GIRLS INCORPORATED OF MEMPHIS

FINANCIAL STATEMENTS

July 31, 2016 and 2015

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statement of Activities – For the Year Ended July 31, 2016	3
Statement of Activities – For the Year Ended July 31, 2015	4
Statement of Functional Expenses – For the Year Ended July 31, 2016	5
Statement of Functional Expenses – For the Year Ended July 31, 2015	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Girls Incorporated of Memphis

We have audited the accompanying financial statements of Girls Incorporated of Memphis (a nonprofit organization), which comprise the statements of financial position as of July 31, 2016 and 2015, 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 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 Girls Incorporated of Memphis as of July 31, 2016 and 2015, 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.

Watkins Uiberall, PLLC

Memphis, Tennessee
April 14, 2017

GIRLS INCORPORATED OF MEMPHIS

STATEMENTS OF FINANCIAL POSITION

July 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	$ 228,444	$ 112,032
Investments (Note 2)	443,683	655,612
Contributions receivable, net of allowance for doubtful accounts of $1,330 and $1,000	30,027	5,676
Prepaid expenses	710	7,945
Property and equipment, net (Note 3)	650,846	689,178
Total assets	$ 1,353,710	$ 1,470,443
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 64,262	$ 134,308
Advances payable	16,266	32,864
Other accrued expenses (Note 9)	56,649	59,153
Line of credit (Note 7)	-	150,000
Total liabilities	137,177	376,325
Net Assets		
Unrestricted		
Undesignated	476,619	386,390
Board-designated - endowment	412,843	624,772
Total unrestricted net assets	889,462	1,011,162
Temporarily restricted	296,231	52,116
Permanently restricted	30,840	30,840
Total net assets (Note 4)	1,216,533	1,094,118
Total liabilities and net assets	$ 1,353,710	$ 1,470,443

The accompanying notes are an integral part of the financial statements.

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Federal grants (Note 9)	$ 669,475	$ -	$ -	$ 669,475
United Way of the Mid-South	311,886	-	-	311,886
Contributions	574,284	280,169	-	854,453
Investment income	6,879	-	-	6,879
Change in market value of investments	(15,357)	-	-	(15,357)
Special events revenue	91,409	-	-	91,409
Donated supplies and services	12,795	-	-	12,795
Program service fees	80,607	-	-	80,607
Other income	7,660	-	-	7,660
Net assets released from restrictions	36,054	(36,054)	-	-
Total revenues and other support	1,775,692	244,115	-	2,019,807
Expenses				
Program Services				
TRiO (Note 9)	589,919	-	-	589,919
Community programs	369,961	-	-	369,961
Center-based programs	552,837	-	-	552,837
Total program services	1,512,717	-	-	1,512,717
Supporting Services				
General and administrative	187,411	-	-	187,411
Fundraising	189,713	-	-	189,713
Total expenses	1,889,841	-	-	1,889,841
Change in net assets from operations	(114,149)	244,115	-	129,966
Nonoperating Losses				
Loss on disposal of assets	(7,551)	-	-	(7,551)
Change in net assets	(121,700)	244,115	-	122,415
Net assets at beginning of the year	1,011,162	52,116	30,840	1,094,118
Net assets at end of the year	$ 889,462	$ 296,231	$ 30,840	$ 1,216,533

The accompanying notes are an integral part of the financial statements.

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF ACTIVITIES

For the Year Ended July 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Federal grants	$ 725,391	$ -	$ -	$ 725,391
United Way of the Mid-South	337,308	-	-	337,308
Contributions	478,338	52,116	-	530,454
Investment income	16,896	-	-	16,896
Change in market value of investments	(2,940)	-	-	(2,940)
Special events revenue	76,398	-	-	76,398
Donated supplies and services	43,334	-	-	43,334
Program service fees	95,344	-	-	95,344
Other income	3,689	-	-	3,689
Net assets released from restrictions	5,000	(5,000)	-	-
Total revenues and other support	1,778,758	47,116	-	1,825,874
Expenses				
Program Services				
TRiO	622,897	-	-	622,897
Community programs	558,315	-	-	558,315
Center-based programs	559,998	-	-	559,998
Total program services	1,741,210	-	-	1,741,210
Supporting Services				
General and administrative	189,306	-	-	189,306
Fundraising	146,799	-	-	146,799
Total expenses	2,077,315	-	-	2,077,315
Change in net assets from operations	(298,557)	47,116	-	(251,441)
Nonoperating Gains				
Gain on disposal of assets	1,800	-	-	1,800
Change in net assets	(296,757)	47,116	-	(249,641)
Net assets at beginning of the year	1,307,919	5,000	30,840	1,343,759
Net assets at end of the year	$ 1,011,162	$ 52,116	$ 30,840	$ 1,094,118

The accompanying notes are an integral part of the financial statements.

