
VFW National Home for Children

Financial Report
June 30, 2019

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Public Support, Revenue, Expenses, and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

Independent Auditor's Report

To the Board of Trustees
VFW National Home for Children

We have audited the accompanying financial statements of VFW National Home for Children (the "National Home"), which comprise the balance sheet as of June 30, 2019 and the related statements of public support, revenue, expenses, and changes in net assets; functional expenses; and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VFW National Home for Children as of June 30, 2019 and the changes in its net assets, functional expenses, and 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 VFW National Home for Children's 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Trustees
VFW National Home for Children

Emphasis of Matter

As described in Note 2 to the financial statements, the National Home adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

September 17, 2019

Balance Sheet

June 30, 2019
(with summarized totals for June 30, 2018)

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 481,897	\$ 209,273
Investments (Note 4)	9,645,630	9,384,464
Receivables	126,060	127,708
Inventory	16,528	18,722
Prepaid expenses and other current assets	103,630	203,603
Total current assets	10,373,745	9,943,770
Property and Equipment - Net (Note 5)	5,915,956	5,995,669
Beneficial Interest in Perpetual Trusts (Note 4)	2,016,333	2,045,666
Total assets	\$ 18,306,034	\$ 17,985,105
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 95,093	\$ 68,495
Accrued liabilities and other:		
Accrued compensation	335,354	313,800
Other accrued liabilities	55,149	64,420
Total liabilities	485,596	446,715
Net Assets		
Net assets without donor restrictions - Board designated for future operations	7,902,657	8,745,490
Net assets with donor restrictions (Note 7)	9,917,781	8,792,900
Total net assets	17,820,438	17,538,390
Total liabilities and net assets	\$ 18,306,034	\$ 17,985,105

VFW National Home for Children

Statement of Public Support, Revenue, Expenses, and Changes in Net Assets

Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	2019	2018
Changes in Net Assets without Donor Restrictions		
Public support and revenue:		
Estate and bequests	\$ 869,154	\$ 456,807
Poppies (Note 6)	83,642	97,450
Contributions	2,070,371	2,150,794
Life membership dues	105,200	73,255
Net realized and unrealized gains on investments	119,795	267,959
Investment income - Net	286,698	246,261
Investment income from beneficial interests in perpetual trusts	60,620	70,692
Miscellaneous and other	114,562	104,215
Net assets released from restrictions	767,978	460,598
Total public support and revenue	4,478,020	3,928,031
Expenses:		
Program expenses:		
Direct care	1,344,061	1,286,010
Indirect care	1,025,173	959,310
Facilities management	1,417,742	1,352,254
Total program expenses	3,786,976	3,597,574
Support services:		
Administration	197,975	179,384
Fiscal services	443,968	474,495
Fundraising	891,934	885,989
Total support services	1,533,877	1,539,868
Total expenses	5,320,853	5,137,442
Decrease in Net Assets without Donor Restrictions	(842,833)	(1,209,411)
Changes in Net Assets with Donor Restrictions		
Contributions	1,541,999	909,671
Estates and bequests	363,716	358,758
Investment income	4,671	4,843
Investment income from beneficial interests in perpetual trusts	11,806	13,323
Change in fair value of beneficial interests in perpetual trusts	(29,333)	18,445
Net assets released from restrictions	(767,978)	(460,598)
Increase in Net Assets with Donor Restrictions	1,124,881	844,442
Increase (Decrease) in Net Assets	282,048	(364,969)
Net Assets - Beginning of year	17,538,390	17,903,359
Net Assets - End of year	\$ 17,820,438	\$ 17,538,390

Statement of Functional Expenses

Year Ended June 30, 2019

(with summarized totals for the year ended June 30, 2018)

