds	30,833
Total	$ 648,048

NOTE 12 - ENDOWMENT FUNDS

The Organization's endowments consist of five individual funds established for a variety of purposes and, as required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors ensures that in all aspects of institutional funds management, the Organization acts in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as stated in Colorado Revised Statutes 15-1-1101 through 1110, as well as all other applicable state and federal laws. The "prudent investor rule" states that in managing its institutional funds, the Organization and its agents shall act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In the preservation of the endowment fund, primary consideration is given to donor intent as expressed in a gift instrument and as expressly enumerated in prudence factors in UPMIFA.

The Organization classifies the original value of gifts donated to the endowment and the original value of subsequent gifts donated to the endowment as net assets with donor restrictions required to be held in perpetuity. In accordance with the Organization's interpretation of UPMIFA, any remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions required to be held in perpetuity is classified as net assets without donor restrictions or net assets with donor restrictions (for time or purpose) and held until those amounts are appropriated for expenditure by the Organization in a manner consistent with the donor's intent as stated in the gift instrument. In making a determination to appropriate or accumulate donor-restricted endowment funds, the Organization shall act in good faith and if relevant, considers the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; and (7) the investment policy of the institution.

Endowment Investment Objective. The Organization's primary objectives in managing endowments are to create a steady stream of revenue to support its mission, to preserve the purchasing power of the endowment in perpetuity, and to achieve the highest total return with a reasonable level of risk.

NOTE 12 - ENDOWMENT FUNDS (continued)

Endowment Spending Policy. The Organization has adopted investment and spending polices, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return 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 corporate bonds and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Originally contributed endowment principal is maintained in net assets with donor restrictions to be held in perpetuity; accumulated net earnings and appreciation and depreciation on related investments are recorded in net assets with or without donor restrictions, as specified by the donor.

Endowment asset composition as of December 31, 2018, consisted of donor-restricted and board-designated funds. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration, and as of December 31, 2018, four of the five endowment funds were considered underwater, with the deficits ranging from $315 to $7,638. These deficiencies resulted from unfavorable market fluctuations. The Organization has a policy that permits spending from underwater endowment funds, and it is expected that future economic gains will restore the funds to the amount required to be maintained in perpetuity.

Endowment assets are included with investments on the statement of financial position.

Changes in endowment assets as of December 31, 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions		
Description	Board-designated	Restricted for Purpose	Restricted for Perpetuity	Total
Endowment assets, beginning of year	$ 12,020	$ 75,886	$ 411,966	$ 499,872
Contributions	11,812	-	87,210	99,022
Investment income(loss)	-	(45,208)	-	(45,208)
Appropriation of endowment assets for expenditure	(6,000)	(30,833)	-	(36,833)
Total	$ 17,832	$ (155)	$ 499,176	$ 516,853

NOTE 13 - PENSION

During the year ended December 31, 2018, the Organization initiated a SIMPLE IRA for employees. Expense related to this benefit was $359 for the year.

NOTE 14 - CONCENTRATION OF RISK

The Organization holds investments in two brokerage accounts that are subject to market value fluctuation.

NOTE 15 - SUBSEQUENT EVENT - PUBLIC DEPOSIT PROTECTION ACT

As of year-end, the Organization held cash in demand deposit accounts in excess of $250,000, which exceeded the coverage offered by the Federal Deposit Insurance Corporation (FDIC). In January 2019, the Organization was assigned as an official custodian of the Public Deposit Protection Act (PDPA), and this assignment provides for collateral pledged on demand deposit accounts for the balances in the Organization's primary banking institution that exceed FDIC coverage.