

Financial Statements and Report of
Independent Certified Public Accountants

THE AMERICAN IRELAND FUND

December 31, 2018 and 2017

THE AMERICAN IRELAND FUND

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

The American Ireland Fund:

We have audited the accompanying financial statements of The American Ireland Fund (the “Fund”), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’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 Fund’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 The American Ireland Fund as of December 31, 2018 and 2017, 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.

Grant Thornton LLP

Boston, Massachusetts
July 10, 2019

THE AMERICAN IRELAND FUND
Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 7,865,560	\$ 10,532,938
Investment securities, at fair value	12,137,621	12,013,329
Prepaid expenses	336,912	317,203
Contributions receivable, net	1,870,666	1,291,473
Furniture and equipment, net	56,616	72,120
Cash surrender value of life insurance policies	499,606	512,973
Works of art and literature on public display	<u>298,791</u>	<u>236,291</u>
Total assets	<u>\$ 23,065,772</u>	<u>\$ 24,976,327</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 7,128,280	\$ 9,017,256
Accounts payable	354,399	315,561
Accrued liabilities	203,892	217,516
Deferred revenue	<u>85,368</u>	<u>101,910</u>
Total liabilities	<u>7,771,939</u>	<u>9,652,243</u>
Commitments (Note 9)		
NET ASSETS		
Net assets without Donor Restrictions		
General	3,537,688	3,712,532
Board designated	<u>2,364,851</u>	<u>2,949,624</u>
	5,902,539	6,662,156
Net assets with Donor Restrictions		
Purpose and time restricted	4,086,647	3,457,281
Perpetual	<u>5,304,647</u>	<u>5,204,647</u>
	<u>9,391,294</u>	<u>8,661,928</u>
Total net assets	<u>15,293,833</u>	<u>15,324,084</u>
Total liabilities and net assets	<u>\$ 23,065,772</u>	<u>\$ 24,976,327</u>

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

THE AMERICAN IRELAND FUND
Statements of Activities
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating activities:		
Revenues and support:		
Contributions	\$ 17,302,884	\$ 24,707,610
Fundraising events	12,139,336	11,262,165
Less: fundraising event expenses	<u>(3,300,759)</u>	<u>(4,118,326)</u>
Net revenues from fundraising events	8,838,577	7,143,839
Investment return designated for current operations	74,589	76,767
Other	(12,569)	(1,671)
Net gain (loss) on foreign exchange translation	(207,641)	330,345
Net assets released from restrictions	<u>663,969</u>	<u>1,018,728</u>
Total revenues and support	<u>26,659,809</u>	<u>33,275,618</u>
Expenses:		
Program services:		
Grant awards	20,153,964	26,782,325
Other program services	2,774,314	2,694,586
Management and general	2,508,691	1,789,120
Fundraising	<u>1,837,289</u>	<u>1,739,404</u>
Total expenses	<u>27,274,258</u>	<u>33,005,435</u>
Change in net assets without donor restrictions from operations	(614,449)	270,183
Non operating activities:		
Investment return, net of amount designated for current operations	(125,005)	31,046
Investment gain (loss) on endowment fund	(84,773)	381,679
Contribution of art and literary collections	<u>62,500</u>	<u>16,800</u>
Change in net assets without donor restrictions	<u>(761,727)</u>	<u>699,708</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and support:		
Contributions	1,645,292	511,965
Investment gain (loss) on endowment	(249,846)	1,019,412
Net assets released from restrictions	<u>(663,969)</u>	<u>(1,018,728)</u>
Change in net assets with donor restrictions	<u>731,477</u>	<u>512,649</u>
Change in total net assets	(30,250)	1,212,357
Net assets, beginning of year	<u>15,324,084</u>	<u>14,111,727</u>
Net assets, end of year	<u>\$ 15,293,834</u>	<u>\$ 15,324,084</u>

