SADDLE UP!

FINANCIAL STATEMENTS

December 31, 2016 and 2015

SADDLE UP!

TABLE OF CONTENTS

FRASIERDEAN
HOWARDCPAs

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, 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 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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

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, 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 25, 2017

SADDLE UP!
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 1,444,956	$ 1,434,804
Accounts and pledges receivable	3,056	3,333
Total current assets	1,448,012	1,438,137
Investments	4,026,668	3,113,305
Property and equipment, net of accumulated depreciation of $1,325,360 and $1,231,415, respectively	2,476,828	2,559,170
Total assets	$ 7,951,508	$ 7,110,612
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 10,462	$ 5,118
Accrued expenses	22,500	10,199
Deferred revenue	2,730	10,567
Total current liabilities	35,692	25,884
Net assets:		
Unrestricted:		
Undesignated	3,770,217	3,849,857
Designated	3,324,613	2,976,976
Temporarily restricted	13,536	5,495
Permanently restricted	807,450	252,400
Total net assets	7,915,816	7,084,728
Total liabilities and net assets	$ 7,951,508	$ 7,110,612

See accompanying notes.

SADDLE UP!
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains:				
Contributions and grants, including in-kind contributions of $53,303	$ 579,275	$ 46,304	$ 555,050	$ 1,180,629
Special events	303,029	-	-	303,029
Realized and unrealized gains on investments	226,553	-	-	226,553
Lesson fees, net of scholarships applied of $11,985	163,680	-	-	163,680
Interest and dividends, net of fees	36,088	-	-	36,088
Donated services	20,286	-	-	20,286
Clinics and seminars	6,200	-	-	6,200
Other income	462	-	-	462
Loss on disposal of property and equipment	(8,410)	-	-	(8,410)
	1,327,163	46,304	555,050	1,928,517
Net assets released from restrictions:				
Satisfaction of program restrictions	38,263	(38,263)	-	-
Total revenues and gains	1,365,426	8,041	555,050	1,928,517
Expenses:				
Horse-based programs	822,509	-	-	822,509
Management and general	65,600	-	-	65,600
Fundraising	209,320	-	-	209,320
Total expenses	1,097,429	-	-	1,097,429
Change in net assets	267,997	8,041	555,050	831,088
Net assets at beginning of year	6,826,833	5,495	252,400	7,084,728
Net assets at end of year	$ 7,094,830	$ 13,536	$ 807,450	$ 7,915,816

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 FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Horse-Based Programs	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Supporting	Total Expenses
Salaries and taxes	$ 515,963	$ 35,351	$ 104,574	$ 139,925	$ 655,888
Depreciation	96,563	10,729	-	10,729	107,292
Fundraisers, including in-kind expenses of $25,563	-	-	88,090	88,090	88,090
Horse lessons and camps, including in-kind expenses of $20,286	55,693	-	-	-	55,693
Insurance	48,561	1,542	-	1,542	50,103
Utilities	27,698	-	-	-	27,698
Repairs/maintenance and vehicles	26,242	-	-	-	26,242
Technology in-kind	11,047	3,015	3,878	6,893	17,940
Grant expenses	10,911	932	3,700	4,632	15,543
Professional fees	4,304	9,094	823	9,917	14,221
Miscellaneous	7,758	2,117	2,723	4,840	12,598
Promotional expense	7,131	-	2,746	2,746	9,877
Conferences and seminars	7,563	600	150	750	8,313
Office supplies	3,075	2,220	2,636	4,856	7,931
Total	$ 822,509	$ 65,600	$ 209,320	$ 274,920	$ 1,097,429

See accompanying notes.

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

	Horse-Based Programs	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: 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!
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 831,088	$ (106,446)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,292	107,319
Donated property and equipment	(9,800)	(15,981)
Contributions to permanently restricted net assets	(555,050)	(10,750)
Loss on disposal of property and equipment	8,410	1,444
Realized and unrealized (gains) losses on investments	(226,553)	222,289
Reinvested dividend income, net of investment fees	(31,760)	(74,820)
Changes in operating assets and liabilities:		
Accounts and pledges receivable	277	58
Accounts payable	5,344	(2,782)
Accrued expenses	12,301	2,022
Deferred revenue	(7,837)	4,862
Net cash provided by operating activities	133,712	127,215
Cash flows from investing activities:		
Proceeds from sale of investments	613,199	266,023
Purchase of investments	(1,268,249)	(466,023)
Purchase of property and equipment	(23,560)	(69,303)
Net cash used in investing activities	(678,610)	(269,303)
Cash flows from financing activities:		
Contributions to permanently restricted net assets	555,050	10,750
Net cash provided by financing activities	555,050	10,750
Increase (decrease) in cash and cash equivalents	10,152	(131,338)
Cash and cash equivalents at beginning of year	1,434,804	1,566,142
Cash and cash equivalents at end of year	$ 1,444,956	$ 1,434,804
Supplemental disclosure:		
Noncash investing activities:		
Donation of property and equipment	$ 9,800	$ 15,981

See accompanying notes.

