SADDLE UP!

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

SADDLE UP!

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
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, 2019 and 2018, 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 audits 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.

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 12, toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization’s operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of contributions could negatively impact the Organization’s operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
June 29, 2020

SADDLE UP!

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,322,304	$ 1,238,372
Accounts receivable	746	636
Prepaid expenses	2,963	1,801
Total Current Assets	1,326,013	1,240,809
Investments	5,559,632	4,692,078
Property and equipment, net of accumulated depreciation of $1,595,350 and $1,514,661, respectively	2,332,776	2,352,671
Total Assets	$ 9,218,421	$ 8,285,558
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 2,293	$ 3,815
Accrued expenses	21,035	16,502
Deferred revenue	29,508	21,112
Total Current Liabilities	52,836	41,429
Net Assets:		
Without donor restrictions	8,214,816	7,373,168
With donor restrictions	950,769	870,961
Total Net Assets	9,165,585	8,244,129
Total Liabilities and Net Assets	$ 9,218,421	$ 8,285,558

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

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Gains:			
Contributions and grants, including unrestricted in-kind contributions of $72,757	$ 582,559	$ 141,578	$ 724,137
Special events	338,770	-	338,770
Realized and unrealized gain on investments	732,451	-	732,451
Lesson fees, net of scholarships applied of $13,148	215,361	-	215,361
Interest and dividends, net of fees of $21,749	121,760	-	121,760
Donated services	17,261	-	17,261
Clinics and seminars	8,845	-	8,845
Other income	686	-	686
Loss on disposal of property and equipment	(4,517)	-	(4,517)
	2,013,176	141,578	2,154,754
Net assets released from restrictions:			
Satisfaction of purpose restrictions	61,770	(61,770)	-
Total Revenues and Gains	2,074,946	79,808	2,154,754
Expenses:			
Horse-based programs	877,299	-	877,299
Management and general	85,947	-	85,947
Fundraising	270,052	-	270,052
Total Expenses	1,233,298	-	1,233,298
Change in net assets	841,648	79,808	921,456
Net assets, beginning of year	7,373,168	870,961	8,244,129
Net assets, end of year	$ 8,214,816	$ 950,769	$ 9,165,585

SADDLE UP!
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues and Gains:			
Contributions and grants, including unrestricted in-kind contributions of $85,390	$ 692,853	$ 71,125	$ 763,978
Special events	319,555	-	319,555
Realized and unrealized losses on investments	(447,338)	-	(447,338)
Lesson fees, net of scholarships applied of $11,931	185,857	-	185,857
Interest and dividends, net of fees of $19,971	120,004	-	120,004
Donated services	18,842	-	18,842
Clinics and seminars	19,880	-	19,880
Other income	3,338	-	3,338
Loss on disposal of property and equipment	(1,178)	-	(1,178)
	911,813	71,125	982,938
Net assets released from restrictions:			
Satisfaction of purpose restrictions	33,464	(33,464)	-
Total Revenues and Gains	945,277	37,661	982,938
Expenses:			
Horse-based programs	853,382	-	853,382
Management and general	85,138	-	85,138
Fundraising	271,572	-	271,572
Total Expenses	1,210,092	-	1,210,092
Change in net assets	(264,815)	37,661	(227,154)
Net assets, beginning of year	7,637,983	833,300	8,471,283
Net assets, end of year	$ 7,373,168	$ 870,961	$ 8,244,129

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

			Supporting Services		
	Horse-Based Programs	Management and General	Fund Raising	Total Supporting	Total Expenses
Salaries and taxes	$ 544,017	$ 44,333	$ 166,212	$ 210,545	$ 754,562
Depreciation	96,262	10,696	-	10,696	106,958
Fundraisers, including in-kind expenses of $22,007	-	-	82,333	82,333	82,333
Horse lessons and camps, including in-kind expenses of $17,261	76,286	431	120	551	76,837
Insurance	52,743	2,331	-	2,331	55,074
Repairs/maintenance and vehicles	29,251	-	-	-	29,251
Utilities	26,499	177	121	298	26,797
Miscellaneous in-kind	14,924	3,480	4,350	7,830	22,754
Grant expenses	18,152	222	1,720	1,942	20,094
Professional fees	6,235	10,309	603	10,912	17,147
Other	4,061	10,097	1,162	11,259	15,320
Promotional expense	60	1,114	10,313	11,427	11,487
Conferences and seminars	7,550	545	801	1,346	8,896
Office supplies	1,259	2,212	2,317	4,529	5,788
	$ 877,299	$ 85,947	$ 270,052	$ 355,999	$ 1,233,298

