

# Financial Statements

Friends of Ngong Road  
(a Nonprofit Corporation)  
Minneapolis, Minnesota

For the Years Ended  
December 31, 2019 and 2018

Friends of Ngong Road  
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December 31, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Friends of Ngong Road  
Minneapolis, Minnesota

We have audited the consolidated financial statements of Friends of Ngong Road (the Organization), a not-for-profit corporation, which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated 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 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.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of Ngong Road 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.

### Prior Period Financial Statements

The consolidated financial statements of the Organization as of December 31, 2018 were audited by other auditors whose report dated April 23, 2019 expressed an unmodified opinion on those statements.

  
ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 27, 2020

## CONSOLIDATED FINANCIAL STATEMENTS

Friends of Ngong Road  
Consolidated Statements of Financial Position  
December 31, 2019 and 2018

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| Assets                                      |                     |                     |
| Current Assets                              |                     |                     |
| Cash  | \$ 241,974          | \$ 224,224          |
| Investments                                 | 626,000             | 515,367             |
| Accounts receivable                         | 3,500               | -                   |
| Pledges receivable, net                     | 207,219             | 303,657             |
| Inventory                                   | 2,490               | 28,126              |
| Prepaid expenses                            | 4,340               | -                   |
|   | <u>\$ 1,085,523</u> | <u>\$ 1,071,374</u> |
| Liabilities and Net Assets                  |                     |                     |
| Current Liabilities                         |                     |                     |
| Accounts payable                            | \$ 11,116           | \$ 3,160            |
| Net Assets                                  |                     |                     |
| Without donor restrictions:                 |                     |                     |
| Designated by the Board for endowment funds | 626,000             | 515,367             |
| Undesignated                                | 167,503             | 181,425             |
| Total without donor restrictions            | <u>793,503</u>      | <u>696,792</u>      |
| With donor restrictions                     |                     |                     |
| Purpose restrictions                        | 71,067              | 65,167              |
| Time-restricted for future periods          | 209,837             | 306,255             |
| Total with donor restrictions               | <u>280,904</u>      | <u>371,422</u>      |
| Total Net Assets                            | <u>1,074,407</u>    | <u>1,068,214</u>    |
| Total Liabilities and Net Assets            | <u>\$ 1,085,523</u> | <u>\$ 1,071,374</u> |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Activities  
For the Year Ended December 31, 2019

|                                       | 2019                          |                            | Total               |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions |                     |
| Revenue and Other Support             |                               |                            |                     |
| Contributions and grants              | \$ 671,721                    | \$ 36,164                  | \$ 707,885          |
| In-kind donations                     | 6,373                         | -                          | 6,373               |
| Investment income                     | 89,612                        | -                          | 89,612              |
| Other income                          | 1,834                         | -                          | 1,834               |
| Revenue and Other Support             | <u>769,540</u>                | <u>36,164</u>              | <u>805,704</u>      |
| Net Assets Released from Restrictions | 126,682                       | (126,682)                  | -                   |
| Total Revenue and Other Support       | <u>896,222</u>                | <u>(90,518)</u>            | <u>805,704</u>      |
| Expenses                              |                               |                            |                     |
| Program services                      | 598,327                       | -                          | 598,327             |
| Supporting services                   |                               |                            |                     |
| Management and general                | 104,750                       | -                          | 104,750             |
| Fundraising                           | 96,434                        | -                          | 96,434              |
| Total Expenses                        | <u>799,511</u>                | <u>-</u>                   | <u>799,511</u>      |
| Change in Net Assets                  | 96,711                        | (90,518)                   | 6,193               |
| Beginning Net Assets                  | <u>696,792</u>                | <u>371,422</u>             | <u>1,068,214</u>    |
| Ending Net Assets                     | <u>\$ 793,503</u>             | <u>\$ 280,904</u>          | <u>\$ 1,074,407</u> |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Activities (Continued)  
For the Year Ended December 31, 2018

|                                       | 2018                          |                            | Total               |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions |                     |
| Revenue and Other Support             |                               |                            |                     |
| Contributions and grants              | \$ 574,357                    | \$ 165,567                 | \$ 739,924          |
| In-kind donations                     | 7,638                         | -                          | 7,638               |
| Investment income (loss)              | (24,918)                      | -                          | (24,918)            |
| Other income                          | 10,525                        | -                          | 10,525              |
| Revenue and Other Support             | <u>567,602</u>                | <u>165,567</u>             | <u>733,169</u>      |
| Net Assets Released from Restrictions | <u>127,269</u>                | <u>(127,269)</u>           | <u>-</u>            |
| Total Revenue and Other Support       | <u>694,871</u>                | <u>38,298</u>              | <u>733,169</u>      |
| Expenses                              |                               |                            |                     |
| Program services                      | 657,766                       | -                          | 657,766             |
| Supporting services                   |                               |                            |                     |
| Management and general                | 96,329                        | -                          | 96,329              |
| Fundraising                           | 92,347                        | -                          | 92,347              |
| Total Expenses                        | <u>846,442</u>                | <u>-</u>                   | <u>846,442</u>      |
| Change in Net Assets                  | (151,571)                     | 38,298                     | (113,273)           |
| Beginning Net Assets                  | <u>848,363</u>                | <u>333,124</u>             | <u>1,181,487</u>    |
| Ending Net Assets                     | <u>\$ 696,792</u>             | <u>\$ 371,422</u>          | <u>\$ 1,068,214</u> |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Functional Expenses  
For the Year Ended December 31, 2019

