SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2015 and 2014

SADDLE UP!

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FRASIERDEAN
HOWARD CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saddle Up!
Franklin, Tennessee

We have audited the accompanying financial statements of Saddle Up! (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saddle Up! as of December 31, 2015 and 2014, 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 6, 2016

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 1,434,804	$ 1,566,142
Accounts and pledges receivable	3,333	3,391
Total current assets	1,438,137	1,569,533
Investments	3,113,305	3,060,774
Property and equipment, net of accumulated depreciation of $1,231,415 and $1,129,801, respectively	2,559,170	2,582,649
Total assets	$ 7,110,612	$ 7,212,956
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 5,118	$ 7,900
Accrued expenses	10,199	8,177
Deferred revenue	10,567	5,705
Total current liabilities	25,884	21,782
Net assets:		
Unrestricted:		
Undesignated	3,849,857	3,954,300
Designated	2,976,976	2,927,602
Temporarily restricted	5,495	67,622
Permanently restricted	252,400	241,650
Total net assets	7,084,728	7,191,174
Total liabilities and net assets	$ 7,110,612	$ 7,212,956

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $61,908	$ 567,066	$ 19,217	$ 10,750	$ 597,033
Special events	294,666	-	-	294,666
Lesson fees, net of scholarships applied of $13,001	155,181	-	-	155,181
Interest and dividends, net of fees	79,199	-	-	79,199
Donated services	16,338	-	-	16,338
Clinics and seminars	11,200	-	-	11,200
Other income	1,173	-	-	1,173
Loss on disposal of property and equipment	(1,444)	-	-	(1,444)
Realized and unrealized losses on investments	(222,289)	-	-	(222,289)
	901,090	19,217	10,750	931,057
Net assets released from restrictions:				
Satisfaction of program restrictions	81,344	(81,344)	-	-
Total revenues and gains	982,434	(62,127)	10,750	931,057
Expenses:				
Horse-based programs	788,017	-	-	788,017
Management and general	65,615	-	-	65,615
Fundraising	183,871	-	-	183,871
Total expenses	1,037,503	-	-	1,037,503
Change in net assets	(55,069)	(62,127)	10,750	(106,446)
Net assets at beginning of year	6,881,902	67,622	241,650	7,191,174
Net assets at end of year	$ 6,826,833	$ 5,495	$ 252,400	$ 7,084,728

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $42,084	$ 564,338	$ 72,000	$ 25,750	$ 662,088
Special events	302,642	-	-	302,642
Lesson fees, net of scholarships applied of $16,480	144,578	-	-	144,578
Interest and dividends, net of fees	83,696	-	-	83,696
Realized and unrealized gains on investments	39,857	-	-	39,857
Clinics and seminars	24,091	-	-	24,091
Donated services	10,892	-	-	10,892
Other income	740	-	-	740
Loss on disposal of property and equipment	(13,318)	-	-	(13,318)
	1,157,516	72,000	25,750	1,255,266
Net assets released from restrictions:				
Satisfaction of program restrictions	4,378	(4,378)	-	-
Total revenues and gains	1,161,894	67,622	25,750	1,255,266
Expenses:				
Horse-based programs	771,747	-	-	771,747
Management and general	63,388	-	-	63,388
Fundraising	183,309	-	-	183,309
Total expenses	1,018,444	-	-	1,018,444
Change in net assets	143,450	67,622	25,750	236,822
Net assets at beginning of year	6,738,452	-	215,900	6,954,352
Net assets at end of year	$ 6,881,902	$ 67,622	$ 241,650	$ 7,191,174