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

THE AMERICAN IRELAND FUND
Statements of Cash Flows
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (30,251)	\$ 1,212,357
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Contribution of art and literary collections	(62,500)	(16,800)
Depreciation	15,504	16,924
Realized and unrealized (gain)/loss on investment securities	558,938	(1,370,134)
Noncash stock donations	(1,364,202)	(905,094)
Changes in operating assets and liabilities		
Contributions receivable	(579,193)	1,780,232
Cash surrender value of life insurance policies	13,368	2,468
Prepaid expenses	(19,710)	125,917
Accounts and grants payable	(1,850,139)	2,466,382
Deferred revenue	(16,542)	(87,460)
Accrued liabilities	(13,624)	32,765
Net cash (used in) provided by operating activities	<u>(3,348,351)</u>	<u>3,257,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(9,482)
Purchase of investments	(6,008,388)	(6,958,533)
Proceeds from sales and maturities of investments	<u>6,689,360</u>	<u>6,523,913</u>
Net cash provided by (used in) investing activities	<u>680,972</u>	<u>(444,102)</u>
Net change in cash and cash equivalents	(2,667,378)	2,813,455
Cash and cash equivalents, beginning of year	<u>10,532,938</u>	<u>7,719,483</u>
Cash and cash equivalents, end of year	<u>\$ 7,865,560</u>	<u>\$ 10,532,938</u>
Noncash activity:		
Contribution received - art and literary collections	\$ 62,500	\$ 16,800
Noncash stock donations	\$ 1,364,202	\$ 905,094

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

THE AMERICAN IRELAND FUND

Notes to Financial Statements

December 31, 2018 and 2017

1. ORGANIZATION

The American Ireland Fund (the “Fund”), which also operates under the names The Ireland Funds America and The Ireland Funds, is a publicly supported organization that receives contributions, primarily in the United States, and applies them to the furtherance of peace, culture, charity and education primarily in Ireland. Contributions received by the Fund are distributed through grants to recognized charitable institutions and organizations that provide essential charitable programs or services primarily in Ireland. The Fund’s specific interests in the general program areas of peace, culture, charity and education are continually reevaluated in terms of changing needs and challenges of the times. The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as well as state income taxes.

In 2018, the Fund discovered that a former employee in a regional office had misappropriated funds. These misappropriations were \$292,766 in 2017, \$333,537 in 2016 and \$85,572 in 2015. The Audit Committee of the Board of Directors engaged independent counsel to perform a forensic investigation which was completed. In addition, the Fund is working with law enforcement and counsel to recover the amounts misappropriated and the associated legal costs. Given the nature of the embezzlement, the amounts involved had been reported primarily as event expenses in the Statement of Activities for each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund classifies net assets, revenues and gains based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Also included in this category are net assets designated by the Board of Directors.

With donor restrictions - Net assets subject to donor-imposed restrictions that permit the Fund to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Fund. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but may permit the Fund to use or expend part or all of the economic benefits derived from the donated assets.

Cash and Cash Equivalents

Cash equivalents include amounts invested in money market funds. In addition, the Fund maintains bank accounts in Ireland that are denominated in a foreign currency equivalent to \$4,732,393 and \$5,510,687 at December 31, 2018 and 2017, respectively. These assets are translated using the current exchange rates at the Statement of Financial Position dates.

At times the Fund maintains cash balances in excess of federally insured limits. The Fund has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

Investments

The Fund reports investments at fair value. Changes in fair value are recorded as unrealized gains or losses on investments and reflected within investment gains/loss in the Statements of Activities. Realized gains or losses from the sale of investment securities are computed on the specific-identification cost basis.

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Notes to Financial Statements
December 31, 2018 and 2017

Contributions and Contributions Receivable

Contributions are considered to be available without restrictions unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as net assets with donor restrictions.

Gifts of non-cash assets are recorded at their fair value at the date of contribution.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on those amounts are computed based upon a risk-free rate adjusted for any market factors associated with the nature of the contribution receivable. Amortization of the discounts is included within contributions revenue.

Conditional promises to give are not included as support until the conditions are substantially met.

Furniture and Equipment

Furniture and equipment, including computer hardware and software, are stated at cost and are depreciated using the straight-line method based on estimated useful lives. Computer software, computer equipment and furniture and fixtures are depreciated over three, five and seven years, respectively. Maintenance and repair expenditures are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts, and any gain or loss is included in the accompanying Statements of Activities.