|                            | 2019                |                           |             | Total<br>Expenses |
|----------------------------|---------------------|---------------------------|-------------|-------------------|
|                            | Supporting Services |                           |             |                   |
|                            | Program<br>Services | Management<br>and General | Fundraising |                   |
| Expenses                   |                     |                           |             |                   |
| Program Disbursements      | \$ 589,079          | \$ -                      | \$ -        | \$ 589,079        |
| Business Expenses          | -                   | 70,859                    | 95,706      | 166,565           |
| Legal Expenses             | -                   | 4,176                     | -           | 4,176             |
| Cost of Goods Sold         | 572                 | -                         | -           | 572               |
| Donated Goods and Services | -                   | 5,645                     | 728         | 6,373             |
| Travel and Meetings        | 7,493               | -                         | -           | 7,493             |
| Bad Debts                  | -                   | 2,322                     | -           | 2,322             |
| Accounting and Tax         | -                   | 21,748                    | -           | 21,748            |
| Miscellaneous              | 1,183               | -                         | -           | 1,183             |
|                            |                     |                           |             |                   |
| Total Expenses             | \$ 598,327          | \$ 104,750                | \$ 96,434   | \$ 799,511        |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.



Friends of Ngong Road  
Consolidated Statements of Functional Expenses (Continued)  
For the Year Ended December 31, 2018

|                            | 2018                |                           |             | Total<br>Expenses |
|----------------------------|---------------------|---------------------------|-------------|-------------------|
|                            | Supporting Services |                           |             |                   |
|                            | Program<br>Services | Management<br>and General | Fundraising |                   |
| Expenses                   |                     |                           |             |                   |
| Program Disbursements      | \$ 633,846          | \$ -                      | \$ -        | \$ 633,846        |
| Business Expenses          | -                   | 65,907                    | 89,852      | 155,759           |
| Legal Expenses             | -                   | 1,050                     | -           | 1,050             |
| Cost of Goods Sold         | 2,001               | -                         | -           | 2,001             |
| Donated Goods and Services | 3,702               | 1,441                     | 2,495       | 7,638             |
| Travel and Meetings        | 16,363              | -                         | -           | 16,363            |
| Bad Debts                  | -                   | 11,954                    | -           | 11,954            |
| Accounting and Tax         | -                   | 15,977                    | -           | 15,977            |
| Miscellaneous              | 1,854               | -                         | -           | 1,854             |
|                            | \$ 657,766          | \$ 96,329                 | \$ 92,347   | \$ 846,442        |
| Total Expenses             |                     |                           |             |                   |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2019 and 2018

|   | 2019       | 2018         |
|---|------------|--------------|
| Cash Flows from Operating Activities  |            |              |
| Change in net assets  | \$ 6,193   | \$ (113,273) |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |            |              |
| Bad debts   | 2,322      | 11,954       |
| Realized and unrealized (gain) loss on investments  | (72,284)   | 38,870       |
| Change in current assets and liabilities:   |            |              |
| Accounts receivable   | (3,500)    | -            |
| Pledges receivable  | 94,116     | (3,705)      |
| Inventory   | 25,636     | (25,517)     |
| Prepaid expenses  | (4,340)    | -            |
| Accounts payable  | 7,956      | 1,990        |
| Net Cash Provided (Used) by Operating Activities  | 56,099     | (89,681)     |
| <br>Cash Flows from Investing Activities  |            |              |
| Purchase of investments   | (374,868)  | (143,778)    |
| Proceeds from sale of investments   | 336,519    | 280,604      |
| Net Cash Provided (Used) by Investing Activities  | (38,349)   | 136,826      |
| <br>Change in Cash and Cash Equivalents   | 17,750     | 47,145       |
| <br>Beginning Cash and Cash Equivalents   | 224,224    | 177,079      |
| <br>Ending Cash and Cash Equivalents  | \$ 241,974 | \$ 224,224   |
| <br>Supplemental Disclosure of Non-Cash Financing Activities  |            |              |
| Receipt of in-kind goods and services   | \$ 6,373   | \$ 7,638     |

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

## **Note 1: Summary of Significant Accounting Policies**

### **A. Nature of Activities**

The mission of Friends of Ngong Road (the Organization) is to provide education and support for Nairobi children living in poverty whose families are affected by HIV/AIDS so they can transform their lives. The Organization pairs each sponsor with a specific child allowing a mutually beneficial relationship to develop.

