Financial Statements
June 30, 2018 and 2017

Boys Hope Girls Hope of Arizona, Inc.

EideBailly®

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Boys Hope Girls Hope of Arizona, Inc.
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Boys Hope Girls Hope of Arizona, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Organization'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 Organization'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 Boys Hope Girls Hope of Arizona, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Phoenix, Arizona
October 22, 2018

	2018	2017
Assets		
Current Assets		
Cash	$ 186,788	$ 200,359
Restricted cash	80,500	80,500
Accounts receivable	400	-
Promises to give	15,000	26,401
Investments	704,293	836,548
Prepaid expenses	3,677	4,158
Total current assets	990,658	1,147,966
Property and Equipment, Net	747,648	816,476
Total assets	$ 1,738,306	$ 1,964,442
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 29,306	$ 51,852
Accrued expenses	51,230	46,052
Deferred revenue	-	5,000
Current maturities of capital lease obligation	1	1
Total current liabilities	80,537	102,905
Capital Lease Obligation, Less Current Portion	6	7
Total liabilities	80,543	102,912
Net Assets		
Unrestricted		
Undesignated	753,697	811,784
Board designated fund	798,966	921,660
	1,552,663	1,733,444
Temporarily restricted	24,600	47,586
Permanently restricted	80,500	80,500
Total net assets	1,657,763	1,861,530
Total liabilities and net assets	$ 1,738,306	$ 1,964,442

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Public support				
Contributions	$ 519,566	$ -	$ -	$ 519,566
Donated materials and services	733,907	-	-	733,907
Total support from contributions	1,253,473	-	-	1,253,473
Special events				
Revenue	468,444	24,600	-	493,044
Less cost of direct benefits to donors	(77,909)	-	-	(77,909)
Net revenues from special events	390,535	24,600	-	415,135
Total support before releases from restrictions	1,644,008	24,600	-	1,668,608
Net assets released from restriction	47,586	(47,586)	-	-
Total support	1,691,594	(22,986)	-	1,668,608
Other revenues				
Miscellaneous income	2,553	-	-	2,553
Net investment loss	(2,194)	-	-	(2,194)
Total other revenues	359	-	-	359
Total support and revenue	1,691,953	(22,986)	-	1,668,967
Expenses				
Program services	1,609,419	-	-	1,609,419
Supporting services				
Fundraising	131,934	-	-	131,934
General and administrative	131,381	-	-	131,381
Total supporting services	263,315	-	-	263,315
Total expenses	1,872,734	-	-	1,872,734
Change in Net Assets	(180,781)	(22,986)	-	(203,767)
Net Assets, Beginning of Year	1,733,444	47,586	80,500	1,861,530
Net Assets, End of Year	$ 1,552,663	$ 24,600	$ 80,500	$ 1,657,763

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 452,156	$ 100,000	$ -	$ 552,156
679,029	-	-	679,029
1,131,185	100,000	-	1,231,185
286,400	25,000	-	311,400
(55,164)	-	-	(55,164)
231,236	25,000	-	256,236
1,362,421	125,000	-	1,487,421
110,966	(110,966)	-	-
1,473,387	14,034	-	1,487,421
231	-	-	231
(2,146)	-	-	(2,146)
(1,915)	-	-	(1,915)
1,471,472	14,034	-	1,485,506
1,484,237	-	-	1,484,237
146,073	-	-	146,073
123,669	-	-	123,669
269,742	-	-	269,742
1,753,979	-	-	1,753,979
(282,507)	14,034	-	(268,473)
2,015,951	33,552	80,500	2,130,003
$ 1,733,444	$ 47,586	$ 80,500	$ 1,861,530

	2018			
	Program Services	Fundraising	General and Administrative	Total
Staff salaries	$ 446,222	$ 77,345	$ 71,396	$ 594,963
Payroll taxes and employee benefits	101,109	17,526	16,177	134,812
Total payroll costs	547,331	94,871	87,573	729,775
Assistance to youth	806,884	-	-	806,884
Depreciation	61,945	3,441	3,442	68,828
Payments to national affiliate	18,761	-	8,040	26,801
Occupancy	88,796	4,933	4,933	98,662
Newsletter and promotional	649	81	81	811
Transportation	17,297	-	-	17,297
Equipment rental	1,677	359	359	2,395
Professional fees	27,445	-	6,861	34,306
Insurance	17,678	-	5,893	23,571
Building furnishings	3,402	-	-	3,402
Supplies, stationary, and postage	13,427	2,877	2,877	19,181
Domestic supplies	953	-	-	953
Bank fees	-	-	7,233	7,233
Special events expenses - direct donor benefits	-	77,909	-	77,909
Bad debt expense	-	-	916	916
Operational expense third party events	-	25,372	-	25,372
Miscellaneous	3,174	-	3,173	6,347
Total functional expenses	1,609,419	209,843	131,381	1,950,643
Less expenses netted against revenues in the statement of activities (direct donor benefits)	-	(77,909)	-	(77,909)
Total functional expense reported in the statement of activities	$ 1,609,419	$ 131,934	$ 131,381	$ 1,872,734