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

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

		Supporting Services			
	Horse-Based Programs	**Management and General**	**Fund Raising**	**Total Supporting**	**Total Expenses**
Salaries and taxes	$ 507,543	$ 42,429	$ 156,448	$ 198,877	$ 706,420
Depreciation	95,830	10,648	-	10,648	106,478
Fundraisers, including in-kind expenses of $23,829	-	-	81,740	81,740	81,740
Horse lessons and camps, including in-kind expenses of $18,842	79,911	347	15	362	80,273
Insurance	54,013	2,436	-	2,436	56,449
Marketing in-kind	22,915	8,333	10,416	18,749	41,664
Grant expenses	18,081	1,100	11,054	12,154	30,235
Utilities	27,090	189	124	313	27,403
Repairs/maintenance and vehicles	26,918	-	-	-	26,918
Professional fees	5,620	10,227	641	10,868	16,488
Other	4,809	7,967	1,255	9,222	14,031
Conferences and seminars	9,266	221	1,735	1,956	11,222
Promotional expense	622	-	6,020	6,020	6,642
Office supplies	764	1,241	2,124	3,365	4,129
	$ 853,382	$ 85,138	$ 271,572	$ 356,710	$ 1,210,092

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STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

		2019		2018
Cash flows from operating activities:				
Change in net assets	$	921,456	$	(227,154)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		106,958		106,478
Donated property and equipment		(27,996)		(19,897)
Contributions to net assets with donor restrictions		-		(30,125)
Loss on disposal of property and equipment		4,517		1,178
Realized and unrealized (gain) loss on investments		(732,451)		447,338
Changes in operating assets and liabilities:				
Accounts receivable		(110)		260
Prepaid expenses		(1,162)		2,846
Accounts payable		(1,522)		(5,274)
Accrued expenses		4,533		904
Deferred revenue		8,396		17,877
Net cash provided by operating activities		282,619		294,431
Cash flows from investing activities:				
Proceeds from sale of investments		1,459,059		1,573,961
Purchase of investments		(1,594,162)		(1,966,674)
Purchase of property and equipment		(63,584)		(27,969)
Net cash used in investing activities		(198,687)		(420,682)
Cash flows from financing activities:				
Contributions to net assets with donor restrictions		-		30,125
Net cash provided by financing activities		-		30,125
Increase (decrease) in cash and cash equivalents		83,932		(96,126)
Cash and cash equivalents, beginning of year		1,238,372		1,334,498
Cash and cash equivalents, end of year	$	1,322,304	$	1,238,372
Supplemental disclosure:				
Noncash investing activities:				
Donation of property and equipment	$	27,996	$	19,897

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:

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions – In accordance with U.S. GAAP, 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 without donor restriction or with donor restriction depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization generally reports the support as without donor restriction.

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.

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

Note 1—Nature of business and significant accounting policies (continued)

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

Donated Assets and Services – Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restriction 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 instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restriction 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 of activities 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, 2019 and 2018, volunteers provided approximately 15,900 and 15,500 hours of service, respectively. The value of contributed time is not reflected in the accompanying financial statements since it does not meet the recording requirements specified by U.S. GAAP.

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. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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. U.S. GAAP 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.

Adoption of New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted the provisions of ASU 2014-09 as of January 1, 2019 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of January 1, 2019. There was no change in the timing and amount of revenue recognition as a result of the adoption of this ASU.

Note 1—Nature of business and significant accounting policies (continued)

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization adopted this ASU during 2019. The implementation of this standard had no significant impact on the Organization's financial statements.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through June 29, 2020, when these financial statements were available to be issued (see Note 12).

Note 2—Liquidity and availability of resources

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table represents the Organization's financial assets as of December 31, reduced by amounts not available for general expenditure within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission:

	2019	2018
Financial assets at December 31:		
Cash and cash equivalents	$ 1,322,304	$ 1,238,372
Accounts receivable	746	636
Investments	5,559,632	4,692,078
Total financial assets	6,882,682	5,931,086
Less amounts not available to be used for general expenditures within one year:		
Net assets designated by the board for endowment and capital improvement	(4,795,032)	(3,927,478)
Net assets restricted for specific programs	(88,194)	(8,386)
Net assets held in perpetuity	(862,575)	(862,575)
Financial assets not available to be used for general expenditures within one year	(5,745,801)	(4,798,439)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,136,881	$ 1,132,647

Note 3—Cash and cash equivalents

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

	2019	2018
Pinnacle Bank – insured cash sweep account	$ 458,897	$ 458,897
Pinnacle Bank – checking account	102,737	389,055
Republic Bank – money market	202,622	115,742
First Tennessee – checking account	-	100,509
Wells Fargo – checking account	97,976	97,975
Pinnacle Bank – money market	304,288	52,486
First Tennessee – checking account	-	23,608
PayPal	75	100
Franklin Synergy	155,709	-
	$ 1,322,304	$ 1,238,372

Note 4—Accounts receivable

At December 31, 2019 and 2018, all accounts receivable, which are related to program fees, are believed to be fully collectible. Accordingly, no provision has been recorded for uncollectible amounts. At December 31, 2019 and 2018, all accounts receivable are believed to be receivable within one year and are therefore recorded at their original value.

Note 5—Property and equipment

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

	2019	2018
Land	$ 655,730	$ 655,730
Buildings	186,778	186,778
Equipment and improvements	715,809	665,162
Arena	2,298,265	2,296,415
Horses	71,544	63,247
	3,928,126	3,867,332
Less accumulated depreciation	(1,595,350)	(1,514,661)
	$ 2,332,776	$ 2,352,671

Note 6—Fair value measurements and investments

Investments are reported at fair value. 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 determinates, other than those made based on a net asset value ("NAV") practical expedient, are made based on a hierarchy that prioritizes the input to valuation techniques. 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 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 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 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 Common Trust Funds – Valued at the closing price reported on the active market on which the securities are traded, or at amounts reported by the trustee of the common trust based on quoted prices for similar assets or liabilities in active markets.