	Program Services			Support Services			2019	2018
	Direct Care	Indirect Care	Facilities Management	Fundraising	Administration	Fiscal Services		
Salaries	\$ 667,861	\$ 490,181	\$ 306,547	\$ 137,597	\$ 98,986	\$ 150,777	\$ 1,851,949	\$ 1,820,701
Payroll taxes	48,859	35,023	22,875	9,683	6,437	10,738	133,615	135,648
Pension	15,999	14,831	10,446	4,229	5,601	8,749	59,855	62,467
Other employee benefits	130,694	159,046	96,005	37,765	29,310	42,063	494,883	444,615
Total salaries and related expenses	863,413	699,081	435,873	189,274	140,334	212,327	2,540,302	2,463,431
Residents' expenses	149,836	54,054	-	-	-	-	203,890	163,151
Natural parent expenses	9,582	-	-	-	-	-	9,582	15,507
Professional fees	-	-	-	-	-	26,499	26,499	23,000
Purchased services	145,107	12,248	155,360	36	904	37,116	350,771	337,883
Insurance	22,631	33,467	81,241	1,640	1,740	7,158	147,877	152,103
Supplies	1,415	33,761	220,252	875	10,541	9,887	276,731	251,256
Postage	-	-	-	-	-	39,208	39,208	42,676
Fundraising	-	-	-	697,167	-	-	697,167	691,072
Utilities and telephone	34,531	48,911	123,860	1,961	3,228	10,783	223,274	227,443
Trustee travel	-	-	-	-	34,563	-	34,563	33,183
Employee travel	14,392	-	-	-	5,185	-	19,577	17,378
Cost of souvenirs	-	-	-	-	-	33,926	33,926	43,469
Information/Technology	-	-	-	-	-	52,975	52,975	57,628
Advertising/Promotion	-	-	-	-	-	8,142	8,142	9,360
Employee education	9,748	643	837	449	416	97	12,190	4,896
Depreciation	93,406	143,008	400,319	532	1,064	5,850	644,179	604,006
	480,648	326,092	981,869	702,660	57,641	231,641	2,780,551	2,674,011
Total functional expenses	\$ 1,344,061	\$ 1,025,173	\$ 1,417,742	\$ 891,934	\$ 197,975	\$ 443,968	\$ 5,320,853	\$ 5,137,442

Statement of Cash Flows

Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 282,048	\$ (364,969)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	644,179	604,006
Net realized and unrealized gains on investments	(119,795)	(267,959)
Donated property and equipment	-	(71,193)
Change in fair value of beneficial interests in perpetual trusts	29,333	(18,445)
Contributions received for long-term use	(38,707)	(387,641)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	1,648	417
Inventory	2,194	(6,000)
Prepaid expenses and other assets	99,973	(55,321)
Accounts payable	26,598	(13,989)
Accrued and other liabilities	12,283	12,791
Net cash and cash equivalents provided by (used in) operating activities	939,754	(568,303)
Cash Flows from Investing Activities		
Purchase of property and equipment	(564,466)	(429,495)
Purchases of investments	(1,065,163)	(5,738,858)
Proceeds from sales and maturities of investments	923,792	6,378,999
Net cash and cash equivalents (used in) provided by investing activities	(705,837)	210,646
Cash Flows Provided by Financing Activities - Proceeds from contributions for long-term use	38,707	387,641
Net Increase in Cash and Cash Equivalents	272,624	29,984
Cash and Cash Equivalents - Beginning of year	209,273	179,289
Cash and Cash Equivalents - End of year	\$ 481,897	\$ 209,273
Significant Noncash Transactions - Donated property received	\$ -	\$ 71,193

June 30, 2019

Note 1 - Nature of Business

The Veterans of Foreign Wars National Home for Children (the "National Home") provides children, youth, and families of members of the VFW, VFW Auxiliary, and veterans and active-duty military opportunities for growth and development in a nurturing community and, by doing so, serves as a living memorial for all veterans. The National Home is located in Eaton Rapids, Michigan.

Note 2 - Significant Accounting Policies

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by expense function. The notes to financial statements also do not present comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the National Home's 2018 financial statements, from which the summarized information was derived.

Cash and Cash Equivalents

The National Home considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The total amount of bank deposits (checking and savings accounts) that was insured by the FDIC at year end was \$252,560.

Investments

Investments consist primarily of mutual funds and equity securities and are stated at fair value based on quoted market prices. Investment income or loss (including realized and unrealized gains (losses) on investments, interest, and dividends) is included in the statement of public support, revenue, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable consist of amounts due from various organizations. Accounts receivable are stated at net amounts. An allowance for doubtful accounts is established based on a specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that the determination is made. The National Home has determined no allowance for uncollectibility is necessary at June 30, 2019.