Works of Art and Literature on Public Display

Accessions of collection items are capitalized at cost if the items were purchased, or at their appraised or fair value on the accession date (the date on which the item is accepted by the Board of Directors) if the items were contributed. Gains or losses from de-accessions of these items (if any) are reflected in the Statements of Activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. The Fund's policy is to review its collections for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There were no impairments recognized in 2018 or 2017.

Fundraising Events

The direct costs of fundraising events that provide a benefit to the contributors are deducted from the gross revenues raised at such events.

Net fundraising revenue from two events represented 13% and 12% of total revenues for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the accompanying Statements of Activities. Accordingly, certain common costs including but not limited to salaries and benefits, professional fees, rent and depreciation have been allocated among the programs and supporting services benefited based upon headcount, time allocated, and other criteria.

THE AMERICAN IRELAND FUND

Notes to Financial Statements

December 31, 2018 and 2017

Operating and Nonoperating Activities

The Statements of Activities report the change in net assets from operating and non-operating activities. Non-operating activities consist of investment income, net of amounts appropriated for operations, non-operating contributions, and contributions of art and literary collections. All other activities are reported as operating.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates in the financial statements include the valuation of any contributed artwork.

Income Taxes

The Fund is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Fund is required to assess uncertain income tax positions and has determined that there were no such positions that are material to the financial statements.

Donated Goods and Services

Contributed goods and services are reflected in the accompanying financial statements at their estimated fair value. The contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Donated goods and services totaled \$236,241 and \$150,183 in 2018 and 2017, respectively.

Related Party Transactions

A member of the Fund’s Board of Directors is an attorney that represents the Fund periodically for certain types of legal matters. Legal fees incurred by the Fund for these services totaled \$207,088 and \$98,700 in 2018 and 2017, respectively. In November 2018, the board member retired from his role on the board of The American Ireland Fund.

Reclassifications

Certain amounts reported in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

Recently Adopted Accounting Standards

The Fund adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-014; Presentation of Financial Statements of Not-for-Profit Entities, for the year ended December 31, 2018, with retrospective adoption for the year ended December 31, 2017 (except for the permitted omission of a statement of expenses by function and nature and a disclosure of liquidity and availability of resources for 2017). This guidance was intended to provide more useful information to donors, grantors, creditors, and other financial statement users. Main provisions of the guidance include:

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Notes to Financial Statements
December 31, 2018 and 2017

presentation of two classes of net assets versus the previously required three; additional disclosures for expenses by nature and function and for the liquidity and availability of resources.

Accounting Pronouncements Effective in Future Years

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 for non-public entities (fiscal year ending December 31, 2020 for the Fund). Early application is permitted. Management is in the process of evaluating the impact of this standard on the financial statements of the Fund.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal year ending December 31, 2019 for the Fund as a resource recipient and December 31, 2020 as a resource provider. Early application is permitted. Management is in the process of evaluating the impact of this standard on the financial statements of the Fund.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund's financial assets available within one year of the statement of financial position for general expenditure are as follows as of December 31, 2018:

Financial assets:

Cash and cash equivalents	\$ 7,865,560
Contributions receivable to be collected during the year	1,512,216
Spending policy allocation (available in 2019)	<u>54,000</u>
Total financial assets available within one year	9,431,776

Liquidity resources:

Board approved draw per policy	<u>500,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 9,931,776</u>

As part of the Fund's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Fund invests cash in excess of daily requirements in short-term investments. Although the Fund does not intend to spend from its undesignated investments (other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process), amounts from its undesignated investments could be made available if necessary.

THE AMERICAN IRELAND FUND
Notes to Financial Statements
December 31, 2018 and 2017

4. INVESTMENTS

Investments held by the Fund as of December 31, are as follows:

	<u>2018</u>	<u>2017</u>
U.S. government obligations	\$ 731,292	\$ 787,819
Corporate bonds	2,932,538	2,251,094
Mutual funds	696,258	877,597
Equity securities	6,988,776	7,166,686
Money market funds	<u>788,757</u>	<u>930,133</u>
Total investments	<u>\$ 12,137,621</u>	<u>\$ 12,013,329</u>

The Fund's investments include a separate account which acts as an endowment. The Fund's total endowment account includes net assets that are restricted in perpetuity and related appreciation, as well as Board designated amounts.