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2016

	Program Services				Supporting Services			
	TRiO	Community Programs	Center-Based Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 373,424	$ 205,114	$ 330,297	$ 908,835	$ 65,434	$ 46,219	$ 111,653	$ 1,020,488
Taxes and benefits	72,819	36,440	58,824	168,083	15,983	6,533	22,516	190,599
Conferences, meetings and training	30,444	5,816	4,355	40,615	6,117	1,248	7,365	47,980
Dues and subscriptions	8,480	195	29	8,704	13,012	-	13,012	21,716
Equipment	11,988	5,608	10,128	27,724	3,023	4,437	7,460	35,184
Fees and charges	897	1,040	831	2,768	5,067	22	5,089	7,857
Insurance	10,037	8,366	16,632	35,035	6,874	1,475	8,349	43,384
Transportation	24,725	13,401	9,493	47,619	-	446	446	48,065
Postage	692	763	585	2,040	421	711	1,132	3,172
Printing	47	148	584	779	108	1,640	1,748	2,527
Professional fees	553	15,804	5,097	21,454	36,806	94,452	131,258	152,712
Rent and occupancy	33,453	34,743	56,281	124,477	11,835	6,689	18,524	143,001
Special events	-	873	1,310	2,183	-	16,843	16,843	19,026
Supplies	9,483	34,620	30,217	74,320	2,531	4,367	6,898	81,218
Telephone	4,766	4,018	14,097	22,881	1,181	506	1,687	24,568
Interest	-	-	-	-	6,093	-	6,093	6,093
Total functional expenses before depreciation	581,808	366,949	538,760	1,487,517	174,485	185,588	360,073	1,847,590
Depreciation	8,111	3,012	14,077	25,200	12,926	4,125	17,051	42,251
	$ 589,919	$ 369,961	$ 552,837	$ 1,512,717	$ 187,411	$ 189,713	$ 377,124	$ 1,889,841

The accompanying notes are an integral part of the financial statements.

GIRLS INCORPORATED OF MEMPHIS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2015

	Program Services				Supporting Services			
	TRiO	Community Programs	Center-Based Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 365,390	$ 330,131	$ 328,776	$ 1,024,297	$ 72,260	$ 36,555	$ 108,815	$ 1,133,112
Taxes and benefits	72,065	54,741	53,774	180,580	10,583	5,777	16,360	196,940
Conferences, meetings and training	52,665	8,804	3,838	65,307	3,821	595	4,416	69,723
Dues and subscriptions	2,422	1,000	-	3,422	12,897	-	12,897	16,319
Equipment	16,837	8,631	8,909	34,377	5,502	2,647	8,149	42,526
Fees and charges	635	1,124	437	2,196	5,510	294	5,804	8,000
Insurance	11,665	10,710	12,173	34,548	2,793	1,824	4,617	39,165
Transportation	32,710	23,043	22,786	78,539	1,154	118	1,272	79,811
Postage	956	1,440	597	2,993	408	590	998	3,991
Printing	-	131	206	337	-	1,660	1,660	1,997
Professional fees	10,681	17,606	153	28,440	33,041	59,285	92,326	120,766
Rent and occupancy	25,574	41,015	52,448	119,037	10,128	5,020	15,148	134,185
Special events	-	2,162	1,004	3,166	-	22,747	22,747	25,913
Supplies	18,482	48,734	42,660	109,876	8,905	4,710	13,615	123,491
Telephone	4,919	6,110	13,664	24,693	1,444	961	2,405	27,098
Interest	-	-	-	-	8,813	-	8,813	8,813
Total functional expenses before depreciation	615,001	555,382	541,425	1,711,808	177,259	142,783	320,042	2,031,850
Depreciation	7,896	2,933	18,573	29,402	12,047	4,016	16,063	45,465
	$ 622,897	$ 558,315	$ 559,998	$ 1,741,210	$ 189,306	$ 146,799	$ 336,105	$ 2,077,315

The accompanying notes are an integral part of the financial statements.