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

		Supporting Services			
	Horse-Based Programs	**Management and General**	**Fund Raising**	**Total Supporting**	**Total Expenses**
Salaries and taxes	$ 468,921	$ 37,350	$ 96,701	$ 134,051	$ 602,972
Depreciation	96,587	10,732	-	10,732	107,319
Fundraisers, including in-kind expenses of $27,073	-	-	75,845	75,845	75,845
Horse lessons and camps, including in-kind expenses of $16,838	57,123	-	-	-	57,123
Insurance	46,532	1,345	-	1,345	47,877
Repairs/maintenance and vehicles	32,394	-	-	-	32,394
Utilities	25,916	-	-	-	25,916
Technology in-kind	18,354	-	-	-	18,354
Promotional expense	8,301	119	6,075	6,194	14,495
Professional fees	5,410	6,082	775	6,857	12,267
Grant expenses	11,349	-	-	-	11,349
Miscellaneous	4,575	3,988	2,470	6,458	11,033
Office supplies	3,075	5,999	1,955	7,954	11,029
Conferences and seminars	9,480	-	50	50	9,530
Total	$ 788,017	$ 65,615	$ 183,871	$ 249,486	$ 1,037,503

See accompanying notes.

SADDLE UP!
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

		Supporting Services			
	Horse-Based Programs	**Management and General**	**Fund Raising**	**Total Supporting**	**Total Expenses**
Salaries and taxes	$ 458,017	$ 35,424	$ 96,055	$ 131,479	$ 589,496
Depreciation	99,968	11,107	-	11,107	111,075
Fundraisers, including in-kind expenses of $24,454	-	-	76,265	76,265	76,265
Horse lessons and camps, including in-kind expenses of $15,572	55,047	-	-	-	55,047
Insurance	50,107	1,520	-	1,520	51,627
Utilities	28,258	-	-	-	28,258
Repairs/maintenance and vehicles	22,974	-	-	-	22,974
Promotional expense	16,586	-	5,499	5,499	22,085
Conferences and seminars	19,103	48	142	190	19,293
Professional fees	5,960	8,558	1,194	9,752	15,712
Miscellaneous	6,855	3,866	2,498	6,364	13,219
Office supplies	3,773	2,865	1,656	4,521	8,294
Grant expenses	5,099	-	-	-	5,099
Total	$ 771,747	$ 63,388	$ 183,309	$ 246,697	$ 1,018,444

See accompanying notes.

SADDLE UP!
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (106,446)	$ 236,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,319	111,075
Donated property and equipment	(15,981)	(12,950)
Contributions to permanently restricted net assets	(10,750)	(25,750)
Loss on disposal of property and equipment	1,444	13,318
Realized and unrealized losses (gains) on investments	222,289	(39,857)
Reinvested dividend income, net of investment fees	(74,820)	(78,755)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	58	(2,837)
Accounts payable	(2,782)	1,024
Accrued expenses	2,022	1,855
Deferred revenue	4,862	(3,437)
Net cash provided by operating activities	127,215	200,508
Cash flows from investing activities:		
Proceeds from sale of investments	266,023	682,439
Purchase of investments	(466,023)	(882,439)
Purchase of property and equipment	(69,303)	(38,570)
Net cash used in investing activities	(269,303)	(238,570)
Cash flows from financing activities:		
Contributions to permanently restricted net assets	10,750	25,750
Net cash provided by financing activities	10,750	25,750
Decrease in cash and cash equivalents	(131,338)	(12,312)
Cash and cash equivalents at beginning of year	1,566,142	1,578,454
Cash and cash equivalents at end of year	$ 1,434,804	$ 1,566,142
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	$ 15,981	$ 12,950

See accompanying notes.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Saddle Up! (the "Organization") is organized as a Tennessee not-for-profit corporation. The Organization serves to provide children and youth with disabilities the opportunity to grow and develop through therapeutic, educational and recreational activities with horses.

The Organization's significant accounting policies are as follows:

Financial Statement Presentation

In accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidelines, 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, donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

Contributions

In accordance with FASB ASC guidelines, contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization generally reports the support as unrestricted.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Assets purchased, or donated, with a value over $500 are capitalized. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all classes of assets are as follows:

Buildings	40 years
Arena	40 years
Equipment and improvements	2 - 20 years
Horses	2 - 7 years

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity'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. Tax years that remain open for examination include years ended December 31, 2012 through December 31, 2015.