Investment income, including interest, dividends, realized and unrealized gains and losses in excess of amounts designated for current operations is shown in the accompanying Statements of Activities as a non-operating activity.

The Funds' investment return for the years ended December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Investment return		
Interest and dividends, net of investment fees	\$ 187,270	\$ 141,238
Change in value of cash surrender value of life insurance	(13,367)	(2,468)
Net realized gain (loss) on investments	751,814	140,465
Net unrealized gain (loss) on investments	<u>(1,310,752)</u>	<u>1,229,669</u>
Total return on investments	<u>\$ (385,035)</u>	<u>\$ 1,508,904</u>
As reported in the statement of activities		
Current operations		
Investment return designated for current operations	\$ 74,589	\$ 76,767
Non-operating activities		
Investment gain (loss), net of amount designated for current operations	(125,005)	31,046
Investment gain (loss) on endowment	(84,773)	381,679
Changes in donor restricted net assets		
Investment gain (loss) on endowment	<u>(249,846)</u>	<u>1,019,412</u>
Total return on investments	<u>\$ (385,035)</u>	<u>\$ 1,508,904</u>

THE AMERICAN IRELAND FUND
Notes to Financial Statements
December 31, 2018 and 2017

5. FAIR VALUE MEASUREMENTS

The Fund follows the provisions for fair value measurements as outlined in generally accepted accounting principles where fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value accounting establishes 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 or liabilities (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 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth the Fund's financial assets that were accounted for at fair value on a recurring basis by level within the fair value hierarchy:

Description	December 31, 2018	
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. government obligations	\$ 731,292	\$ -
Corporate bonds	-	2,932,538
Mutual funds	696,258	-
Equity securities	6,988,776	-
Money market funds	788,757	-
	<u>\$ 9,205,083</u>	<u>\$ 2,932,538</u>

THE AMERICAN IRELAND FUND
Notes to Financial Statements
December 31, 2018 and 2017

Description	December 31, 2017	
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. government obligations	\$ 787,819	\$ -
Corporate bonds	-	2,251,094
Mutual funds	877,597	-
Equity securities	7,166,686	-
Money market funds	930,133	-
	<u>\$ 9,762,235</u>	<u>\$ 2,251,094</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable, as presented in the accompanying Statements of Financial Position, consisted of the following unconditional promises to give as of December 31:

	2018	2017
Amounts due		
Within one year	\$ 1,512,216	\$ 874,490
Between one and five years	<u>380,000</u>	<u>446,722</u>
	1,892,216	1,321,212
Less: unamortized discount	<u>(21,550)</u>	<u>(29,739)</u>
Net unconditional promises to give	<u>\$ 1,870,666</u>	<u>\$ 1,291,473</u>

The discount rates used in measuring the present value of these contribution receivables range from 0.95% to 2.49%.

7. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at December 31:

	2018	2017
Computer equipment	\$ 63,128	\$ 63,128
Furniture and fixtures	107,252	107,252
Software	<u>2,523</u>	<u>2,523</u>
	172,903	172,903
Accumulated depreciation	<u>(116,287)</u>	<u>(100,783)</u>
Net furniture and equipment	<u>\$ 56,616</u>	<u>\$ 72,120</u>

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Notes to Financial Statements
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Depreciation expense recorded in the Statement of Activities is \$15,504 and \$16,924 in 2018 and 2017, respectively.

8. LIFE INSURANCE PROGRAM

The Fund and members of its Board of Directors approved a program to purchase life insurance policies for up to 28 board members in the form of a maximum of 14 policies, each insuring two board members. The face value of the one policy currently in force as of December 31, 2017 and 2018 was \$291,000. The Fund is the sole beneficiary of the proceeds upon the death of the last surviving director under the policy. One-time premiums for these policies are shared equally by the board members. The amounts received for Trustee premiums are reflected as contributions when received. Premium payments, if any, are reflected as management and general expense as incurred. Proceeds from these policies will be recognized as revenue upon receipt by the Fund.