2017			
Program Services	Fundraising	General and Administrative	Total
$ 418,185	$ 72,485	$ 66,910	$ 557,580
83,747	14,516	13,399	111,662
501,932	87,001	80,309	669,242
736,647	-	-	736,647
71,472	4,061	5,685	81,218
18,711	-	8,019	26,730
85,798	4,875	6,825	97,498
1,501	188	188	1,877
15,861	-	-	15,861
1,238	265	265	1,768
16,081	-	4,020	20,101
18,448	-	6,149	24,597
751	-	-	751
11,166	1,595	3,190	15,951
1,705	-	-	1,705
-	-	6,093	6,093
-	55,164	-	55,164
-	-	-	-
-	48,088	-	48,088
2,926	-	2,926	5,852
1,484,237	201,237	123,669	1,809,143
-	(55,164)	-	(55,164)
$ 1,484,237	$ 146,073	$ 123,669	$ 1,753,979

	2018	2017
Operating Activities		
Change in net assets	$ (203,767)	$ (268,473)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	68,828	81,218
Unrealized loss on investments	10,007	11,132
Changes in assets and liabilities		
Accounts receivable	(400)	9,001
Promises to give	11,401	101
Prepaid expenses	481	(1,352)
Accounts payable	(22,546)	30,840
Accrued expenses	5,178	1,238
Deferred revenue	(5,000)	5,000
Net Cash used in Operating Activities	(135,818)	(131,295)
Investing Activities		
Proceeds on sale of investments	275,500	228,700
Purchase of investments	(153,252)	(27,592)
Purchase of property and furnishings	-	(20,478)
Net Cash from Investing Activities	122,248	180,630
Financing Activities		
Payments on capital lease obligation	(1)	(1)
Net Change in Cash	(13,571)	49,334
Cash, Beginning of Year	280,859	231,525
Cash, End of Year	$ 267,288	$ 280,859
Supplemental Disclosure of Cash Flow Information		
Unrestricted cash	$ 186,788	$ 200,359
Restricted cash	80,500	80,500
Total Cash, End of Year	$ 267,288	$ 280,859

Note 1 - Nature of Operations and Significant Accounting Policies

Organization and Nature of Operations

In April 1989, Boys Hope of Arizona, Inc. was formed to help Arizona boys who are at-risk, yet academically capable to realize their potential for responsible leadership by providing value-centered family-like homes and quality education through college. In October 1997, the Boys Hope of Arizona, Inc.'s Articles of Incorporation were amended to include similar programs for Arizona girls and changed the name to Boys Hope Girls Hope of Arizona, Inc. (the Organization). The Organization is an affiliate to Boys Hope Girls Hope, Inc. (National).

The Organization has two programs, residential and a nonresidential Academy Program. The residential program recreates the supportive family dynamic that all children need. Committed professional houseparents provide the parenting that gives them the security and stability they need to excel, and a network of carefully screened and trained volunteers provides the academic support they will need to excel in the classroom. The Academy Program offers the same arms-around, all-encompassing care as the residential program for children who do not require an out-of-home placement.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and reflect all significant principles, and accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets for which the donor's stipulated principal is to be maintained in perpetuity. The earnings of these funds are unrestricted and are allocable for specific purposes by the Organization's board of directors.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Realized and unrealized gains and losses on endowment investments are classified as temporarily restricted net assets until appropriated for expenditure, as explained in Note 6. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled, and/or the stipulated time has elapsed, are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Restricted Cash

For the years ended June 30, 2018 and 2017, restricted cash of $80,500 represents cash restricted for the endowment balance.

Concentrations of Credit Risk

Cash includes cash held in checking, savings, and money market accounts. The Organization, at times, maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation. The Organization also maintains cash at a brokerage firm that is SIPC insured.