Donated Assets and Services

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 assets 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

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets and Services (Continued)

instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization receives donated services which help to maintain the health and well-being of the horses, such as veterinarian and farrier services. Donated materials and services meeting the criteria for recognition are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Unpaid volunteers have made significant contributions of their time to assist the Organization in carrying out its programs, operations, and events. During the years ended December 31, 2015 and 2014, volunteers provided approximately 16,500 and 17,400 hours of service, respectively. The value of contributed time is not reflected in these statements since it does not meet the recording requirements specified by accounting principles generally accepted in the United States of America.

Functional Expenses

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

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.

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

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Endowment Funds (Continued)

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 6, 2016, when these financial statements were available to be issued. Except for the items noted in Notes 9 and 10, the Organization 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 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31:

	2015	2014
Avenue Bank – insured cash sweep account	$ 601,390	$ 713,390
Avenue Bank – checking account	303,951	230,116
First Tennessee – checking account	256,178	256,050
Avenue Bank – money market	123,655	191,921
Wells Fargo – checking account	116,071	108,478
First Tennessee – checking account	29,259	64,637
Wells Fargo – checking account	4,250	1,500
Petty cash	50	50
	$ 1,434,804	$ 1,566,142

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable consist of the following at December 31:

	2015	2014
Fundraising pledges	$ 2,076	$ 2,015
Program fees	1,257	1,376
Total accounts and pledges receivable	$ 3,333	$ 3,391

At December 31, 2015 and 2014, all accounts and pledges receivable are believed to be fully collectible. Accordingly, no provision has been recorded for uncollectible amounts. No pledges were written off during 2015 and 2014. At December 31, 2015 and 2014, all accounts and pledges receivable are believed to be receivable within one year and are therefore recorded at their original value.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2015	2014
Land	$ 655,730	$ 655,730
Buildings	186,778	186,778
Equipment and improvements	581,358	503,723
Arena	2,298,170	2,298,170
Horses	68,549	68,049
	3,790,585	3,712,450
Less accumulated depreciation	(1,231,415)	(1,129,801)
	$ 2,559,170	$2,582,649

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization follows the fair value measurement topic 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).

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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 the following:

- 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.

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 fair value of Level 1 assets was determined by obtaining quoted market prices in active markets.

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

Money market funds and securities: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Common trust funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Exchange-traded funds: Valued at the closing price reported on the active market on which the securities are traded.

The common trust funds described above consist of groups of stocks, bonds, mutual funds or other investments managed by a third party and held by Diversified Trust. Participation is limited to those individuals or organizations with trust accounts with Diversified Trust.

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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 investments at fair value as of December 31, 2015:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money market funds	$ 13,891	$ 13,891	$ -
Diversified Trust bond funds	1,083,385	363,418	719,967
Diversified Trust equity funds	2,016,029	956,142	1,059,887
Total investments at fair value	$ 3,113,305	$ 1,333,451	$ 1,779,854

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2014:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money market funds	$ 16,397	$ 16,397	$ -
Diversified Trust bond funds	1,067,951	344,737	723,214
Diversified Trust equity funds	1,976,426	953,248	1,023,178
Total investments at fair value	$ 3,060,774	$ 1,314,382	$ 1,746,392

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

	2015	**2014**
Interest and dividend income, net of fees of $13,056 and $12,415, respectively	$ 79,199	$ 83,696
Realized and unrealized gain (loss) on investments	(222,289)	39,857
	$ (143,090)	$ 123,553

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The Diversified Trust portfolio is allocated as follows at December 31:

	2015	2014
Cash and cash equivalents	0.4%	0.5%
Short-term fixed income	13.2%	12.7%
Intermediate fixed income	21.6%	22.2%
Large cap U.S. equity	19.7%	21.8%
Small/Mid cap U.S. equity	4.3%	4.4%
International equity	24.9%	25.3%
MLPs	7.3%	5.5%
Opportunistic equity	8.6%	7.6%
	100.0%	100.0%

NOTE 6 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors, including $209,960 and $209,382 or approximately 23% and 17% of total revenue and gains, respectively, from one foundation for the years ended December 31, 2015 and 2014. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization's programs and services.

