

**SPRING FARM CENTER ALTERNATIVE
RESEARCH EDUCATION SANCTUARY**

**Financial Statements as of
December 31, 2016 and 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

TABLE OF CONTENTS DECEMBER 31, 2016 AND 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

INDEPENDENT AUDITOR'S REPORT

November 9, 2017

To the Board of Directors of
Spring Farm Center Alternative Research Education Sanctuary:

Report on Financial Statements

We have audited the accompanying financial statements of Spring Farm Center Alternative Research Education Sanctuary (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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 audits 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.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spring Farm Center Alternative Research Education Sanctuary as of December 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.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 271,435	\$ 102,950
Contributions receivable	52,000	53,000
Accrued interest	56,518	78,849
Prepaid insurance	<u>21,998</u>	<u>6,625</u>
Total current assets	401,951	241,424
INVESTMENTS	24,892,738	23,144,549
PROPERTY AND EQUIPMENT, net	1,916,901	1,879,438
COLLECTIONS	<u>44,394</u>	<u>44,394</u>
Total assets	<u>\$ 27,255,984</u>	<u>\$ 25,309,805</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,453	\$ 8,451
Accrued salaries, taxes and pension	<u>629</u>	<u>374</u>
Total liabilities	<u>17,082</u>	<u>8,825</u>
NET ASSETS:		
Unrestricted	10,088,902	8,150,980
Temporarily restricted	300,000	300,000
Permanently restricted	<u>16,850,000</u>	<u>16,850,000</u>
Total net assets	<u>27,238,902</u>	<u>25,300,980</u>
Total liabilities and net assets	<u>\$ 27,255,984</u>	<u>\$ 25,309,805</u>

The accompanying notes are an integral part of these statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE:		
Contributions - including in-kind donations of \$162,795 and \$42,064 for 2016 and 2015, respectively	\$ 587,447	\$ 299,812
Program fees	11,592	20,738
Interest and dividend income	1,164,314	1,124,651
Realized and unrealized gains/(losses) on investments	1,746,099	(848,611)
Special events income	3,167	6,457
Sale items	536	330
Miscellaneous	<u>2,872</u>	<u>6,115</u>
Total unrestricted support and revenue	<u>3,516,027</u>	<u>609,492</u>
EXPENSES:		
Program	1,408,432	1,424,834
Management and general	129,278	126,064
Fundraising	<u>40,395</u>	<u>38,015</u>
Total expenses	<u>1,578,105</u>	<u>1,588,913</u>
CHANGE IN NET ASSETS	1,937,922	(979,421)
NET ASSETS - beginning of year	<u>25,300,980</u>	<u>26,280,401</u>
NET ASSETS - end of year	<u>\$ 27,238,902</u>	<u>\$ 25,300,980</u>

The accompanying notes are an integral part of these statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES:				
Accounting service	\$ -	\$ 15,350	\$ -	\$ 15,350
Advertising and promotion	556	-	-	556
Animal/nature sanctuary	244,228	118	-	244,346
Compensation of officers	5,000	10,000	10,000	25,000
Conferences, conventions, and meetings	2,669	3,497	-	6,166
Depreciation	96,615	12,077	12,077	120,769
Grants, donations and other assistance	25	100	-	125
Information technology	267	267	267	801
Insurance	34,227	4,278	4,278	42,783
Miscellaneous expenses	226	4,377	13	4,616
Occupancy	51,460	14,703	7,351	73,514
Office expenses	33,714	9,642	4,821	48,177
Other employee benefits	53,201	15,633	-	68,834
Other professional services	10,580	3,243	1,511	15,334
Other salaries and wages	553,537	35,916	-	589,453
Payroll taxes	44,693	-	-	44,693
Pension plan contributions	11,529	-	-	11,529
Spay-neuter service	179,868	-	-	179,868
Travel	7,521	77	77	7,675
Veterinarian-sanctuary service	78,516	-	-	78,516
	<u>78,516</u>	<u>-</u>	<u>-</u>	<u>78,516</u>
Total functional expenses	<u>\$ 1,408,432</u>	<u>\$ 129,278</u>	<u>\$ 40,395</u>	<u>\$ 1,578,105</u>

The accompanying notes are an integral part of these statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES:				
Accounting service	\$ -	\$ 15,350	\$ -	\$ 15,350
Advertising and promotion	296	-	-	296
Animal/nature sanctuary	273,286	44	535	273,865
Compensation of officers	5,096	10,192	10,192	25,480
Conferences, conventions, and meetings	2,750	3,874	-	6,624
Depreciation	85,054	10,632	10,632	106,318
Grants, donations and other assistance	250	280	-	530
Information technology	591	591	591	1,773
Insurance	29,997	3,750	3,750	37,497
Miscellaneous expenses	-	4,944	-	4,944
Occupancy	43,851	12,529	6,264	62,644
Office expenses	33,768	9,656	4,828	48,252
Other employee benefits	54,085	15,596	-	69,681
Other professional services	7,651	2,186	1,093	10,930
Other salaries and wages	531,053	36,310	-	567,363
Payroll taxes	42,613	-	-	42,613
Pension plan contributions	10,813	-	-	10,813
Spay-neuter service	193,256	-	-	193,256
Travel	12,729	130	130	12,989
Veterinarian-sanctuary service	<u>97,695</u>	<u>-</u>	<u>-</u>	<u>97,695</u>
Total functional expenses	<u>\$ 1,424,834</u>	<u>\$ 126,064</u>	<u>\$ 38,015</u>	<u>\$ 1,588,913</u>