Karibu Children's Fund LLC was established in 2016 to send funds for support of income-producing activities in Kenya, and became active in 2018. Karibu Children's Fund LLC is a subsidiary of Friends of Ngong Road.

### **B. Basis of Consolidation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting with revenue being recorded when earned and expenditures recorded when the obligation is incurred or the benefits are received in accordance with Generally Accepted Accounting Principles (GAAP).

Friends of Ngong Road is the sole member of Karibu Children's Fund LLC. Karibu Children's Fund LLC is consolidated within these financial statements.

### **C. Financial Statement Presentation**

Net assets and revenue, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the boards have set aside for a particular purpose.

Net Assets with Donor Restriction - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. At this time, the Organization has no such perpetually restricted resources.

### **D. Contributions**

Contributions, unconditional promises to give, and other assets are recognized at fair values and recorded as made. All contributions are considered to be without donor restriction unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### **E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents are insured by the FDIC.

### **F. Investments**

The Organization carries its fixed income and equity funds at fair value and realized and unrealized gains/losses are reflected in the statements of activities.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

## Note 1: Summary of Significant Accounting Policies (Continued)

### G. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Conditional pledges are not included as support until such time as the conditions are substantially met. At December 31, 2019 and 2018, an allowance in the amount of \$2,617 and \$5,598, respectively, has been recorded. Pledges expected to be collected beyond the next fiscal year are stated at net present value with discount rates at 1.62% and 2.46% for 2019 and 2018, respectively.

### H. In-kind Contributions

Contributions of gifts in-kind that can be used or sold by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

### I. Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### J. Tax Exempt Status

The Organization has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During 2019 and 2018, the Organization did not have any uncertain tax positions. The Organization's tax returns are subject to review and examination by federal, state, and local authorities.

### K. Fair Value Measurements

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access. The Organization has investments of equities and bonds included in Level 1.

**Level 2** - Inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

**Level 3** - Inputs are unobservable and significant to the fair value measurement.

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2019 and 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

**L. Functional Allocation of Expenses**

Expenses not directly identified by function are allocated based on the best estimates of management.

**M. Subsequent Events**

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 27, 2020, the date the consolidated financial statements were available to be issued.

The COVID-19 pandemic has caused global disruption, including in both the United States and Kenya. In Kenya, students are not in school, a nationwide dusk-to-dawn curfew has been imposed and people are asked to work from home. In the United States, many similar dislocations exist. While the disruption is temporary, no one has a clear understanding of the likely impact on the United States economy or on philanthropy in 2020 and there could be a negative impact on donations and collection of pledges. Investments held directly by the Organization have experienced a decline in value as well. We are committed to doing all we can do to ensure Friends of Ngong Road continues to pursue its mission of helping impoverished children in Nairobi transform their lives.

**Note 2: Liquidity**

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows for the years ended December 31, 2019 and 2018, respectively:

|  | 2019       | 2018       |
|--|------------|------------|
| Cash   | \$ 241,974 | \$ 224,224 |
| Investments  | 626,000    | 515,367    |
| Accounts receivable  | 3,500      | -          |
| Pledges receivable, net of discounts and allowances                                    | 207,219    | 303,657    |
| Total Financial Assets Available Within One Year                                       | 1,078,693  | 1,043,248  |
| Less: amounts unavailable for general expenditures within one year, due to:            |            |            |
| Board-designated for endowment   | (626,000)  | (515,367)  |
| Net assets with donor restrictions - time restriction                                  | (65,010)   | (122,661)  |
| Net assets with donor restrictions - purpose restriction                               | (71,067)   | (65,167)   |
| Total Amounts Unavailable for General Expenditures Within One Year                     | (762,077)  | (703,195)  |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 316,616 | \$ 340,053 |

The board of directors and management routinely monitor liquidity and cash reserves which fund operations and program service delivery in accordance with established policies. Additionally, the board designated investments of \$626,000 can be drawn upon through board resolution for operational needs at any time.