Since inception of the program, four insurance policies were contributed to the Fund with a total face value of \$1,295,760. The total cash surrender value of all policies is \$499,606 and \$512,973 at December 31, 2018 and 2017, respectively, and is reflected as cash surrender value of life insurance policies in the accompanying Statements of Financial Position.

9. CONTRIBUTIONS OF ART WORK

During 2018, the Fund received a collection of art works with an appraised value of \$40,000 and signed a Loan, Display and Scholarly Use Agreement for 3 years with the College of the Holy and Undivided Trinity of Queen Elizabeth. During 2018, the Fund also received a literary publication with an appraised value of \$22,500 and signed a Loan and Use Agreement with University College Dublin. During 2017, the Fund received literary publications with an appraised value of \$16,800 on the date of gift acceptance. The Fund signed a Loan and Display agreement for 3 years with University College Dublin for purposes of public display.

10. GRANT AWARDS

Grants awarded by the Fund vary in amounts according to the needs of each recipient organization. Grants awarded are classified as program services in the accompanying Statement of Activities and totaled \$20,153,964 for 2018 and \$27,232,325 for 2017.

Grants awarded and unpaid at December 31, 2018 and 2017 totaled \$7,128,280 and \$9,017,256, respectively, and are included in grants payable in the accompanying Statements of Financial Position.

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Notes to Financial Statements
December 31, 2018 and 2017

11. ENDOWMENTS

The Fund's endowment consists of funds established for the purpose of creating unencumbered funds that will provide annual monies to support the ongoing work of The American Ireland Fund in Ireland and worldwide. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as quasi-endowments.

Interpretation of Relevant Law

Under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Board of Directors is permitted to determine a prudent payout amount, even if the market value of the fund is below the historic-dollar-value. There is an expectation that, over time, the donor restricted corpus amount will generally remain intact. The remaining portion of the donor-restricted endowment fund represents net appreciation and is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Fund in a manner consistent with the Fund's spending policy.

Underwater Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are reported by a charge to net assets without donor restrictions and a corresponding increase to net assets with donor restrictions. There were no such deficiencies as of December 31, 2018 or December 31, 2017.

Endowment Investment Policy

The Fund has adopted an investment philosophy that attempts to provide long-term returns that match or exceed the specified minimum obligations of the endowment, provide growth at a rate in excess of inflation and to diversify the endowment assets in order to reduce the risk of incurring large losses or wide swings in market value from year to year and to achieve investment results over the long term that compare favorably with those of foundations and of appropriate market indexes. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Strategies Employed for Achieving Objectives

The primary objective is to utilize a total return approach with a cross section of investments that combine income and dividend growth for inflation protection, and earnings growth for wealth accumulation.

Spending Policy

The spending policy for the endowment fund requires that the fund (including Board designated funds) reach a balance of \$10 million prior to distribution of any earnings. Distributions from earnings will be made using the total return method. Although the fund exceeded \$10 million in fiscal year 2017 and 2018, the Board determined that there would be no amounts appropriated in fiscal year 2017. As it relates to fiscal year 2018, \$500,000 was authorized by the Board and appropriated in 2018.

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Notes to Financial Statements
December 31, 2018 and 2017

The Fund's Board of Directors has approved a spending policy for the non-endowment investments whereby a predetermined amount (defined at 5% of the average three previous years investment balance) of investment income earned by these investments is appropriated to fund current operations. Investment return designated for operations, as reflected in the accompanying Statements of Activities, reflects a 5% return based on the Fund's three year average non-endowment investment balance.