Donated Materials and Services

Donated materials and services are recorded at their fair market value on the date of the donation and are carried at the lower of the originally recorded value, or fair market value. The following was recognized as donated materials and services revenue for the years ended June 30, 2018 and 2017:

	2018	2017
In-kind rent	$ 52,065	$ 52,065
In-kind tuition	665,520	609,423
Other donated gifts in kind	16,322	17,541
	$ 733,907	$ 679,029

Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are originally restricted by the donor are reported as increases in unrestricted net assets in the year in which the restrictions are fulfilled. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded at the net present value of their estimated future cash flows. Amortization of the related discounts is included in promises to give. Conditional promises to give are not recognized as support until the conditions are substantially met.

Unconditional promises to give are stated at unpaid balances, net of discounts, less an allowance for doubtful accounts, as deemed necessary. The Organization provides for losses on promises to give using the allowance method. The allowance is based on experience, knowledge of the donors, the industry, and other circumstances which may affect the ability of donors to meet their obligations. As of June 30, 2018 and 2017, management determined that no allowance for promises to give was necessary.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2018 and 2017.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is included as part of a group Return of Organization Exempt from Income Tax (Form 990) filed by Boys Hope Girls Hope national headquarters. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent 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)*. The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised 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. ASU 2014-09 defines a five-step process in order to achieve this core principle which may require the use of judgment and estimates. The Organization may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented or a modified retrospective approach. Additionally, in April 2016, FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments in this standard clarify the process of identifying performance obligations and the licensing implementation guidance. These standards are effective for annual reporting periods beginning after June 30, 2018, and interim reporting periods within annual reporting periods beginning after June 30, 2019. Earlier application is permitted only as of annual reporting periods beginning after June 30, 2016. The Organization has not yet selected a transition method and is currently evaluating the impact of these standards on its financial statements.

In February 2016, the FASB issued ASU 2016- 02, *Leases (Topic 842)*, to improve financial reporting about leasing transactions. The ASU affects all lease transactions. Lessors will classify leases as either a sales-type, direct financing, or operating lease. In a sales-type lease, the lessor transfers control of the underlying asset to the lessee. At lease commencement, the lessor should derecognize the leased asset and record its net investment in the lease. The net investment in the lease consists of a lease receivable and the unguaranteed residual asset. In a direct financing lease, the lessor should derecognize the leased asset underlying the lease and record a net investment in the lease at lease commencement. The net investment in the lease should be measured in the same manner as a sales-type lease adjusted for selling profit and initial direct costs. An operating lease is neither a sale nor financing of an asset. The lessor should keep the asset underlying the lease on its balance sheet and continue to depreciate the asset based on its useful life. Rental revenue should be recognized on a straight-line basis. The amendments in this update are effective for years beginning after June 30, 2019.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*, to improve presentation of financial statements for not-for-profit entities. The ASU affects all not-for-profit entities. The main provisions of this Update that will impact the Organization include:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. The not-for-profits will report amounts for net assets with donor restrictions and net assets without donor restrictions. They will also be required to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes.

- All not-for-profits will now be required to disclose an analysis of expenses by both functional and natural classifications.

- All not-for-profits will have to add disclosures regarding how they manage liquidity and information that communicates the availability of financial assets to meet cash needs for general expenditures.

This new standard will be effective for years beginning after June 30, 2018. The standard requires retrospective application.

Subsequent Events

The Organization has evaluated subsequent events through October 22, 2018, the date which the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

U.S. Government bond obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2018 and 2017:

	2018			
	Fair Value Measurements at Report date Using			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed income short term	$ 704,293	$ -	$ 704,293	$ -
Total investments	$ 704,293	$ -	$ 704,293	$ -

	2017			
	Fair Value Measurements at Report date Using			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fixed income short term	$ 836,548	$ -	$ 836,548	$ -
Total investments	$ 836,548	$ -	$ 836,548	$ -

Net investment return consisted of the following at June 30, 2018 and 2017:

	2018	2017
Interest and dividends	$ 7,813	$ 8,986
Net realized and unrealized loss	(10,007)	(11,132)
	$ (2,194)	$ (2,146)

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 130,111	$ 130,111
Land held under capital lease	27,700	27,700
Girls home building	597,505	597,505
Boys home building	499,724	499,724
Furniture and fixtures	121,369	121,369
Vehicles	131,959	131,959
Computer equipment	62,617	62,617
Building improvements	7,100	7,100
	1,578,085	1,578,085
Accumulated depreciation	(830,437)	(761,609)
Property and equipment, net	$ 747,648	$ 816,476

Note 4 - Capital Lease Obligation

On April 1, 1991, the Organization loaned funds for the construction of the Boys home building to National, a related party, in the amount of $218,439. The Organization received a note receivable from National for the same amount due in installments of $24,312 annually for 24 years. At the same time, the Boys home building was leased back from National under a capital lease agreement for 60 years. The capital lease had a present value of $218,439 and calls for an annual payment of $24,312 for the years one though 24 and $1 for the years 25 through 60. The agreement states that the Organization has the right to off-set its annual rent payment with the payment due to the Organization under the note, and the Organization has therefore not reflected the note receivable or the capital lease obligation in the accompanying financial statements. The agreement also stated that upon the termination date of the capital lease, title to the Boys home building shall automatically pass to the Organization.