SADDLE UP!
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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.

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, 2016 and 2015, volunteers provided approximately 16,100 and 16,500 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.

Subsequent Events

The Organization evaluated subsequent events through April 25, 2017, when these financial statements were available to be issued. 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:

	2016	2015
Pinnacle Bank – insured cash sweep account	$ 601,390	$ 601,390
Pinnacle Bank – checking account	327,386	303,951
First Tennessee – checking account	256,306	256,178
Pinnacle Bank – money market	124,150	123,655
Wells Fargo – checking account	105,395	116,071
First Tennessee – checking account	29,274	29,259
Wells Fargo – checking account	1,005	4,250
Petty cash	50	50
	$ 1,444,956	$ 1,434,804

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

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

	2016	2015
Fundraising pledges	$ 1,117	$ 2,076
Program fees	1,939	1,257
Total accounts and pledges receivable	$ 3,056	$ 3,333

At December 31, 2016 and 2015, 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 2016 and 2015. At December 31, 2016 and 2015, 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:

	2016	2015
Land	$ 655,730	$ 655,730
Buildings	186,778	186,778
Equipment and improvements	599,261	581,358
Arena	2,298,170	2,298,170
Horses	62,249	68,549
	3,802,188	3,790,585
Less accumulated depreciation	(1,325,360)	(1,231,415)
	$ 2,476,828	$2,559,170

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 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.

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 5 – 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, 2016:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Money market funds	$ 97,569	$ 97,569	$ -
Diversified Trust bond funds	1,343,053	329,214	1,013,839
Diversified Trust equity funds	2,586,046	1,458,488	1,127,558
Total investments at fair value	$ 4,026,668	$ 1,885,271	$ 2,141,397

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

	2016	2015
Interest and dividend income, net of fees of $14,317 and $13,056, respectively	$ 36,088	$ 79,199
Realized and unrealized gain (loss) on investments	226,553	(222,289)
	$ 262,641	$ (143,090)

NOTE 5 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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

	2016	2015
Cash and cash equivalents	2.4%	0.4%
Short-term fixed income	9.4%	13.2%
Intermediate fixed income	24.0%	21.6%
Large cap U.S. equity	23.5%	19.7%
Small/Mid cap U.S. equity	5.3%	4.3%
International equity	26.7%	24.9%
MLPs	8.7%	7.3%
Opportunistic equity	-	8.6%
	100.0%	100.0%

See the Organization's investment policy in Note 8.

NOTE 6 – CONCENTRATIONS

The Organization receives support from various foundations, corporate and individual donors, including $736,750 from two foundations and $209,960 from one foundation, or approximately 38% and 23% of total revenue and gains, respectively, for the years ended December 31, 2016 and 2015. 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:

	2016	2015
Fence installation	$ 10,000	$ -
PATH Conference	2,000	-
Gravel	1,118	-
Equine assisted learning program	418	2,855
Technology	-	2,243
Hippotherapy program	-	397
	$ 13,536	$ 5,495

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets of $38,263 and $81,344 were released from restrictions during 2016 and 2015, respectively, based on satisfaction of program restrictions.

NOTE 8 – ENDOWMENT NET ASSETS

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

	2016	2015
Board designated endowment	$ 3,219,218	$ 2,860,905
Permanently restricted for endowment	807,450	252,400
	$ 4,026,668	$ 3,113,305

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.

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets	$ 3,219,218	$ -	$ 807,450	$ 4,026,668

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	$ 2,860,905	$ -	$ 252,400	$ 3,113,305
Investment return:				
Dividend income, net	31,760	-	-	31,760
Net appreciation (realized and unrealized)	226,553	-	-	226,553
Contributions	100,000	-	555,050	655,050
Endowment net assets, end of year	$ 3,219,218	$ -	$ 807,450	$ 4,026,668

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

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

Cash and cash equivalents	0% - 20%
Fixed income	20% - 50%
Equities	50% - 80%
Publicly traded real estate	0% - 10%

NOTE 9 – DESIGNATED NET ASSETS

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

	2016	2015
Endowment	$ 3,219,218	$ 2,860,905
Capital improvements	105,395	116,071
	$ 3,324,613	$ 2,976,976

During 2016, 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.

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.

The Organization participates in the Century II Staffing, Inc. Retirement Plan pursuant to Section 401(k) of the Internal Revenue Code. 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 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. During 2016, 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. During 2016, the Board of Directors also voted to include a 4% match of employees' 2016 contributions in the annual budget, with an option to increase the match to 5% if net income exceeds 10% of the budget. The match of $12,479 was expensed in 2016 and paid in 2017.