	As of December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 7,520,628	\$ 7,520,628
Board-designated funds	<u>2,364,851</u>	<u>-</u>	<u>2,364,851</u>
Total funds	<u>\$ 2,364,851</u>	<u>\$ 7,520,628</u>	<u>\$ 9,885,479</u>

	As of December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 7,370,456	\$ 7,370,456
Board-designated funds	<u>2,949,624</u>	<u>-</u>	<u>2,949,624</u>
Total funds	<u>\$ 2,949,624</u>	<u>\$ 7,370,456</u>	<u>\$ 10,320,080</u>

Endowment Fund Activity

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,949,624	\$ 7,370,456	\$ 10,320,080
Investment return			
Investment income	37,109	110,346	147,455
Net appreciation	<u>(121,883)</u>	<u>(360,173)</u>	<u>(482,056)</u>
Total investment return	(84,774)	(249,827)	(334,601)
Contributions to endowment	-	400,000	400,000
Appropriation of investment return for operations	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Net assets, end of year	<u>\$ 2,364,851</u>	<u>\$ 7,520,629</u>	<u>\$ 9,885,479</u>

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Endowment Fund Activity

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,567,945	\$ 5,046,044	\$ 7,613,989
Investment return			
Investment income	33,975	91,853	125,828
Net appreciation	<u>347,704</u>	<u>927,559</u>	<u>1,275,263</u>
Total investment return	381,679	1,019,412	1,401,091
Contributions to endowment	<u>-</u>	<u>1,305,000</u>	<u>1,305,000</u>
Net assets, end of year	<u>\$ 2,949,624</u>	<u>\$ 7,370,456</u>	<u>\$ 10,320,080</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

The Fund's net assets with donor restrictions are available for and consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Net assets with donor restrictions:		
Contributions receivable, net	\$ 1,870,666	\$ 1,291,472
Appreciation on endowment	2,515,981	2,765,809
Endowment	<u>5,004,647</u>	<u>4,604,647</u>
Total	<u>\$ 9,391,294</u>	<u>\$ 8,661,928</u>

Net assets released from donor restrictions were \$663,951 and \$1,018,728 for the years ended December 31, 2018 and 2017, respectively. The releases were all based on satisfaction of time restrictions.

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13. NATURAL AND FUNCTIONAL EXPENSES

Natural and functional expenses for the year ended December 31, 2018 were as follows:

	Program Activities	Supporting Activities			Total Expenses
	Programs Subtotal	Management and General	Fundraising	Support Subtotal	
Grant awards	\$ 20,153,964	\$ -	\$ -	\$ -	\$ 20,153,964
Salaries and benefits	889,152	1,255,715	1,297,827	2,553,542	3,442,694
Grant recipient support	659,879	64,500	-	64,500	724,379
Professional fees	423,691	874,067	225,053	1,099,120	1,522,811
Conference	389,974	-	-	-	389,974
Rent	100,379	100,379	100,379	200,758	301,137
Office expenses	102,474	102,474	102,474	204,948	307,422
Printing and publications	123,720	26,511	26,511	53,022	176,742
Travel and development	45,031	45,031	45,031	90,062	135,093
Insurance	14,023	14,023	14,023	28,046	42,069
IT Development costs	10,578	10,578	10,578	21,156	31,734
Taxes and filing fees	10,245	10,245	10,245	20,490	30,735
Depreciation expense	5,168	5,168	5,168	10,336	15,504
Total expenses	\$ 22,928,278	\$ 2,508,691	\$ 1,837,289	\$ 4,345,980	\$ 27,274,258

14. EMPLOYEE BENEFITS

The Fund sponsors a qualified 401(k) retirement plan (the “Plan”) covering substantially all of its employees over the age of 21. Employees may set aside a portion of their income through salary deductions on a before-tax basis up to the deferral limit as specified by the Internal Revenue Service.

The Fund also contributes ten percent of each employee’s annual salary to this plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA). Costs of the Plan, in the form of contributions, totaled \$213,450 in 2018 and \$227,593 in 2017.

15. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Fund leases certain office space under non-cancelable leases. Total rental expense under such arrangements amounted to \$298,648 in 2018 and \$293,462 in 2017.

The Fund entered into a facility lease agreement for office space which commenced August 2016 and expires December 31, 2021. The Fund has the option to extend the lease for a period of five years at the fair market rate at the time of renewal.

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Future minimum lease rentals are as follows:

Years Ending December 31,

2019	\$	277,281
2020		160,122
2021		157,964
2022		<u>-</u>
	\$	<u>595,367</u>

16. SUBSEQUENT EVENTS

The Funds has evaluated subsequent events through July 10, 2019, the date that the financial statements were available for issuance.