Camp Fire First Texas and Affiliate

Independent Auditor's Report and
Consolidated Financial Statements

December 31, 2018

BKD
CPAs & Advisors

Camp Fire First Texas and Affiliate
December 31, 2018

Contents

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Independent Auditor's Report

Board of Directors
Camp Fire First Texas and Affiliate
Fort Worth, Texas

We have audited the accompanying consolidated financial statements of Camp Fire First Texas and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Camp Fire First Texas and Affiliate as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Consolidating Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2018, Camp Fire First Texas and Affiliate adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Worth, Texas
June 20, 2019

Camp Fire First Texas and Affiliate

Consolidated Statement of Financial Position

December 31, 2018

	Camp Fire First Texas	El Tesoro Foundation	Eliminations	Total
Assets				
Cash	$ 57,037	$ 51,605	$ -	$ 108,642
Accounts receivable, net	49,702	-	-	49,702
Contributions receivable, net	318,362	-	-	318,362
Accounts receivable - affiliate	1,235,409	-	(1,235,409)	-
Inventories	63,542	-	-	63,542
Prepaid expenses	43,657	-	-	43,657
Assets held for sale	113,462	-	-	113,462
Assets restricted for investment in property and equipment	85,021	-	-	85,021
Investments	-	4,783,405	-	4,783,405
Property and equipment, net	419,251	9,624,392	-	10,043,643
Investments restricted for endowment	-	313,127	-	313,127
Total assets	$ 2,385,443	$ 14,772,529	$ (1,235,409)	$ 15,922,563
Liabilities				
Line-of-credit (revolving)	$ 1,091,000	$ -	$ -	$ 1,091,000
Accounts payable	116,045	6,731	-	122,776
Accounts payable - affiliate	-	1,235,409	(1,235,409)	-
Accrued expenses	167,736	-	-	167,736
Deferred revenue and other liabilities	109,659	-	-	109,659
Total liabilities	1,484,440	1,242,140	(1,235,409)	1,491,171
Net Assets				
Without donor restrictions				
Undesignated	(185,524)	9,624,391	-	9,438,867
Designated by the Board	500,000	3,592,871	-	4,092,871
With donor restrictions				
Perpetual in nature	-	167,819	-	167,819
Purpose restrictions	163,478	28,222	-	191,700
Time-restricted for future periods	423,049	117,086	-	540,135
Total net assets	901,003	13,530,389	-	14,431,392
Total liabilities and net assets	$ 2,385,443	$ 14,772,529	$ (1,235,409)	$ 15,922,563

Camp Fire First Texas and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2018

	Camp Fire First Texas		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	$ 981,767	$ 501,506	$ 1,483,273
Capital campaign contributions	-	85,421	85,421
Governmental grants	102,770	-	102,770
Corporate contracts	153,579	-	153,579
United Way allocations	21,800	-	21,800
Program fees	2,426,053	-	2,426,053
McFadden Fund	185,119	-	185,119
An Artist's Christmas, net of costs of $111,090	85,255	-	85,255
Other special events, net of costs of $45,724	108,075	-	108,075
Merchandise sales, net of costs of $39,065	14,481	-	14,481
Net realized and unrealized gains	-	-	-
Investment income	10,461	-	10,461
Mineral income	-	-	-
Other	124,256	-	124,256
Transfer in	835,942	-	835,942
Net assets released from restrictions			
Satisfaction of program restrictions	331,308	(301,277)	30,031
Satisfaction of time restrictions	129,633	(129,633)	-
Satisfaction of property acquisition restrictions	360,300	(360,300)	-
Total revenues, gains and other support	5,870,799	(204,283)	5,666,516
Expenses and Losses			
Youth development	1,217,795	-	1,217,795
Outdoor connections	1,067,109	-	1,067,109
Professional Growth	858,539	-	858,539
Total program services	3,143,443	-	3,143,443
Management and general	2,107,137	-	2,107,137
Fundraising	405,667	-	405,667
Total support services	2,512,804	-	2,512,804
Loss on uncollectable contributions	-	41,333	41,333
Total expenses and losses	5,656,247	41,333	5,697,580
Change in Net Assets	214,552	(245,616)	(31,064)
Net Assets, Beginning of Year	230,553	832,143	1,062,696
Transfer of property and equipment	(130,629)	-	(130,629)
Net Assets, End of Year	$ 314,476	$ 586,527	$ 901,003

