YOUTH ENCOURAGEMENT SERVICES

FINANCIAL STATEMENTS

December 31, 2016 and 2015

YOUTH ENCOURAGEMENT SERVICES

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Youth Encouragement Services
Nashville, Tennessee

We have audited the accompanying financial statements of Youth Encouragement Services (a nonprofit organization), which comprise the statements of financial position as of December 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.

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, certain land and buildings are stated at estimated appraisal value as of December 31, 1994 in the accompanying statements of financial position. Also, depreciation expense has not been recorded for all years in which the buildings have been in service. In our opinion, such assets should be stated at acquisition cost, net of depreciation on buildings, to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding practices are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of valuing land and buildings at appraisal value, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Youth Encouragement Services 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.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
April 4, 2017

YOUTH ENCOURAGEMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 159,936	$ 94,039
Investments	90,609	83,987
Accounts receivable	-	844
Prepaid expenses	2,095	13,720
Total current assets	252,640	192,590
Property and equipment, net:		
Land	106,236	106,236
Land improvements	20,471	20,471
Buildings	651,954	651,954
Furniture, fixtures and equipment	82,273	82,273
Vehicles	177,561	202,161
	1,038,495	1,063,095
Less accumulated depreciation	(626,423)	(611,986)
Property and equipment, net	412,072	451,109
Total assets	$ 664,712	$ 643,699
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 7,653	$ 9,515
Line of credit	99,728	85,000
Capital lease obligation, current portion	4,668	4,668
Total current liabilities	112,049	99,183
Capital lease obligation, net of current portion	10,884	15,552
Total liabilities	122,933	114,735
Net assets:		
Unrestricted	378,747	375,667
Temporarily restricted	53,032	43,297
Permanently restricted	110,000	110,000
Total net assets	541,779	528,964
Total liabilities and net assets	$ 664,712	$ 643,699

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Public support:				
Fundraising revenue	$ 223,948	$ -	$ -	$ 223,948
Foundation and corporate support	117,292	72,400	-	189,692
Individual support	181,163	-	-	181,163
In-kind donations	67,035	-	-	67,035
Congregational support	58,722	-	-	58,722
Registration fees	3,433	-	-	3,433
Total public support	651,593	72,400	-	723,993
Revenues:				
Miscellaneous income	1,385	-	-	1,385
Investment gain	6,656	-	-	6,656
Total revenues	8,041	-	-	8,041
Net assets released from restrictions	62,665	(62,665)	-	-
Total public support and revenues	722,299	9,735	-	732,034
Expenses:				
Program services	496,178	-	-	496,178
Management and general	163,232	-	-	163,232
Fundraising	59,809	-	-	59,809
Total expenses	719,219	-	-	719,219
Change in net assets	3,080	9,735	-	12,815
Net assets at beginning of year	375,667	43,297	110,000	528,964
Net assets at end of year	$ 378,747	$ 53,032	$ 110,000	$ 541,779

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:				
Public support:				
Foundation and corporate support	$ 97,796	$ 95,500	$ -	$ 193,296
Individual support	192,503	-	-	192,503
Fundraising revenue	190,151	-	-	190,151
In-kind donations	92,865	-	-	92,865
Congregational support	53,462	-	-	53,462
Registration fees	2,075	-	-	2,075
Total public support	628,852	95,500	-	724,352
Revenues:				
Miscellaneous income	1,523	-	-	1,523
Investment loss	(8,237)	-	-	(8,237)
Total revenues	(6,714)	-	-	(6,714)
Net assets released from restrictions	83,108	(83,108)	-	-
Total public support and revenues	705,246	12,392	-	717,638
Expenses:				
Program services	563,224	-	-	563,224
Management and general	124,698	-	-	124,698
Fundraising	68,928	-	-	68,928
Total expenses	756,850	-	-	756,850
Change in net assets	(51,604)	12,392	-	(39,212)
Net assets at beginning of year	427,271	30,905	110,000	568,176
Net assets at end of year	$ 375,667	$ 43,297	$ 110,000	$ 528,964