The accompanying notes are an integral part of these statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITES:		
Changes in net assets	\$ 1,937,922	\$ (979,421)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	120,769	106,318
Realized and unrealized (gains)/losses on investments	(1,746,099)	848,611
Changes in:		
Contributions receivable	1,000	7,000
Accrued interest and dividends	22,331	867
Prepaid insurance	(15,373)	(1,221)
Assets held for sale	-	6,000
Accounts payable	8,002	(24,037)
Accrued salaries and taxes	<u>255</u>	<u>(2,231)</u>
Net cash from operating activities	<u>328,807</u>	<u>(38,114)</u>
CASH FLOW FROM INVESTING ACTIVITES:		
Purchase of property and equipment	(158,232)	(347,334)
Purchase of investments	(2,360,657)	(3,278,567)
Sale of investments	<u>2,358,567</u>	<u>3,519,897</u>
Net cash from investing activities	<u>(160,322)</u>	<u>(106,004)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	168,485	(144,118)
CASH AND CASH EQUIVALENTS - beginning of year	<u>102,950</u>	<u>247,068</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 271,435</u>	<u>\$ 102,950</u>

The accompanying notes are an integral part of these statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. NATURE OF OPERATIONS

Spring Farm Center Alternative Research Education Sanctuary (Organization) located in Clinton, New York, is a not-for-profit organization which is a retirement/rehabilitation sanctuary for abused, abandoned, unwanted or homeless domestic animals. On its over 300 acres, the Organization offers interspecies communication consultations, workshops and lectures, happy hearth spay/neuter program, a nature sanctuary, an animal sanctuary, animal adoptions, memorial gardens, cultural events, volunteer program, and tours.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of Spring Farm Center Alternative Research Education Sanctuary have been prepared in conformity with accounting principles generally accepted in the United States.

Income Tax Status

The Organization is exempt from federal income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity which is not a private foundation.

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, liabilities, revenues and expenditures, as well as the disclosure of contingencies. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all checking, savings, and money market accounts with an original maturity of three months or less to be cash and cash equivalents, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

Investments

Investments are reported at fair value on the statements of financial position. Investment income and losses (including realized gains and losses on investments, unrealized gains and losses on investments, interest, and dividends) is included in unrestricted income unless restricted by donor or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Organization's investments are comprised of a variety of financial instruments and are managed and monitored by management and their investment advisor. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

Property and Equipment

Property and equipment are stated at cost if purchased and at fair value if donated and depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives range from three to forty years. The Organization capitalizes all assets over \$1,000. Depreciation expense for the years ended December 31, 2016 and 2015 was \$120,769 and \$106,318, respectively.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Collections

The Organization capitalizes its collections. Collections are capitalized at cost if purchased and at appraised or fair value at date of collection if received by donation. Gains and losses on donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation. Depreciation is not taken on the collections.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Securities

Donated securities are recorded as contributions at their fair value at the date of donation. There were no donated securities for the year ended December 31, 2016 and 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials and services are reflected as contributions at their estimated values with an offsetting charge to expense. Only those materials and services for which there is an objective basis of valuation are reflected in the financial statements. Donated materials for the years ended December 31, 2016 and 2015 were \$145,918 and \$27,310, respectively.

The Organization received donated services from several veterinarians who performed neuter operations for the feral cat spay/neuter program. The feral cat spay/neuter program clinics are performed monthly generally from March to December. Donated services for the years ended December 31, 2016 and 2015 were \$16,877 and \$14,754, respectively.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. The costs are functionalized on a direct basis, where possible. Indirect costs are allocated on the basis of time spent, square footage or some other reasonable basis.

Investment Fees

Net investment returns reflect fees paid by various investment funds to their affiliated investment advisors, transfer agents, and others as described in each fund prospectus or other published documents. These fees are deducted prior to allocation of investment earnings activity and thus not separately identifiable as an expense.

3. FAIR VALUE MEASUREMENTS

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no significant changes in the methodologies used during the years ended December 31, 2016 and 2015.

Level 1 Fair Value Measurements

Investments in mutual funds are based on quoted net asset values of the shares held at year-end. Investments in common stocks and U.S. Government securities are valued at the closing price reported on the active market on which the individual securities are traded.