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.

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.

Note 6—Fair value measurements and investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2019:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money market funds	$ 58,102	$ 58,102	$ -
Diversified Trust bond funds	1,742,610	176,896	1,565,714
Diversified Trust equity funds	3,758,920	1,459,034	2,299,886
Total investments at fair value	$ 5,559,632	$ 1,694,032	$ 3,865,600

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2018:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money market funds	$ 24,592	$ 24,592	$ -
Diversified Trust bond funds	1,740,284	420,583	1,319,701
Diversified Trust equity funds	2,927,202	1,389,234	1,537,968
Total investments at fair value	$ 4,692,078	$ 1,834,409	$ 2,857,669

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

	2019	2018
Interest and dividend income, net of fees of $21,749 and $19,971, respectively	$ 121,760	$ 120,004
Realized and unrealized gain (loss) on investments	732,451	(447,338)
	$ 854,211	$ (327,334)

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

	2019	2018
Cash and cash equivalents	1.1%	0.5%
Short-term fixed income	5.6%	10.1%
Intermediate fixed income	25.7%	27.0%
Large cap U.S. equity	43.9%	32.0%
International equity	23.7%	26.1%
Master limited partnerships	0.0%	4.3%
	100.0%	100.0%

Note 7—Concentrations

The Organization receives support from various foundations, corporate, and individual donors, including $200,000 from one foundation, or approximately 9% and 20% of total revenue and gains, respectively, for the years ended December 31, 2019 and 2018. 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. Amounts held by the Organization in excess of federally insured limits totaled $620,173 and $576,481 at December 31, 2019 and 2018, respectively.

Note 8—Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose at December 31:

	2019	2018
Contributions restricted for particular purpose:		
Tack and horse lessons	$ 1,896	$ 7,495
Vaulting	1,354	891
Scholarships	28,872	-
Sheds/trees	25,000	-
Arena waterer	16,650	-
Horse care	7,929	-
Technology	6,438	-
Gnash's corner	55	-
Endowment	862,575	862,575
	$ 950,769	$ 870,961

Net assets restricted for particular purpose of $61,770 and $33,464 were released from restrictions during 2019 and 2018, respectively, based on satisfaction of program restrictions.

Note 9—Endowment net assets

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

	2019	2018
Board-designated endowment	$ 4,697,057	$ 3,829,503
Donor-restricted amounts required to be maintained in perpetuity	862,575	862,575
	$ 5,559,632	$ 4,692,078

Note 9—Endowment net assets (continued)

The Organization's endowment consists of donor-restricted gifts held in cash and investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The interest earned on net assets held in perpetuity is available to the Organization on an unrestricted basis.

Interpretation of Relevant Law – The Board of Directors of the Organization has interpreted the UPMIFA (Note 1) 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 net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	$ 4,697,057	$ 862,575	$ 5,559,632

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,829,503	$ 862,575	$ 4,692,078
Investment return:			
Dividend income, net	110,103	-	110,103
Net appreciation (realized and unrealized)	732,451	-	732,451
Contributions	25,000	-	25,000
Endowment net assets, end of year	$ 4,697,057	$ 862,575	$ 5,559,632

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets	$ 3,829,503	$ 862,575	$ 4,692,078

Note 9—Endowment net assets (continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,914,253	$ 832,450	$ 4,746,703
Investment return:			
Dividend income, net	112,587	-	112,587
Net depreciation (realized and unrealized)	(447,338)	-	(447,338)
Contributions	250,001	30,125	280,126
Endowment net assets, end of year	$ 3,829,503	$ 862,575	$ 4,692,078

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. There are no deficiencies of this nature as of December 31, 2019 and 2018.

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. The Organization's investment policy by type of investment is generally as follows:

Cash and cash equivalents	0% – 20%
Fixed income	20% – 60%
Equities	40% – 80%
Publicly traded real estate	0% – 20%

Note 10—Designated net assets

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

	2019	2018
Endowment	$ 4,697,057	$ 3,829,503
Capital improvements	97,975	97,975
	$ 4,795,032	$ 3,927,478

The board has established a goal of accumulating $5,000,000 in its board-designated endowment funds. Presently, investment income on designated net assets continues to be designated for that purpose.

Note 11—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 30-days' notice.

The Organization participates in the leasing company's retirement plan pursuant to Section 401(k) of the IRC. 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 2018, the Board of Directors voted to include a 4% match of employees' 2018 contributions in the annual budget. The match of $8,235 was expensed in 2018 and paid in 2019. During 2019, the Board of Directors voted to include a 4% match of employees' 2019 contributions in the annual budget. The match of $11,856 was expensed in 2019 and paid in 2020.

Note 12—Subsequent events

Toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could possibly have a negative impact on the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time.