On April 1, 1991, the Organization entered into a capital lease agreement under which it leases land from National, a related party, for 60 years. The lease calls for annual payments of $3,083 for years one through 24 and $1 for years 25 through 60. The interest portion of the lease payments was computed using a rate of 10% per year. The agreement also states that upon the termination date of the capital lease, title to the land shall automatically pass to the Organization.

Minimum future lease payments under this capital lease at June 30, 2018 are as follows:

Year Ending June 30,	
2019	$ 1
2020	1
2021	1
2022	1
Thereafter	28
Total minimum lease payments	32
Less amounts representing interest	(25)
Present value of minimum lease payments	7
Current maturities	1
Noncurrent maturities	$ 6

Note 5 - Board-Designated Net Assets

The board of directors of the Organization have designated a portion of the unrestricted net assets as reserves to be used as the discretion of the board of directors. As of June 30, 2018 and 2017, the balance of the board-designated net assets was $798,966 and $921,660, respectively. As of June 30, 2018, $94,673 was included with cash and $704,293 was classified as investments on the statement of financial position. As of June 30, 2017, $85,112 was included with cash and $836,548 was classified as investments on the statement of financial position.

Note 6 - Temporarily Restricted Net Assets

The temporarily restricted net assets are as follows for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Time restrictions		
Promises to give	$ 15,000	$ 26,401
Purpose restrictions		
Golf tournament	5,000	-
School trip	3,100	-
School supplies	1,500	-
Technology	-	21,185
	$ 24,600	$ 47,586

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Satisfaction of purpose restriction	$ 21,185	$ 78,815
Satisfaction of time restriction	26,401	32,151
	$ 47,586	$ 110,966

Note 7 - Endowment Net Assets

In previous years, the Organization received contributions in the amount of $161,000, of which $80,500 was released from restriction by the donor. Of these contributions, $80,500 remains permanently restricted. The money is to be invested indefinitely, and the income from the investment is to be used for specific purposes approved by the Organization's board of directors. The endowment consists entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The composition of endowment net assets by fund type as of June 30, 2018 and 2017 is as follows:

	Endowment Deficit	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	$ (381)	$ -	$ 80,500	$ 80,119
Investment return				
Investment income	(138)	-	-	(138)
Endowment draw for expenditure	-	-	-	-
Balance, June 30, 2017	$ (519)	$ -	$ 80,500	$ 79,981
Investment return				
Investment income	(182)	-	-	(182)
Endowment draw for expenditure	-	-	-	-
Balance, June 30, 2018	$ (701)	$ -	$ 80,500	$ 79,799

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 of SPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $701 and $519 as of June 30, 2018 and 2017, respectively.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

Spending Policy

The current spending policy is to spend the earnings on the endowment as approved by the board of directors for operating purposes. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Note 8 - Related Party

The Organization is an affiliate to National and has entered into an affiliation agreement. Payments to National for services provided and other fees consisted of $26,801 and $26,730 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, there was $2,760 and $0, respectively, outstanding as a payable to National and included in accounts payable.

The Organization leases its office space on a month-to-month basis from a partnership in which a member of the board of directors is a general partner. Total rent expense for the years ended June 30, 2018 and 2017 was $55,299 and $55,239, respectively, which includes donated space in the amount of $52,065 in both years. The donated space is recorded as donated materials and services revenue in the statement of activities.

During the years ended June 30, 2018 and 2017, the Organization received contributions from board members totaling $13,558 and $13,225, respectively.

Note 9 - Retirement Plan

The Organization participated in a participant-directed 401(k) plan sponsored by National covering employees who meet specific service requirements. Contributions to the plan are participant-directed. The Organization contributed 3% of an eligible employee's salary, as defined, and matched 100% of the first 3% of employee contributions. Effective for the year ending June 30, 2011, the Organization temporarily suspended the match but continued to pay the associated account fees. Account fees during the years ended 2018 and 2017 were $870 and $850, respectively.