El Tesoro Foundation				
Foundation Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Total
$ -	$ 11,031	$ 11,031	$ -	$ 1,494,304
-	-	-	-	85,421
-	-	-	-	102,770
-	-	-	-	153,579
-	-	-	-	21,800
-	-	-	-	2,426,053
-	-	-	-	185,119
-	-	-	-	85,255
-	-	-	-	108,075
-	-	-	-	14,481
(483,280)	(6,280)	(489,560)	-	(489,560)
86,768	7,188	93,956	-	104,417
143,394	-	143,394	-	143,394
-	-	-	-	124,256
(835,942)	-	(835,942)	-	-
-	(30,031)	(30,031)	-	-
-	-	-	-	-
-	-	-	-	-
(1,089,060)	(18,092)	(1,107,152)	-	4,559,364
53,860	-	53,860	-	1,271,655
263,851	-	263,851	-	1,330,960
20,958	-	20,958	-	879,497
338,669	-	338,669	-	3,482,112
117,424	-	117,424	-	2,224,561
1,724	-	1,724	-	407,391
119,148	-	119,148	-	2,631,952
-	-	-	-	41,333
457,817	-	457,817	-	6,155,397
(1,546,877)	(18,092)	(1,564,969)	-	(1,596,033)
14,633,510	331,219	14,964,729	-	16,027,425
130,629	-	130,629	-	-
$ 13,217,262	$ 313,127	$ 13,530,389	$ -	$ 14,431,392

Camp Fire First Texas and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services			
	Youth Development	Outdoor Connection	Professional Growth	Total Program Services
Salaries and benefits	$ 872,640	$ 557,580	$ 508,447	$ 1,938,667
Program oversight salaries and benefits	-	-	-	-
Contract Labor	24,147	43,021	105,231	172,399
Supplies	105,501	146,036	64,772	316,309
Special events - rental and catering	-	-	-	-
Telephone	8,610	8,646	2,967	20,223
Postage	491	2,913	4,434	7,838
Occupancy	113,974	147,447	31,002	292,423
Depreciation	63,909	319,177	22,130	405,216
Outside Printing	5,479	9,128	16,503	31,110
Transportation	28,598	16,164	2,641	47,403
Conferences & Conventions	1,048	13,833	22,549	37,430
Subscriptions & References	3,419	10,369	422	14,210
Assistance	2,045	300	2,396	4,741
Membership Dues	3,174	5,205	18,013	26,392
Awards to Others	-	1,274	69,250	70,524
Equipment	7,196	16,631	3,746	27,573
Insurance	-	1,275	-	1,275
Miscellaneous	31,424	31,961	4,994	68,379
Charter Fees	-	-	-	-
Total expenses	1,271,655	1,330,960	879,497	3,482,112
Less expenses deducted directly from revenues on the statement of activities				
Direct costs of special events	-	-	-	-
Total expenses included in the expense section on the statement of activities	$ 1,271,655	$ 1,330,960	$ 879,497	$ 3,482,112

Support Services			
Management and General	Fundraising	Total Support Services	Total
$ 1,180,915	$ 350,210	$ 1,531,125	$ 3,469,792
531,874	-	531,874	531,874
146,517	3,459	149,976	322,375
38,523	1,463	39,986	356,295
-	156,814	156,814	156,814
16,266	900	17,166	37,389
2,406	822	3,228	11,066
48,993	13,649	62,642	355,065
49,192	1,820	51,012	456,228
5,825	910	6,735	37,845
1,334	355	1,689	49,092
5,276	2,901	8,177	45,607
7,454	902	8,356	22,566
2,600	999	3,599	8,340
6,522	100	6,622	33,014
-	-	-	70,524
14,690	1,878	16,568	44,141
49,061	-	49,061	50,336
49,035	27,023	76,058	144,437
68,078	-	68,078	68,078
2,224,561	564,205	2,788,766	6,270,878
-	(156,814)	(156,814)	(156,814)
$ 2,224,561	$ 407,391	$ 2,631,952	$ 6,114,064