GIRLS INCORPORATED OF MEMPHIS

STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2016 and 2015

	2016	2015
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	$ 122,415	$ (249,641)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used For) Operating Activities:		
Depreciation	42,251	45,465
Change in market value of investments	15,357	2,940
(Gain)/loss on sale of property and equipment	7,551	(1,800)
Changes in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Contributions receivable	(24,351)	6,161
Prepaid expenses	7,235	2,564
Accounts payable	(70,046)	(10,918)
Advances payable	(16,598)	3,551
Other accrued expenses	(2,504)	28,398
Total adjustments	(41,105)	76,361
Net cash provided by (used for) operating activities	81,310	(173,280)
Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	(11,970)	(17,809)
Proceeds from redemption of certificates of deposit	-	10,000
Purchases of investments	(3,431)	(10,720)
Proceeds from sale of investments	200,003	235,000
Proceeds from sale of property and equipment	500	1,800
Net cash from investing activities	185,102	218,271
Cash Flows From (Used For) Financing Activities:		
Principal payments on line of credit	(195,000)	(50,000)
Advances on line of credit	45,000	50,000
Net cash used for financing activities	(150,000)	-
Increase in cash and cash equivalents	116,412	44,991
Cash and cash equivalents, beginning of the year	112,032	67,041
Cash and cash equivalents, end of the year	$ 228,444	$ 112,032
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 6,093	$ 8,813

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Girls Incorporated of Memphis (the "Organization") is a Tennessee nonprofit organization. The Organization's purpose is to provide programs designed to build girls' capacity for responsible and confident adulthood, economic independence and personal fulfillment. Primary sources of funding include United Way of the Mid-South, federal, state, and local grants, and charitable contributions from corporations and individuals.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Organization reports its financial position and activities in three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily Restricted Net Assets – Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. This includes voluntary board-approved designations of unrestricted net assets for specific purposes, projects, or investments. Because designations are voluntary and may be reversed at any time by the board, designated portions of net assets are not considered temporarily or permanently restricted.

Use of Estimates

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

Revenue Recognition

Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. In addition, unconditional promises to give are recorded in the year made. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Gifts In-Kind

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received. Additionally, the Organization receives certain in-kind contributions for supplies, which have been recorded at their fair market value in the period received. Donated services and supplies were received as follows for the years ended July 31:

	2016	2015
Services		
Printing brochures	$ -	$ 629
Supplies	12,795	42,705
	$ 12,795	$ 43,334

Functional Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management.

Concentrations and Credit Risks

The Organization's credit risks primarily relate to cash and cash equivalents. The Organization maintains cash balances at a bank. Those accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of $250,000.

For the years ended July 31, 2016 and 2015, 34% and 40%, respectively, of the Organization’s total revenue was from federal grants. In addition, for the years ended July 31, 2016 and 2015, 41% and 35%, respectively, of the Organization’s total revenue was from two donors.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Money market funds held in investment accounts are excluded from cash and cash equivalents.

Restricted Cash

The Organization is required to hold cash received for the TRiO program in a separate bank account. At July 31, 2016 and 2015, the balance in this account was $104,924 and $78,648, respectively.

Contributions Receivable

Contributions receivable consists of amounts due from foundations, corporations, and individuals. At July 31, 2016, all contributions receivable were due within one year. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year and provides for an allowance for doubtful accounts based on historical collection rates and the evaluation of past due amounts.

Investments

Investments consist of assets held in brokerage accounts and beneficial interests in assets held by the Community Foundation of Greater Memphis, Inc. ("CFGM") and are stated at fair market value. Realized and unrealized gains and losses are reflected in the statements of activities as change in market value of investments.

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or fair value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to thirty years. Repairs and renovations that do not add value or extend the life of the assets are expensed as incurred. The Organization capitalizes all expenditures over $2,500 that relate to property, plant, and equipment.

Fair Value Measurement

The Organization applies U.S. GAAP for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for additional disclosures.