The Organization maintains its cash and cash equivalents in financial institutions at balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management's opinion, risk relating to these deposits is minimal based on the credit ratings of its depositories.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose at December 31:

	2015	2014
Technology	$ 2,243	$ 2,025
Hippotherapy program	397	65,597
Equine assisted learning program	2,855	-
	$ 5,495	$ 67,622

Temporarily restricted net assets of $81,344 and $4,378 were released from restrictions during 2015 and 2014, respectively, based on satisfaction of program restrictions.

NOTE 8 – ENDOWMENT NET ASSETS

Endowment net assets consist of the following endowment funds at December 31:

	2015	2014
Board designated endowment	$ 2,860,905	$ 2,819,124
Permanently restricted for endowment	252,400	241,650
	$ 3,113,305	$ 3,060,774

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

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

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the UPMIFA (page 11) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	$ 2,860,905	$ -	$ 252,400	$ 3,113,305

NOTE 8 – ENDOWMENT NET ASSETS (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	$ 2,819,124	$ -	$ 241,650	$ 3,060,774
Investment return:				
Dividend income, net	74,820	-	-	74,820
Net depreciation (realized and unrealized)	(222,289)	-	-	(222,289)
Contributions	189,250	-	10,750	200,000
Endowment net assets, end of year	$ 2,860,905	$ -	$ 252,400	$ 3,113,305

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	$ 2,819,124	$ -	$ 241,650	$ 3,060,774

Changes in Endowment Net Assets for the fiscal year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,602,162	$ -	$ 215,900	$ 2,818,062
Investment return:				
Dividend income, net	78,755	-	-	78,755
Net appreciation (realized and unrealized)	39,857	-	-	39,857
Contributions	98,350	-	25,750	124,100
Endowment net assets, end of year	$ 2,819,124	$ -	$ 241,650	$ 3,060,774

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

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. In accordance with accounting principles generally accepted in the United States of America, the Organization reports no deficiencies of this nature as of December 31, 2015 and 2014, 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.

NOTE 9 – DESIGNATED NET ASSETS

Net assets designated by the Board of Directors consist of the following at December 31:

	2015	2014
Endowment	$ 2,860,905	$ 2,819,124
Capital improvements	116,071	108,478
	$ 2,976,976	$ 2,927,602

During 2015, the board continued efforts to expand its board designated endowment with a goal of accumulating $5,000,000. Presently, interest on designated net assets continues to be designated for that purpose.

Subsequent to December 31, 2015, the Organization received an additional $500,000 pledge to be designated for endowment.

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN

Effective July 2006, the Organization entered into an agreement with an employee leasing company whereby substantially all of the Organization’s staff are leased. Under this arrangement, the Organization reimburses payroll, related taxes and insurance costs plus a fee to the leasing company. The agreement can be terminated by either party with thirty days notice.

NOTE 10 – STAFFING AGREEMENT AND RETIREMENT PLAN (Continued)

The Organization participates in the Century II Staffing, Inc. Retirement Plan pursuant to Section 401(k) of the Internal Revenue Code of 1986 (the "Code"), as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. During 2014, the Board of Directors approved to match 2013 employee contributions up to 4% of employee wages. The match of $9,511was approved, expensed, and paid in 2014. During 2015, the Board of Directors approved to match 2014 employee contributions, up to 4% of employee wages. The match of $10,917 was approved, expensed, and paid in 2015. Subsequent to December 31, 2015, the Board of Directors approved to match 2015 employee contributions, up to 4% of employee wages. The match of $9,151 was approved, expensed, and paid in 2016.