Inventory

Inventory is composed of souvenirs. Substantially all inventory is valued at the lower of cost or net realizable value, using the last-in, first-out (LIFO) method.

Property and Equipment

Property and equipment are recorded at cost except donated real estate and equipment, which are stated at estimated fair value at the date of receipt. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred.

Beneficial Interests

The National Home is a beneficiary of irrevocable trusts. According to the trusts, the National Home is to receive its share of the investment income annually. The value of the National Home's interests in the trusts is recorded at fair value.

The National Home also has beneficial interests in oil, gas, and mineral rights. The National Home is not able to determine the fair values of these interests. The income from these rights is recorded as contribution income when received.

Note 2 - Significant Accounting Policies (Continued)

Contributions and Bequests

Contributions and bequests, other than income from certain rights as described above, are recorded as revenue when the unconditional promise is received by the National Home. Contributions and bequests are reported as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of public support, revenue, expenses, and changes in net assets as net assets released from restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as support without donor restrictions.

Donated Services

The National Home receives volunteer service not recordable under accounting principles generally accepted in the United States of America. A substantial number of volunteers have donated time in the National Home's fundraising campaigns and determination of the allocation of the funds raised. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

Classification of Net Assets

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the National Home.

Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the National Home 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 restrictions that are temporary in nature reflect funds contributed to the National Home related to maintenance of the home, education, scholarships, various activities, and special events.

Donor restrictions to be maintained in perpetuity result from donor-imposed restrictions stipulating that the investment principal be maintained permanently, but permit the National Home to use the income derived from the investments, which can be used for general operations and various programs.

Functional Expense

Costs of providing the program and support services have been reported on a functional basis in the statement of public support, revenue, expenses, and changes in net assets. Costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. Certain costs are not directly attributable to a function, but are attributable to more than one program or supporting function. Allocated expenses include depreciation and utilities, which are allocated based on square footage or usage, and salaries and associated benefits, which are allocated based on estimates of time and effort.

Pension Plan

The defined contribution pension plan covers substantially all employees of the National Home. The National Home is required to contribute a 4.0 percent matching contribution for eligible employees who contributed to the plan. Pension expense for fiscal year 2019 amounted to \$59,855.

June 30, 2019

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The National Home is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The National Home invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect those amounts reported in the statement of public support, revenue, expenses, and changes in net assets.

Adoption of New Accounting Pronouncement

In 2019, the National Home adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the National Home, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. The standard has been retrospectively applied.

For the year ended June 30, 2019, net assets of \$4,306,580 previously reported as temporarily restricted and net assets of \$4,486,320 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions on the balance sheet.

Upcoming Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the National Home's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The National Home has not yet determined which application method it will use. The National Home's main revenue stream, contributions, is not impacted under this standard, but it is looking at less significant revenue streams that could be impacted.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 17, 2019, which is the date the financial statements were available to be issued.

June 30, 2019

Note 3 - Liquidity and Availability of Resources

The National Home’s financial assets available within one year of June 30, 2019 for general expenditure are as follows:

Cash and cash equivalents	\$ 481,897
Accounts receivable	126,060
Investments	<u>9,645,630</u>
Total financial assets at June 30, 2019	10,253,587
Less those unavailable for general expenditures within one year due to assets subject to donor restrictions	<u>(7,901,448)</u>
Total	<u>\$ 2,352,139</u>

The National Home has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 160 days of normal operating expenses, which are, on average, approximately \$2,345,000 at June 30, 2019. The National Home has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The National Home also realizes there could be unanticipated liquidity needs.

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the National Home’s assets measured at fair value on a recurring basis at June 30, 2019 and the valuation techniques used by the National Home to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the National Home has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The National Home’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

June 30, 2019

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Assets				
Investments:				
Mutual funds:				
U.S. equities	\$ 3,350,362	\$ -	\$ -	\$ 3,350,362
International equity	1,996,988	-	-	1,996,988
Global equity	47,114	-	-	47,114
Bonds	3,169,620	-	-	3,169,620
Real assets	529,514	-	-	529,514
Stock/ETFs:				
U.S. equities	330,846	-	-	330,846
Bonds	221,186	-	-	221,186
Total investments	9,645,630	-	-	9,645,630
Beneficial interests in perpetual trusts	-	-	2,016,333	2,016,333
Total assets	\$ 9,645,630	\$ -	\$ 2,016,333	\$ 11,661,963

