
VFW National Home for Children

Financial Report
June 30, 2018

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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, 2018 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, 2018 and the changes in net assets, cash flows, and functional expenses 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 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

September 28, 2018

Balance Sheet

June 30, 2018
(with summarized totals for June 30, 2017)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 209,273	\$ 179,289
Investments (Note 3)	9,384,464	9,756,646
Receivables	127,708	128,125
Inventory	18,722	12,722
Prepaid expenses and other current assets	203,603	148,282
Total current assets	9,943,770	10,225,064
Property and Equipment - Net (Note 4)	5,995,669	6,098,987
Beneficial Interest in Perpetual Trusts (Note 3)	2,045,666	2,027,221
Total assets	\$ 17,985,105	\$ 18,351,272
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 68,495	\$ 82,484
Accrued liabilities and other:		
Accrued compensation	313,800	299,287
Other accrued liabilities	64,420	66,142
Total liabilities	446,715	447,913
Net Assets		
Unrestricted - Designated for future operations	8,745,490	9,954,901
Temporarily restricted net assets (Note 6)	4,306,580	3,868,224
Permanently restricted net assets (Notes 6 and 7)	4,486,320	4,080,234
Total net assets	17,538,390	17,903,359
Total liabilities and net assets	\$ 17,985,105	\$ 18,351,272

VFW National Home for Children

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

Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018	2017
Changes in Unrestricted Net Assets		
Public support and revenue:		
Estate and bequests	\$ 456,807	\$ 846,917
Poppies (Note 5)	97,450	97,755
Contributions	2,150,794	2,290,697
Life membership dues	73,255	69,195
Net realized and unrealized gains on investments	267,959	580,004
Investment income	276,811	305,781
Investment income from beneficial interests in perpetual trusts	70,692	41,457
Miscellaneous and other	104,215	121,538
Net assets released from restrictions	460,598	709,326
Total public support and revenue	3,958,581	5,062,670
Expenses		
Program expenses:		
Direct care	1,286,010	1,282,043
Indirect care	959,310	950,626
Facilities management	1,352,254	1,353,060
Total program expenses	3,597,574	3,585,729
Support services:		
Administration	179,384	195,432
Fiscal services	505,045	522,137
Fundraising	885,989	813,773
Total support services	1,570,418	1,531,342
Total expenses	5,167,992	5,117,071
Decrease in Unrestricted Net Assets	(1,209,411)	(54,401)
Changes in Temporarily Restricted Net Assets		
Estates and bequests	-	266,688
Contributions	880,788	593,119
Investment income	4,843	4,832
Investment income from beneficial interests in perpetual trusts	13,323	11,357
Net assets released from restrictions	(460,598)	(709,326)
Increase in Temporarily Restricted Net Assets	438,356	166,670
Changes in Permanently Restricted Net Assets		
Contributions	28,883	212,152
Estates and bequests	358,758	-
Change in value of beneficial interests in perpetual trusts	18,445	110,750
Increase in Permanently Restricted Net Assets	406,086	322,902
(Decrease) Increase in Net Assets	(364,969)	435,171
Net Assets - Beginning of year	17,903,359	17,468,188
Net Assets - End of year	\$ 17,538,390	\$ 17,903,359

Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

	Program Services			Support Services			2018	2017
	Direct Care	Indirect Care	Facilities Management	Fundraising	Administration	Fiscal Services		
Salaries	\$ 670,389	\$ 454,734	\$ 327,485	\$ 136,910	\$ 97,086	\$ 134,097	\$ 1,820,701	\$ 1,785,046
Payroll taxes	50,233	33,562	24,860	9,737	7,617	9,639	135,648	132,388
Pension	16,688	14,854	11,512	4,333	7,172	7,908	62,467	54,845
Other employee benefits	128,645	146,044	79,736	34,891	14,849	40,450	444,615	458,079
Total salaries and related expenses	865,955	649,194	443,593	185,871	126,724	192,094	2,463,431	2,430,358
Residents' expenses	106,020	57,131	-	-	-	-	163,151	195,293
Natural parent expenses	15,507	-	-	-	-	-	15,507	11,801
Professional fees	-	-	-	-	-	53,550	53,550	64,628
Purchased services	132,733	3,496	149,755	-	1,704	50,195	337,883	329,480
Insurance	23,462	34,213	83,512	1,755	1,795	7,366	152,103	150,296
Supplies	2,204	34,318	197,240	1,868	3,754	11,872	251,256	261,636
Postage	-	-	-	-	-	42,676	42,676	32,385
Fundraising	-	-	-	691,072	-	-	691,072	632,608
Utilities and telephone	37,167	46,045	126,616	2,355	3,692	11,558	227,433	229,487
Trustee travel	-	-	-	-	33,183	-	33,183	27,137
Employee travel	12,979	-	-	-	3,644	755	17,378	16,188
Cost of souvenirs	-	-	-	-	-	43,469	43,469	47,236
Information/Technology	-	-	-	-	-	57,638	57,638	48,488
Advertising/Promotion	-	-	-	-	-	9,360	9,360	21,127
Special events	-	-	-	-	-	-	-	276
Employee education	2,410	836	644	652	-	354	4,896	8,142
Depreciation of plant and equipment	87,573	134,077	350,894	2,416	4,888	24,158	604,006	610,505
Total functional expenses	\$ 1,286,010	\$ 959,310	\$ 1,352,254	\$ 885,989	\$ 179,384	\$ 505,045	\$ 5,167,992	\$ 5,117,071

Statement of Cash Flows

Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018	2017
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (364,969)	\$ 435,171
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	604,006	610,505
Net realized and unrealized gain on investments	(267,959)	(580,004)
Donated property and equipment	(71,193)	(106,663)
Change in value of beneficial interests in perpetual trusts	(18,445)	(110,750)
Contributions of beneficial interests in perpetual trusts	-	(180,172)
Permanently restricted contributions	(387,641)	-
Changes in operating assets and liabilities which provided (used) cash and cash equivalents:		
Accounts receivable	417	(150)
Inventory	(6,000)	13,980
Prepaid expenses and other assets	(55,321)	(113,002)
Accounts payable	(13,989)	28,028
Accrued and other liabilities	12,791	26,176
Net cash and cash equivalents (used in) provided by operating activities	(568,303)	23,119
Cash Flows from Investing Activities		
Purchase of property and equipment	(429,495)	(299,817)
Purchases of investments	(5,738,858)	(1,851,573)
Proceeds from sales and maturities of investments	6,378,999	2,150,607
Net cash and cash equivalents provided by (used in) investing activities	210,646	(783)
Cash Flows Provided by Financing Activities - Proceeds from restricted contributions	387,641	-
Net Increase in Cash and Cash Equivalents	29,984	22,336
Cash and Cash Equivalents - Beginning of year	179,289	156,953
Cash and Cash Equivalents - End of year	\$ 209,273	\$ 179,289
Significant Noncash Transactions		
Donated property received	\$ 71,193	\$ 106,663
Beneficial interests in perpetual trusts	-	180,172

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 2017 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 \$252,843.

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 investment, 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, 2018.

Inventory

Inventories are composed of souvenirs and are recorded at cost on a last-in, first-out (LIFO) basis.

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), temporarily restricted net assets are classified as unrestricted net assets 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 unrestricted support.

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

Temporarily restricted net assets reflect funds contributed to the National Home related to maintenance of the home, education, scholarships, various activities, and special events.

Permanently restricted net assets 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.

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 2018 amounted to \$62,467.

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.