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Inner City Centers	Camp	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ 148,863	$ 6,202	$ 155,065	$ 41,253	$ -	$ 41,253	$ 196,318
Housing allowance	61,525	-	61,525	27,000	-	27,000	88,525
Insurance	49,633	-	49,633	28,002	-	28,002	77,635
Christmas store							
(including $56,800 in-kind)	63,945	-	63,945	460	-	460	64,405
Professional services	8,370	-	8,370	21,327	29,400	50,727	59,097
Utilities	35,330	-	35,330	5,628	-	5,628	40,958
Depreciation	39,038	-	39,038	-	-	-	39,038
Program materials							
(including $10,235 in-kind)	33,069	-	33,069	136	-	136	33,205
Fundraising activities	-	-	-	-	23,580	23,580	23,580
Miscellaneous	4,207	-	4,207	16,218	526	16,744	20,951
Bus and van	16,170	-	16,170	843	-	843	17,013
Payroll taxes	10,486	-	10,486	2,097	-	2,097	12,583
Supplies	2,170	-	2,170	8,074	-	8,074	10,244
Printing and publications	1,217	1,663	2,880	942	5,442	6,384	9,264
Repairs and maintenance	4,713	-	4,713	887	-	887	5,600
Travel, meals and entertainment	765	-	765	3,511	611	4,122	4,887
Camp	627	3,273	3,900	-	-	-	3,900
Interest	-	-	-	3,142	-	3,142	3,142
Postage	-	200	200	2,432	191	2,623	2,823
Honor roll trip	2,475	-	2,475	-	-	-	2,475
Basketball program	2,237	-	2,237	-	-	-	2,237
Dues and subscriptions	-	-	-	1,280	59	1,339	1,339
Total	$ 484,840	$ 11,338	$ 496,178	$ 163,232	$ 59,809	$ 223,041	$ 719,219

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Inner City Centers	Camp	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ 169,921	$ 9,216	$ 179,137	$ 35,840	$ 6,124	$ 41,964	$ 221,101
Housing allowance	64,440	360	64,800	15,300	15,300	30,600	95,400
Insurance	50,752	-	50,752	19,612	-	19,612	70,364
Christmas store							
(including $53,350 in-kind)	62,020	-	62,020	1,046	-	1,046	63,066
Program materials							
(including $39,515 in-kind)	58,885	-	58,885	367	-	367	59,252
Professional services	24,009	-	24,009	7,271	24,000	31,271	55,280
Utilities	34,200	-	34,200	5,694	-	5,694	39,894
Depreciation	30,471	-	30,471	8,595	-	8,595	39,066
Miscellaneous	8,775	-	8,775	10,469	112	10,581	19,356
Fundraising activities	-	-	-	-	19,048	19,048	19,048
Payroll taxes	12,668	73	12,741	1,395	433	1,828	14,569
Bus and van	12,394	-	12,394	189	-	189	12,583
Supplies	2,416	-	2,416	5,286	-	5,286	7,702
Printing and publications	-	1,999	1,999	2,525	2,318	4,843	6,842
Honor roll trip	6,181	-	6,181	371	-	371	6,552
Repairs and maintenance	5,020	-	5,020	309	-	309	5,329
Interest	-	-	-	4,192	-	4,192	4,192
Travel, meals and entertainment	851	-	851	2,661	37	2,698	3,549
Basketball program	3,549	-	3,549	-	-	-	3,549
Dues and subscriptions	309	-	309	2,615	354	2,969	3,278
Scholarships and awards	2,500	-	2,500	-	-	-	2,500
Camp	-	2,215	2,215	-	-	-	2,215
Postage	-	-	-	961	1,202	2,163	2,163
Total	$ 549,361	$ 13,863	$ 563,224	$ 124,698	$ 68,928	$ 193,626	$ 756,850

See accompanying notes to the financial statements.