Camp Fire First Texas and Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

	Camp Fire First Texas	El Tesoro Foundation	Combined Total
Operating Activities			
Change in net assets	$ (31,064)	$ (1,564,969)	$ (1,596,033)
Items not requiring (providing) cash			
Depreciation	69,370	386,858	456,228
Net realized and unrealized losses	-	489,560	489,560
Provision for losses on uncollectable contributions	41,333	-	41,333
Contributions restricted for property and equipment	(85,021)	-	(85,021)
Annuity expense	-	15,930	15,930
Changes in			
Accounts receivable	2,870	-	2,870
Contributions receivable	(188,729)	-	(188,729)
Due to/from affiliate	(356,488)	356,488	-
Inventories	2,752	-	2,752
Prepaid expenses	3,314	-	3,314
Accounts payable	38,156	6,731	44,887
Accrued expenses	32,874	-	32,874
Deferred revenue and other liabilities	16,368	-	16,368
Net cash used in operating activities	(454,265)	(309,402)	(763,667)
Investing Activities			
Purchase of property and equipment	(152,682)	-	(152,682)
Proceeds from disposition of investments	-	1,334,369	1,334,369
Purchases of investments	-	(1,011,028)	(1,011,028)
Net cash provided by (used in) investing activities	(152,682)	323,341	170,659
Financing Activities			
Net short-term borrowings	(275,608)	-	(275,608)
Proceeds from contributions restricted for property and equipment	359,900	-	359,900
Payments on annuity	-	(15,930)	(15,930)
Net cash provided by financing activities	84,292	(15,930)	68,362
Decrease in Cash	$ (522,655)	$ (1,991)	$ (524,646)
Cash, Beginning of Year	579,692	53,596	633,288
Cash, End of Year	$ 57,037	$ 51,605	$ 108,642
Supplemental Cash Flows Information			
Interest paid	$ 35,575	$ -	$ 35,575
Transfer of property and equipment	$ (130,629)	$ 130,629	$ -

Camp Fire First Texas and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying consolidated financial statements include the accounts of Camp Fire First Texas (the "Council") and El Tesoro Foundation (the "Foundation"). The Council is organized to promote, supervise, and administer the programs of Camp Fire, a national youth development agency. The Council provides programs for children, youth, and adults primarily in its chartered territory of Tarrant County and the surrounding five counties, including after school services, a child development center, truancy prevention programs for at-risk students, resident and day camps, outdoor education, family camping, school readiness programs, and professional training for child care providers. The Council's programs focus on development of the whole child, service learning, and respect for the environment.

The Foundation's purpose is to hold, manage and administer assets, including a permanent endowment, for the benefit of the Council in order to help ensure the Council's continued financial well-being and ability to carry out its mission.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Council and Foundation as described above. Control of the Foundation rests with the Council through approval of board of directors. Significant intercompany transactions and balances have been eliminated in the consolidation.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable represent government grant receivables at December 31, 2018. Based on past experience and analysis of current receivable collectability, no allowance for doubtful accounts is considered necessary.

Inventories

Inventories consist of merchandise held for resale. Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Net Investment Return

Investments in equity securities having a readily determined fair value and in all debt securities are stated at fair value. Investment income including dividends, interest, and realized and unrealized gains and losses on investments carried at fair value, less external investment expense. The calculation of realized gains and losses on investment sales are based upon the weighted average cost of such investments.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	20 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years

Long-Lived Asset Impairment

Management evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2018.

Deferred Revenue

Revenue from fees for program services is deferred and recognized over the periods to which the fees relate.

Revenue Recognition

Program service fees and grants are recognized as revenue when earned. Contributions are recognized as they are received or when the Council is informed of the donors’ intent. Mineral income is recorded when received.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donated Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the accompanying consolidated financial statements for donated services because the criteria for recognition under generally accepted accounting principles has not been satisfied.

Government Grants

Support funded by grants is recognized as the Council performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Council and Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Council and Foundation are subject to federal income tax on any unrelated business taxable income.

The Council and Foundation file tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the specific identification of costs, approximate percentage of time expended or usage of building, as appropriate.

Note 2: Change in Accounting Principle

In 2018, the Council and Foundation, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

Statement of Activities

- Investment income is shown net of external investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.
- Only activities that represent direct conduct or direct supervision of programs are to be classified as program expenses. Other indirect and administrative activities are to be allocated to management and general expenses.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

This change had no impact on previously reported total change in net assets.

Note 3: Contributions Receivable

At December 31, 2018, the Council has contributions receivable of $318,362, restricted for program services or future operating needs. No allowance for doubtful contributions receivable is considered necessary at December 31, 2018.

Contributions receivable consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 6,186	$ 311,676	$ 317,862
Due within two years	-	500	500
	$ 6,186	$ 312,176	$ 318,362

Note 4: Assets Held for Sale

The Council holds certain buildings and improvements available for sale. The carrying value of the property is $113,462. During 2018, no impairment was recorded by the Council.