Advertising Costs

Advertising costs are expensed as incurred and totaled $44,048 and $36,114 for the years ended July 31, 2016 and 2015, respectively.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been determined to be an organization which is not a private foundation. The Organization files an exempt return with the U.S. federal jurisdiction.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform with the presentation in the current year financial statements. These changes had no effect on previously reported total net assets.

Date of Management Review

The Organization evaluated its July 31, 2016 financial statements for subsequent events through April 14, 2017, the date the financial statements were available to be issued. Other than the events disclosed in Notes 5 and 9, the Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under U.S. GAAP are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.

Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for level 3 assets measured at fair value. There have been no changes in the methodologies used at July 31, 2016.

CFGM equity pool – There is limited or no observable market data for the prices of the pooled fund investments held with CFGM, and the resulting fair values of these securities are categorized as Level 3. Although the majority of CFGM's holdings are invested in assets that are valued by quoted prices in active markets, the Organization does not have access to the CFGM holdings and therefore does not have any observable inputs for CFGM. However, the Organization does receive quarterly statements from CFGM which show the fair market value and the Organization's portion of the funds. The CFGM equity pool has a target allocation of approximately 40% large-cap U.S. equities, 9% small and mid-cap U.S. equities, 31% international equities, and 20% hedged equities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of July 31, 2016 and 2015.

	Assets at Fair Value as of July 31, 2016		
	Level 1	Level 3	Total
Endowment Fund Investments			
Money market funds	$ 5,971	$ -	$ 5,971
Bond mutual funds	22,090	-	22,090
Equity mutual funds	46,818	-	46,818
Total endowment fund investments	74,879	-	74,879
Independent Fund			
CFGM equity pool	-	368,804	368,804
Total investments at fair value	$ 74,879	$ 368,804	$ 443,683

	Assets at Fair Value as of July 31, 2015		
	Level 1	Level 3	Total
Endowment Fund Investments			
Money market funds	$ 1,298	$ -	$ 1,298
Bond mutual funds	108,562	-	108,562
Equity mutual funds	173,456	-	173,456
Total endowment fund investments	283,316	-	283,316
Independent Fund			
CFGM equity pool	-	372,296	372,296
Total investments at fair value	$ 283,316	$ 372,296	$ 655,612

The following is a summary of the activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended July 31:

	2016	2015
Investments, beginning of year	$ 372,296	$ 361,471
Change in market value of investments	(1,721)	12,670
Purchases/settlements, net	(1,771)	(1,845)
Investments, end of year	$ 368,804	$ 372,296
Unrealized losses for the year included in the change in market value, for investments held at the end of the year	$ (19,283)	$ (22,465)

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31:

	Useful Life	2016	2015
Land	n/a	$ 232,601	$ 232,601
Building and building improvements	15 - 30 years	1,332,274	1,320,304
Office furniture and equipment	3 - 7 years	97,898	97,898
Vehicles	4 - 7 years	110,667	123,927
		1,773,440	1,774,730
Less accumulated depreciation		(1,122,594)	(1,085,552)
		$ 650,846	$ 689,178

NOTE 4 – NET ASSETS

Net assets were temporarily restricted as follows at July 31:

	2016	2015
Purpose Restrictions:		
Center repairs	$ 37,415	$ 25,000
Executive Assistant salary	-	23,469
Development salary	53,100	-
Youth Farm	38,841	3,647
Hire new staff and adjust salaries to market	166,875	-
	$ 296,231	$ 52,116

Endowment Fund

The Board of Directors established an endowment fund in 1988 for the purpose of providing for the future operations and capital needs of the Organization. The Board's intent is to make appropriations from the fund for operations and in case of emergencies. The permanently restricted portion of the endowment consists of donor-designated contributions that are to be invested in perpetuity, for which the income therefrom can be used for operations.

The Board of Directors established an Independent Fund in 2010 by transferring assets from the board-designated endowment fund to CFGM. The Independent Fund was created to serve as collateral for the Organization's line of credit and is considered unrestricted.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") applies to the Organization's endowment funds. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies the following as permanently restricted net assets:

(1) The original value of gifts donated to the permanent endowment;
(2) The subsequent gifts to the permanent endowment; and
(3) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

In accordance with UPMIFA, the Organization considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

(1) The duration and preservation of the various funds;
(2) The purposes of the donor-restricted endowment funds;
(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 Organization's investment policies.