YOUTH ENCOURAGEMENT SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 12,815	$ (39,212)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,038	39,066
Net (gain) loss on investments	(6,489)	8,418
Changes in operating assets and liabilities:		
Accounts receivable	844	(738)
Prepaid expenses	11,625	(13,720)
Accounts payable and accrued expenses	(1,862)	(4,688)
Net cash provided by (used in) operating activities	55,971	(10,874)
Cash flows from investing activities:		
Proceeds from sale of investments	20,186	969
Purchase of investments	(20,320)	(970)
Net cash used in investing activities	(134)	(1)
Cash flows from financing activities:		
Proceeds from borrowings on line of credit	36,000	47,000
Payments on line of credit	(21,272)	(47,000)
Principal payments on capital lease obligation	(4,668)	(4,668)
Net cash provided by (used in) financing activities	10,060	(4,668)
Increase (decrease) in cash and cash equivalents	65,897	(15,543)
Cash and cash equivalents at beginning of year	94,039	109,582
Cash and cash equivalents at end of year	$ 159,936	$ 94,039
Supplemental disclosure of cash flow information:		
Interest paid	$ 3,142	$ 4,192

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF OPERATIONS

Youth Encouragement Services (the "Organization") was incorporated as a nonprofit entity for the purpose of providing programs for the benefit of inner city children. The Organization is funded primarily through contributions from corporations, individuals and churches.

Program Services:

Inner City Centers

Centers are available on a daily basis to inner city children. These locations are designed to provide a safe place for informal play, relaxation, and performance of school work. Tutoring programs are available every Thursday evening to help students with reading, math, English, cooking and computer skills. Parenting skills and adult literacy programs are also provided. A basketball league is provided for young people ages nine to eighteen.

Camp

A summer camp is provided for inner city youth at the Organization's Dividing Ridge Camp location in Robertson County, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets and changes therein are classified and reported as follows:

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

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned for unrestricted purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and shown as increases in the respective net asset class.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Investments

Investments in money market funds and marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position. See further discussion of fair value measurements in Note 3.

Investment income and unrealized gains and losses are reported as changes in unrestricted net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

Land and buildings amounting to $106,236 and $166,812, respectively, are recorded at estimated appraised value as of December 31, 1994. Property and equipment acquired subsequent to December 31, 1994 are recorded at acquisition cost. Depreciation of property and equipment has been provided since June 30, 1990, over the estimated useful lives of the respective assets primarily on a straight-line basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Assets

The following donations are reflected as in-kind donations in the accompanying statements at their estimated values at date of receipt for the years ended December 31:

	2016	2015
Christmas store	$ 56,800	$ 53,350
Program supplies	10,235	39,515
	$ 67,035	$ 92,865

Contributions of donated services that create or enhance nonfinancial 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 values in the period received.

A number of unpaid volunteers have made significant contributions of their time to assist in fund-raising and special projects. The Organization estimates receipt of approximately 5,500 and 7,700 volunteer hours for the years ended December 31, 2016 and 2015, respectively. However, these services do not meet the requirements above and have not been recorded in the accompanying financial statements.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization follows FASB ASC guidance related to unrecognized tax benefits which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Revenue Recognition

Cash contributions are recognized as revenue when received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Grant funds are earned and reported as revenues of the applicable grant when the Organization has incurred expenses in compliance with specific restrictions of the grant agreement. Expenses incurred for grant funds which have not been received are reported as grants receivable.

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 public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. There was no advertising expense for the years ended December 31, 2016 and 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based upon management's estimate among the programs and supporting services benefited.

Restricted Endowment Funds

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Subsequent Events

The Organization evaluated subsequent events through April 4, 2017, when these financial statements were available to be issued. The Organization's management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement guidelines of the FASB ASC, which establishes a framework for measuring fair value. The 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 (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money Market and Mutual Funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

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 table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 7,165	$ -	$ -	$ 7,165
Mutual funds:				
Diversified emerging markets	48,886	-	-	48,886
World allocation	17,352	-	-	17,352
Energy limited partnership	8,314	-	-	8,314
Total return	5,135	-	-	5,135
Equity precious metals	3,757	-	-	3,757
Total mutual funds	83,444	-	-	83,444
Total assets at fair value	$ 90,609	$ -	$ -	$ 90,609