Note 5: Assets Restricted for Investment in Property and Equipment

In November 2008, the Council launched a capital campaign for improvements at Camp El Tesoro. Assets restricted for this purpose consist of pledges receivable of $85,021 at December 31, 2018.

The pledges are scheduled to be received as follows:

Due within one year	$ 51,688
Due within one to five years	33,333
	$ 85,021

Based upon collection history and review of individual pledges, management does not consider an allowance necessary at December 31, 2018.

Note 6: Property and Equipment

Property and equipment at December 31, 2018 consists of:

	Council	Foundation
Land	$ -	$ 898,884
Buildings and leasehold improvements	-	14,685,558
Machinery and equipment	1,131,553	-
Furniture and fixtures	437,078	-
Motor vehicles	100,499	-
	1,669,130	15,584,442
Less accumulated depreciation and amortization	(1,249,879)	(5,960,050)
	$ 419,251	$ 9,624,392

Note 7: Line of Credit

The Council has a $2,000,000 revolving line of credit expiring on January 31, 2020. The line bears interest at a rate equal to LIBOR plus 1.5% (4.51% at December 31, 2018). The line of credit is accessed only for cash flow purposes against pledges made to the capital campaign for Camp El Tesoro as well as general cash flow purposes. The line of credit is secured by the investments of the Foundation. The line has an outstanding balance of $1,091,000 at December 31, 2018.

Note 8: Gift Annuities

During 2009, the Foundation entered into a charitable gift annuity in which they received $250,000. Based on actuarial calculations, a fixed sum is to be paid to the donors over their remaining lives. Using a discount rate of 3.4%, a contribution of $136,142 was recognized in 2009. Payments totaling $15,930 were made during 2018. There was no estimated remaining liability at December 31, 2018.

Note 9: Defined Contribution Plan

The Council has established for its employees a defined contribution plan which covers substantially all permanent employees after they have met certain eligibility requirements. Contributions to the plan by the Council are based upon 3% of qualified employee compensation plus a matching contribution up to 4% of qualified employee compensation as established and approved by the Board. Contributions to the plan were approximately $137,128 in 2018.

Note 10: Net Assets Designated by the Board

During 2015, the Foundation made a contribution of $500,000 to the Council for improvements at Camp El Tesoro. As of December 31, 2018, the amount was not yet paid to the Council, and is reflected as designated net assets of the Council. See *Note 12* for the designated net assets of the Foundation.

Note 11: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Building project	$ 85,021
Educational programs	183,144
	268,165
Subject to the passage of time which are unavailable for expenditure until due	318,362
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for	
General use	28,222
Time restriction	117,086
	145,308
Subject to endowment spending policy and appropriation for general use	167,819
	$ 899,654

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Expiration of time restrictions	$	129,633
Satisfaction of purpose restrictions		
Excel for Success		136,403
Morningside Pre-K		78,842
Kindergarten Readiness		86,032
Property acquisitions		360,300
		661,577
Restricted purpose spending-rate distributions and appropriations for general use from endowment		30,031
	$	821,241

Note 12: Endowment

The Foundation's endowment consists of one fund established for general operating needs of the Council. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body is subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at December 31, 2018, was:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,592,871	$ -	$ 3,592,871
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	167,819	167,819
Time restricted for future periods	-	117,086	117,086
Accumulated investment gains	-	28,222	28,222
Total endowment funds	$ 3,592,871	$ 313,127	$ 3,905,998

Change in endowment net assets for the years ended December 31, 2018, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,752,890	$ 331,219	$ 5,084,109
Investment return, net	(396,512)	908	(395,604)
Contributions	-	11,031	11,031
Mineral income	143,394	-	143,394
Appropriation of endowment assets for expenditures	(854,998)	(10,975)	(865,973)
Other changes			
Distribution of board designation of endowment funds	(51,903)	(19,056)	(70,959)
Endowment net assets, end of year	$ 3,592,871	$ 313,127	$ 3,905,998

Investment and Spending Policies

The objective of the investment program is to preserve and enhance the assets of the Foundation's investment portfolio through capital appreciation and reinvestment of income. The purpose of the Foundation is to provide long-term funding resources for the Council, with emphasis on the long-term future. The Directors recognize that this objective can be met over time only if the purchasing power of the portfolio is increased on a real dollar (inflation-adjusted) basis.

The total real rate of return goal of the portfolio is a premium of three percent (3.0%) over the rate of inflation as measured by the Consumer Price Index over a five-year time horizon. It is also expected that the portfolio's return will compare favorably with the portfolio benchmark over a full market cycle.