The endowment net asset composition by type of fund is as follows:

	July 31, 2016		
	Unrestricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 30,840	$ 30,840
Board-designated funds	412,843	-	412,843
	$ 412,843	$ 30,840	$ 443,683

	July 31, 2015		
	Unrestricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 30,840	$ 30,840
Board-designated funds	624,772	-	624,772
	$ 624,772	$ 30,840	$ 655,612

A reconciliation of the endowment fund's beginning and ending balances is as follows for the years ended July 31:

	2016		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 624,772	$ 30,840	$ 655,612
Investment Return			
Investment income	6,879	-	6,879
Change in market value of investments	(15,357)	-	(15,357)
Total investment loss	(8,478)	-	(8,478)
Appropriations for expenditure	(200,003)	-	(200,003)
Fees	(3,448)	-	(3,448)
Endowment net assets, end of year	$ 412,843	$ 30,840	$ 443,683

	2015		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 851,992	$ 30,840	$ 882,832
Investment Return			
Investment income	16,856	-	16,856
Change in market value of investments	(2,940)	-	(2,940)
Total investment return	13,916	-	13,916
Appropriations for expenditure	(235,000)	-	(235,000)
Fees	(6,136)	-	(6,136)
Endowment net assets, end of year	$ 624,772	$ 30,840	$ 655,612

Investment Policy

The Organization does not have a formal investment policy for investing endowment assets. However, the endowment assets are invested in a manner that will provide a reasonable level of growth without undue risk. Currently, the funds are invested in a balanced portfolio of bonds, cash, and stocks, with target allocations of approximately 70% equities and 30% fixed income and cash. The Board of Directors reviews, on a quarterly basis, investment performance, potential disbursements, and potential giving campaign strategies.

NOTE 5 – OPERATING LEASES

The Organization rents office space and equipment under operating leases. Total rent expense under operating leases for the years ended July 31, 2016 and 2015 was $82,540 and $80,333, respectively. Future minimum lease payments required under these leases, including a new office space lease entered into subsequent to July 31, 2016, are as follows for the years ending July 31:

2017	$ 61,343
2018	64,673
2019	5,520
2020	5,520
2021	5,290
	$ 142,346

NOTE 6 – RETIREMENT PLAN

The Organization provides a 401(k) profit sharing plan (the “Plan”) for all employees that are at least 21 years of age and have completed one year of service. The Organization matches contributions made by employees up to 1% of their salary. All participants are 100% vested in their contributions to the Plan. Participants are 100% vested in the Organization’s match after the completion of 3 years of service. The Organization’s contributions to the Plan for the years ended July 31, 2016 and 2015 were $4,491 and $4,858, respectively.

NOTE 7 – LINE OF CREDIT

The Organization has a $150,000 bank line of credit, secured by investments in a bank, which expires on May 29, 2017. Borrowings under the line of credit bear interest at the higher of the bank's prime rate or 4% (4% at July 31, 2016). Borrowings of $150,000 were outstanding against this line of credit at July 31, 2015. There was no balance outstanding at July 31, 2016. Interest expense was $6,093 and $8,813 for the years ended July 31, 2016 and 2015, respectively.

NOTE 8 – CONDITIONAL PROMISE TO GIVE

In January 2015, the Organization received a matching grant from a local foundation totaling $115,000 to be used for the Youth Farm. The grant was conditioned on the Organization raising matching funds and submitting satisfactory progress reports. The Organization received the first payment of $50,000 in January 2015 and an additional payment of $35,790 in September 2015. The remaining balance of $29,210 is expected to be received by July 31, 2017.

In April 2016, the Organization received a grant from a local foundation totaling $1 million to help the Organization implement its strategic plan. The grant was conditioned upon the Organization submitting satisfactory progress reports. The Organization received the first payment of $250,000 in May 2016. The remaining payments of $500,000 and $250,000 are expected to be received by December 31, 2017 and December 31, 2018, respectively.

NOTE 9 – PROGRAM TERMINATION

On May 23, 2016, the Organization's Board of Directors approved a plan to discontinue the TRiO program upon the conclusion of its existing federal grants on August 31, 2016. In connection with this decision, several employees were notified that they would be terminated. Accrued severance benefits aggregating $28,274 are reflected in the statement of financial position as of July 31, 2016.