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

	2015			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 11,870	$ -	$ -	$ 11,870
Mutual funds:				
Diversified emerging markets	46,735	-	-	46,735
World allocation	16,242	-	-	16,242
Energy limited partnership	6,650	-	-	6,650
Equity precious metals	2,490	-	-	2,490
Total mutual funds	72,117	-	-	72,117
Total assets at fair value	$ 83,987	$ -	$ -	$ 83,987

The following schedule summarizes the investment income gain (loss) in the statements of activities for the years ended December 31:

	2016	2015
Interest and dividend income	$ 167	$ 181
Net gain (loss) on investments	6,489	(8,418)
	$ 6,656	$ (8,237)

NOTE 4 – LINE OF CREDIT

The Organization has entered into a $100,000 line of credit agreement with a bank. The line bears interest at the prime interest rate as published by the Wall Street Journal plus 1% (currently 4.75%), is secured by cash and other accounts of the Organization, and originally matured May 2016. During 2016, the Organization renewed the line of credit agreement under the same terms with a maturity in September 2017. At times during the year, the bank has allowed maximum borrowings available to increase to $120,000. Amounts outstanding under this line of credit totaled $99,728 and $85,000 at December 31, 2016 and 2015, respectively.

NOTE 5 – CAPITAL LEASE OBLIGATION

During 2014, the Organization entered into a capital lease agreement for a van that expires in May 2020 and requires monthly payments of $389. The asset recorded under this capital lease is included in property and equipment and consisted of the following at December 31:

YOUTH ENCOURAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 5 – CAPITAL LEASE OBLIGATION (Continued)

	2016	2015
Cost	$ 28,000	$ 28,000
Accumulated depreciation	(12,448)	(7,780)
Net book value	$ 15,552	$ 20,220

Future minimum lease payments required under this lease are as follows at December 31, 2016:

Years Ending December 31:	
2017	$ 4,668
2018	4,668
2019	4,668
2020	1,548
2021	-
Thereafter	-
	$ 15,552

NOTE 6 – NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2016	2015
Afterschool programs	$ 46,773	$ 42,838
Technology updates	5,800	-
Capital campaign	459	459
	$ 53,032	$ 43,297

NOTE 6 – NET ASSETS (Continued)

Permanently restricted net assets are held in perpetuity with the income from assets expendable to support certain programs. A summary of the permanently restricted net assets as of December 31 is as follows:

	2016	2015
General Endowment Fund	$ 105,000	$ 105,000
Ardell Whitehead Endowment Fund	5,000	5,000
	$ 110,000	$ 110,000

The interest earned on permanently restricted net assets is available to the Organization on an unrestricted basis.

NOTE 7 – ENDOWMENT

The Organization's endowment consists of donor restricted gifts held primarily in investment accounts. As required by accounting principles generally accepted in the Unites States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Changes in Endowment Net Assets for the fiscal year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (26,013)	$ -	$ 110,000	$ 83,987
Investment return:				
Net appreciation (realized and unrealized)	6,622	-	-	6,622
Endowment net assets, end of year	$ (19,391)	$ -	$ 110,000	$ 90,609

NOTE 7 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the fiscal year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (17,596)	$ -	$ 110,000	$ 92,404
Investment return:				
Net depreciation (realized and unrealized)	(8,417)	-	-	(8,417)
Endowment net assets, end of year	$ (26,013)	$ -	$ 110,000	$ 83,987

Interpretation of Relevant Law

The Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the 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 UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature totaled $19,391 and $26,013 as of December 31, 2016 and 2015, respectively.

Endowment Investment Policy 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 endowment 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 the Organization's policy, as approved by the Board of Directors, endowment assets are invested primarily in equity securities.

NOTE 7 – ENDOWMENT (Continued)

Strategies Employed for Achieving Investment Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating dividend and interest income from the endowment fund as necessary to fund Organization programs provided the investment balance is greater than the original gift value. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

NOTE 8 – RISKS, UNCERTAINTIES AND OTHER CONSIDERATIONS

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.