June 30, 2018**Note 2 - Significant Accounting Policies (Continued)*****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.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 to be applied using one of two retrospective application methods. The National Home will most likely adopt the cumulative catch-up transition method if implementation of the standard does not result in a significant adjustment. Management is currently evaluating the contracts in place to determine the full impact the standard will have and plans to complete this by the end of 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the National Home, including required disclosures about the liquidity and availability of resources. The new standard is effective for the National Home's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The National Home is currently evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the National Home's year ending June 30, 2019 and will be applied on a modified prospective basis. The National Home has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 28, 2018, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets 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 tables present information about the National Home’s assets measured at fair value on a recurring basis at June 30, 2018 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.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Assets				
Investments:				
Mutual funds:				
U.S. equities	\$ 3,014,636	\$ -	\$ -	\$ 3,014,636
International equity	1,671,093	-	-	1,671,093
Global equity	44,516	-	-	44,516
Bonds	3,489,459	-	-	3,489,459
Real assets	564,726	-	-	564,726
Stocks/ETFs:				
U.S. equities	367,869	-	-	367,869
Bonds	232,165	-	-	232,165
Total investments	9,384,464	-	-	9,384,464
Beneficial interests in perpetual trusts	-	-	2,045,666	2,045,666
Total assets	\$ 9,384,464	\$ -	\$ 2,045,666	\$ 11,430,130

June 30, 2018

Note 3 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended June 30, 2018 are as follows:

	Beneficial Interest in Perpetual Trusts
Balance at July 1, 2017	\$ 2,027,221
Unrealized gains	18,445
Balance at June 30, 2018	<u>\$ 2,045,666</u>

Realized and unrealized gains and losses of \$18,445 for the year ended June 30, 2018 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 tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

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, 2018 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2018	Valuation Technique	Unobservable Inputs
Assets - Beneficial interests in perpetual trusts	\$ 2,045,666	Fair value of the interest in underlying assets	Values of underlying assets

Note 4 - Property and Equipment

Property and equipment at June 30, 2018 are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 46,727	-
Buildings	16,033,062	7-40
Machinery and equipment	3,626,494	2-10
Transportation equipment	868,567	5
Furniture and fixtures	760,553	3-5
Construction in progress	326,872	-
Total cost	21,662,275	
Less accumulated depreciation	<u>15,666,606</u>	
Net property and equipment	<u>\$ 5,995,669</u>	

Depreciation and amortization expense for the year ended June 30, 2018 was \$604,006.

June 30, 2018

Note 5 - 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 \$97,450 for the year ended June 30, 2018.

Note 6 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

House repairs, equipment, and maintenance	\$ 2,070,048
Education and scholarships	932,884
Activities and special events	<u>1,303,648</u>
Total temporarily restricted net assets	<u>\$ 4,306,580</u>

Permanently restricted net assets are restricted investments to be held in perpetuity, the income of which is expendable to benefit the National Home. Permanently restricted net assets at June 30, 2018 are as follows:

Amy Ross Fund	\$ 2,139,873
Charles Wagner	24,611
Minnesota Post #1215 Fund	17,559
Carlton Jacobson Fund	50,000
Delores and Walter Peterson Fund	170,086
2010-11 Commanders & Presidents Fund	<u>38,525</u>
Total donor-restricted endowment funds	2,440,654
Beneficial interests in perpetual trusts	<u>2,045,666</u>
Total permanently restricted net assets	<u>\$ 4,486,320</u>

Note 7 - Donor-restricted Endowments

The National Home's endowment includes both donor-restricted endowment funds. 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 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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

June 30, 2018

Note 7 - Donor-restricted Endowments (Continued)

- The present and anticipated financial requirements of the National Home
- The expected total return on investments
- Price level trends
- General economic conditions

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018	
	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$	2,440,654
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018	
	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Endowment net assets - Beginning of year	\$ -	\$ 2,053,013
Investment return:		
Investment income	95,458	-
Net realized and unrealized gain	351,178	-
Total investment return	446,636	-
Contributions	-	387,641
Appropriation of endowment assets for expenditure	(446,636)	-
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 2,440,654</u>

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, 2018.

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.

Note 7 - Donor-restricted Endowments (Continued)

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.