The following tables set forth by level, with the fair value hierarchy, the investments at fair value as of December 31:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 15,753,523	\$ -	\$ -	\$ 15,753,523
Exchange-traded funds	1,361,765	-	-	1,361,765
Mutual funds	7,587,722	-	-	7,587,722
Fixed income securities	<u>189,728</u>	<u>-</u>	<u>-</u>	<u>189,728</u>
	<u>\$ 24,892,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,892,738</u>

	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 14,567,910	\$ -	\$ -	\$ 14,567,910
Exchange-traded funds	1,358,770	-	-	1,358,770
Mutual funds	7,024,503	-	-	7,024,503
Fixed income securities	<u>193,366</u>	<u>-</u>	<u>-</u>	<u>193,366</u>
	<u>\$ 23,144,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,144,549</u>

Investment income is summarized as follows:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 11,264	\$ 11,275
Dividend income	1,153,050	1,113,376
Realized and unrealized gains/(losses) on investments	<u>1,746,099</u>	<u>(848,611)</u>
	<u>\$ 2,910,413</u>	<u>\$ 276,040</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Automobiles (estimated life 5-10 years)	\$ 61,421	\$ 61,421
Buildings and improvements (estimated life 10-40 years)	1,794,189	1,767,705
Office equipment and furnishings (estimated life 3-10 years)	127,757	112,313
Farm equipment (estimated life 10 years)	162,700	159,200
Theater equipment (estimated life 10-20 years)	57,042	57,042
Land	286,105	286,105
Windmills (estimated life 20 years)	317,164	317,164
Garden sculptures and land improvements (estimated life of 15 years)	112,804	-
Solar power equipment (estimated life of 20 years)	<u>231,823</u>	<u>231,823</u>
	3,151,005	2,992,773
Less: Accumulated depreciation	<u>(1,234,104)</u>	<u>(1,113,335)</u>
Property and equipment, net	<u>\$ 1,916,901</u>	<u>\$ 1,879,438</u>

5. RESTRICTED NET ASSETS

For the year ended December 31, 2016 and 2015, temporarily restricted net assets consisted of donated property of \$300,000.

In 1998, a Board member donated property and real estate to the Organization. The property donation was recorded as a fixed asset at its fair market value of \$300,000 and is being depreciated on the straight-line basis over forty years. The Board member retained a life interest in the property and maintains the property. Upon the Board member's death the temporarily restricted net asset will be released from restriction.

Permanently restricted net assets consist of a bequest that was made in 1999 in the amount of \$16,850,000. The principal is permanently restricted and any income derived from the principal is unrestricted and can be used for operations.

6. RELATED PARTY TRANSACTIONS

In 2016 and 2015, Board members donated approximately \$56,365 and \$65,000 towards animal up keep and general operations, respectively.

7. PENSION PLAN

The Organization has a Savings Incentive Match Plan for all employees who earned \$5,000 in compensation during any two calendar years. Eligible employees may make salary reduction elections twice a year. For the years ended December 31, 2016 and 2015, total pension expense was \$11,529 and \$10,813, respectively.

8. ENDOWMENT FUNDS

Spring Farm Center Alternative Research Education Sanctuary's endowment consists of a donor restricted fund. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment fund is made up of the following account balances as of December 31:

	<u>2016</u>	<u>2015</u>
Assets:		
Investments	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Total assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Net assets:		
Permanently restricted net assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>
Total liabilities and net assets	\$ <u>16,850,000</u>	\$ <u>16,850,000</u>

Interpretation of Relevant Law

Investments are reported at fair value and gains on permanently restricted net assets are to be classified according to explicit donor-imposed stipulations. Absent explicit donor-imposed stipulations, applicable state law is to be followed. The Organization has interpreted New York State Law to allow the use of gains on investments of permanently restricted net assets for specific operating purposes absent explicit donor-imposed stipulations that all or a portion of such gains be restricted. Accordingly, such gains on restricted net assets are reported as unrestricted net assets unless there is a presence of donor-imposed stipulations as to their use. Changes in fair value resulting from realized and unrealized gains and losses are reflected as net appreciation (depreciation) within the statements of activities.

The Board of Directors of Spring Farm Center Alternative Research Education Sanctuary has interpreted the relevant state law 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 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 unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Organization considers the following factors:

- (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 appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization; and where appropriate, alternatives to spending from the endowment fund and the possible effects of those alternatives

8. ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law (Continued)

The following schedule represents the endowment activity for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 16,850,000	\$ 16,850,000
Interest and dividend income	1,164,314	1,124,651
Transfers to unrestricted	<u>(1,164,314)</u>	<u>(1,124,651)</u>
Endowment net assets, end of year	<u>\$ 16,850,000</u>	<u>\$ 16,850,000</u>

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 to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital, considering the impact of inflation, strive for consistent annual total returns, achieve long-term total returns which meet or exceed inflation, and earn the highest possible return given the risk tolerance established by the Organization. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving 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 that places an emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints and stocks within various sectors to achieve capital appreciation and income.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization uses the total return concept for Endowment Fund income. Under this concept, endowment income to be utilized was established at 100% for 2016 and 2015, respectively, based upon the average of the interest and dividend income of the endowment assets accounts.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 9, 2017, which is the date the financial statements were available to be issued.