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2019 are as follows:

	Beneficial Interest in Perpetual Trusts
Balance at July 1, 2018	\$ 2,045,666
Unrealized loss	(29,333)
Balance at June 30, 2019	\$ 2,016,333

Realized and unrealized gains and losses of \$(29,333) for the year ended June 30, 2019 are reported in change in fair value of beneficial interests in perpetual trusts in the statement of public support, revenue, expenses, and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

June 30, 2019

Note 4 - Fair Value Measurements (Continued)

Beneficial Interests in Perpetual Trusts

The National Home is the beneficiary of investments held by third parties, which are considered Level 3 assets.

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2019 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2019	Valuation Technique	Unobservable Inputs
Assets - Beneficial interests in perpetual trusts	\$ 2,016,333	Fair value of the interest in underlying assets	Values of underlying assets

Note 5 - Property and Equipment

Property and equipment at June 30, 2019 are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 46,727	-
Buildings	16,207,344	7-40
Machinery and equipment	3,973,452	2-10
Transportation equipment	874,773	5
Furniture and fixtures	760,553	3-5
Construction in progress	363,894	-
Total cost	22,226,743	
Less accumulated depreciation	16,310,787	
Net property and equipment	<u>\$ 5,915,956</u>	

Depreciation and amortization expense for the year ended June 30, 2019 was \$644,179.

Note 6 - Affiliated Organizations

The National Home is a separate and autonomous organization from the Veterans of Foreign Wars. The Veterans of Foreign Wars provided public support from the sale of poppies amounting to \$83,642 for the year ended June 30, 2019.

June 30, 2019

Note 7 - Net Assets with Donor Restriction

Net assets with donor restrictions as of June 30, 2019 are available for the following purposes:

Net assets with purpose restrictions:	
House repairs, equipment, and maintenance	\$ 2,619,527
Education and scholarships	1,078,410
Activities and special events	<u>1,724,150</u>
Total net assets with purpose restrictions	5,422,087
Net assets to be held in perpetuity:	
Amy Ross Fund	2,178,580
Charles Wagner	24,611
Minnesota Post #1215 Fund	17,559
Calton Jacobson Fund	50,000
Delores and Walter Peterson Fund	170,086
2010-11 Commanders & Presidents Fund	<u>38,525</u>
Total net assets to be held in perpetuity	2,479,361
Beneficial interests in perpetual trusts	<u>2,016,333</u>
Total	<u>\$ 9,917,781</u>

Note 8 - Donor-restricted Endowments

The National Home's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income on donor-restricted net assets is to be used for general operating purposes for the National Home's day-to-day activities.

Interpretation of Relevant Law

The board of trustees of the National Home has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the National Home classifies as net assets with donor restrictions (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 is held in net assets with donor restrictions until those amounts are appropriated for expenditure by the National Home in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the National Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds. The National Home considers the following factors in exercising this standard of care:

- The long-term and short-term needs of the National Home in carrying out its charitable purpose
- The present and anticipated financial requirements of the National Home
- The expected total return on investments
- Price level trends
- General economic conditions

June 30, 2019

Note 8 - Donor-restricted Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019			
	With Donor Restrictions			
Donor-restricted endowment funds	\$	2,479,361		
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019			
	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;">Without Donor Restrictions</td> <td style="width: 50%; text-align: center; border-bottom: 1px solid black;">With Donor Restrictions</td> </tr> </table>		Without Donor Restrictions	With Donor Restrictions
Without Donor Restrictions	With Donor Restrictions			
Endowment net assets - Beginning of year	\$	- \$ 2,440,654		
Investment return:				
Investment income	91,905	-		
Net realized and unrealized gain	104,901	-		
Total investment return	196,806	-		
Contributions	-	38,707		
Appropriation of endowment assets for expenditure	(196,806)	-		
Endowment net assets - End of year	\$	- \$ 2,479,361		

Funds with Deficiencies

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 National Home to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2019.

Return Objectives and Risk Parameters

The National Home has adopted investment and spending policies 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 the endowment assets. Endowment assets include those assets of donor-restricted funds that the National Home must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the results of the S&P 500 Index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The National Home targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The National Home has a practice of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.