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2019 and 2018

**Note 3: Pledges Receivable**

Pledges receivable consists of commitments from various donors. The balance of pledges receivable is as follows:

|                                 | 2019       | 2018       |
|---------------------------------|------------|------------|
| Amounts due in:                 |            |            |
| Less than one year              | \$ 144,827 | \$ 186,594 |
| Greater than one year           | 69,664     | 131,527    |
| Gross pledges receivable        | 214,491    | 318,121    |
| Discounted to net present value | (4,655)    | (8,866)    |
| Allowance for doubtful accounts | (2,617)    | (5,598)    |
| Total                           | \$ 207,219 | \$ 303,657 |

**Note 4: Investments**

The fair market value of investments consists of the following at December 31:

|                           | 2019       | 2018       |
|---------------------------|------------|------------|
| Fixed Income Mutual Funds | \$ 218,981 | \$ 180,802 |
| Equity Mutual Funds       | 401,983    | 332,025    |
| Cash Equivalents          | 5,036      | 2,540      |
| Total                     | \$ 626,000 | \$ 515,367 |

**Note 5: Related Party Transactions**

The Organization's sister organization, Ngong Road Children's Association, operates in Kenya. The boards of both organizations work together to ensure the program in Kenya is effective and well-managed, and that donors are satisfied and supportive. The Organization remitted a total of \$557,851 and \$579,201 to Ngong Road Children's Association during the years ended December 31, 2019 and 2018, respectively.

During 2014, Karibu Loo began operations as a fully owned subsidiary of Ngong Road Children's Association. In 2017, Karibu Loo was approved by Kenya authorities and became a standalone entity. Karibu Children's Fund LLC is a member of Karibu Loo. The Organization remitted a total of \$31,196 and \$49,200 to Karibu Loo during the years ended December 31, 2019 and 2018, respectively.

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2019 and 2018

**Note 6: Fair Value Measurements**

The Organization uses the following valuation methodologies for each type of investment:

Fixed Income and Equity Funds - Valued at the net asset value (NAV) of shares held by the Organization at year end.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value:

| December 31, 2019         | Level 1           | Level 2     | Level 3     | Total             |
|---------------------------|-------------------|-------------|-------------|-------------------|
| Fixed Income Mutual Funds | \$ 218,981        | \$ -        | \$ -        | \$ 218,981        |
| Equity Mutual Funds       | 401,983           | -           | -           | 401,983           |
| <b>Total</b>              | <b>\$ 620,964</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 620,964</b> |

  

| December 31, 2018         | Level 1           | Level 2     | Level 3     | Total             |
|---------------------------|-------------------|-------------|-------------|-------------------|
| Fixed Income Mutual Funds | \$ 180,802        | \$ -        | \$ -        | \$ 180,802        |
| Equity Mutual Funds       | 332,025           | -           | -           | 332,025           |
| <b>Total</b>              | <b>\$ 512,827</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 512,827</b> |

**Note 7: Net Assets With Donor Restrictions**

Donor restricted net assets consist of the following donor restrictions as of December 31:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Purpose Restricted:                                    |                   |                   |
| Camp   | \$ 52,833         | \$ 52,833         |
| Post secondary scholarship                             | 7,110             | 7,110             |
| Sexual and reproductive health                         | 1,095             | 4,095             |
| Technology for Kenya                                   | 10,029            | 1,129             |
| Time Restricted:                                       |                   |                   |
| Sustaining pledges                                     | 209,837           | 306,255           |
| <b>Net Assets with Donor Restrictions, December 31</b> | <b>\$ 280,904</b> | <b>\$ 371,422</b> |

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2019 and 2018

**Note 8: In-kind Contributions**

The Organization received in-kind contributions of \$6,373 and \$7,638 for the years ended December 31, 2019 and 2018, respectively.

**Note 9: Endowment**

The purpose of the Organization's board-designated endowment is to provide for future spending needs while meeting current spending needs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has no donor-restricted endowment funds or donor-designated endowments as of December 31, 2019 and 2018.

Board-designated endowment fund activity for the years ended December 31, 2019 and 2018 is as follows:

|   |                          |
|---|--------------------------|
| Endowment Net Assets, January 1, 2018   | \$ 691,063               |
| Net appropriations                      | (150,778)                |
| Investment income (loss)                | (24,918)                 |
| Endowment Net Assets, December 31, 2018 | <u>515,367</u>           |
| Net contributions                       | 21,021                   |
| Investment income                       | <u>89,612</u>            |
| Endowment Net Assets, December 31, 2019 | <u><u>\$ 626,000</u></u> |

**Investment Objectives and Strategies**

The investment objective of the Endowment Fund is based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. The return target is 5% plus inflation and fees. To accomplish this return goal, the Endowment Fund will diversify its assets among several asset classes and seek to manage risk effectively.

**Spending Policy**

The purpose of the Endowment Fund is two-fold: to provide funding for programs of the Organization and to help the Organization manage its finances in the event of an unexpected loss or uneven revenue flows. To date, the board has elected to use Endowment Fund resources for both purposes. The board has not adopted a spending rate and does not currently take regular distributions; distributions have been episodic and specific to the two purposes outlined above.