In order to meet the objective of capital growth, the Foundation's board of directors has established the following guidelines with respect to the proportions of equities and fixed income securities held in the portfolio:

1. The maximum for equity exposure is seventy-five percent (75%) of the portfolio at market value. The minimum equity exposure will be 50% at market value.
2. The goal for fixed income exposure (defined as bonds and/or other fixed interest vehicles with maturities of one year or longer) is twenty percent (20%) of the portfolio at market value. The total invested in bonds may exceed this percentage based on the investment manager's outlook.
3. The goal for cash is 5% of the portfolio at market value.

The Directors recognize that there may be times when the investment manager elects to hold more in cash equivalents, based on the near-term market outlook. The manager has the discretion to do so within the context of this long-term allocation policy.

Other than the annual distribution and mineral income distribution as noted below, distributions of the board designated funds of the Foundation shall be made to the Council only under extreme conditions and if: (a) all reserve funds of the Council are exhausted; (b) eighty percent (80%) of the entire board of directors of the Council authorize the Council to make a written request for the distribution of Foundation assets; and (c) the board of directors of the Foundation approve the request for distribution, but should the first two conditions occur, the Board of Directors shall not act unreasonably in refusing to distribute Foundation assets, but shall only act to ensure that the request by the Council is in good faith.

On an annual basis, the Foundation shall make available to the Council from board designated funds an amount of cash or other assets of a value not in excess of five percent (5%) of the three (3) year rolling average of the market values of the Foundation assets computed as of the last day of each calendar year. This policy will ensure that the movement of the market value of the Foundation assets and the expenditure of Foundation income are correlated. By using a three (3) year rolling average, the operating budget of the Council will be cushioned from the impacts of sharp changes in the market value of the assets in the Foundation which may occur within a single year. The distribution policy is based on the assumption that, over the long run, the total inflation adjusted real rate of return on the assets, including current yield and appreciation, will be equal to or greater than five percent (5%).

The Foundation retains 30% of any bonus and production income from mineral interests and makes available to the Council the remaining 70% upon request of the Council Board and approval by the Foundation Board. Should the Council not request any or all of the 70% in any year, it will have two additional years in which to request a distribution. Earnings from donor restricted assets will be distributed to the Council in accordance with the donor's instructions at the time of the donor's gift to the Foundation. In the absence of such instructions, earnings from permanently restricted assets shall be distributed annually to the Council as a part of the total annual distribution described above.

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation shall be fully empowered to accumulate income to replenish any decline in the value of its assets. The Foundation is specifically directed to maintain the objective of retaining the value of its assets at not less than $1,000,000. There were no such deficiencies as of December 31, 2018.

Note 13: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Total financial assets	
Cash	$ 108,642
Accounts Receivable	49,702
Contributions Receivable	318,362
Assets restricted for investment in property and equipment	85,021
Investments	4,783,405
Investments restricted for endowment	313,127
Total financial assets at year end	5,658,259
Donor imposed restrictions	
Restricted for programs not expected to be used within one year	(15,772)
Contributions not expected to be received within one year	(500)
Assets restricted for investment in property and equipment	(85,021)
Endowments	(313,127)
Net financial assets after donor imposed restrictions	5,243,839
Internal designations	
Board designated funds	(500,000)
Quasi-endowments	(3,315,441)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,428,398

The Council receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2018, restricted contributions of $167,372 were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of $3,592,869 is subject to an annual spending rate as described in *Note 12*. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Council obtained a line of credit in the amount of $2,000,000, which it could draw upon as described in *Note 7*.

The Council manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis. At December 31, 2018, investments, all of which are classified as Level 1, consist of the following:

	Fair Value	Cost
Cash and cash equivalents	$ 374,677	$ 374,677
US fixed income	1,294,224	1,310,241
US large cap equity	3,366,280	2,104,595
US small/mid cap equity	61,351	84,358
	$ 5,096,532	$ 3,873,871

Cash and cash equivalents are not assigned a classification in the fair value hierarchy but are included in the above table for purposes of reconciliation with the statement of financial position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 15: Significant Contributions Concentration

Approximately 48% of all contributions were received from three donors in 2018.

Note 16: Subsequent Events

Subsequent events have been evaluated through June 20, 2019, which is the date the financial statements were available to be issued.

Note 17: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018. The Council is in the process of evaluating the effect the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. The Council is evaluating the effect the standard will have on the financial statements; however, the standard is not expected to have a material effect on the financial statements.