WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

SEPTEMBER 30, 2018 AND 2017

TABLE OF CONTENTS

PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
White Ash Broadcasting, Inc.
Fresno, California

We have audited the accompanying financial statements of White Ash Broadcasting, Inc. (the Organization), a nonprofit organization, which comprise the statements of financial position as of September 30, 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 Organization'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 Organization'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.

677 Scott Avenue
Clovis, CA 93612

tel 559.299.9540
fax 559.299.2344

www.ppcpas.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Ash Broadcasting, Inc., as of September 30, 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.

Price Paige & Company

Clovis, California
February 11, 2019

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 783,956	$ 551,355
Pledges receivable, net	321,228	301,464
Prepaid expenses	40,697	72,605
Total current assets	1,145,881	925,424
Long-term assets:		
Pledges receivable, net	10,347	93,445
Investments	705,920	375,220
Property and equipment, net	3,914,733	4,160,831
Total long-term assets	4,631,000	4,629,496
Total assets	$ 5,776,881	$ 5,554,920
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 7,798	$ 7,197
Vacation payable	40,541	48,805
Other accrued expenses	15,173	15,019
Unearned revenue	9,600	9,600
Note payable, current portion	36,515	40,096
Total current liabilities	109,627	120,717
Long-term liabilities:		
Note payable, long-term portion	1,298,987	1,533,313
Total long-term liabilities	1,298,987	1,533,313
Total liabilities	1,408,614	1,654,030
Net assets:		
Donor restricted:		
Temporarily	485,456	426,073
Permanently	478,494	280,748
Total donor restricted	963,950	706,821
Unrestricted:		
Designated by the Board for endowment	34,209	32,740
Undesignated	3,370,108	3,161,329
Total unrestricted	3,404,317	3,194,069
Total net assets	4,368,267	3,900,890
Total liabilities and net assets	$ 5,776,881	$ 5,554,920

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

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Restricted		
	Unrestricted	Temporarily	Permanently	Total
Revenues and support:				
Contributions	$ 1,267,480	$ 151,438	$ 197,746	$ 1,616,664
Grants	163,367	513,774	-	677,141
Special events	181,550	-	-	181,550
Realized and unrealized gain/(loss)	1,469	27,661	-	29,130
Interest and dividend income	3,059		-	3,059
Other income	17,723	-	-	17,723
Total revenues and support before net assets released from restrictions	1,634,648	692,873	197,746	2,525,267
Net assets released from restrictions	633,490	(633,490)	-	-
Total revenues and support after reclassification of net assets released from restrictions	2,268,138	59,383	197,746	2,525,267
Expenses and gains/losses:				
Program services:				
Programming and production	875,311	-	-	875,311
Broadcasting and technical	614,791	-	-	614,791
Public information	228,954	-	-	228,954
Total program expenses	1,719,056	-	-	1,719,056
Supporting services:				
General administration	138,477	-	-	138,477
Fundraising and membership development	193,724	-	-	193,724
Total supporting expenses	332,201	-	-	332,201
Gains/losses:				
Loss on uncollectable pledges	6,633	-	-	6,633
Total gains/losses	6,633	-	-	6,633
Total expenses and gains/losses	2,057,890	-	-	2,057,890
Changes in net assets	210,248	59,383	197,746	467,377
Net assets, beginning of year	3,194,069	426,073	280,748	3,900,890
Net assets, end of year	$ 3,404,317	$ 485,456	$ 478,494	$ 4,368,267

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Restricted Temporarily	Restricted Permanently	Total
Revenues and support:				
Contributions	$ 1,230,405	$ 60,580	$ 9,815	$ 1,300,800
Grants	164,096	403,646	-	567,742
Special events	163,900	-	-	163,900
Realized and unrealized gain/(loss)	2,720	38,054	-	40,774
Interest and dividend income	603	-	-	603
Other income	15,883	-	-	15,883
Total revenues and support before net assets released from restrictions	1,577,607	502,280	9,815	2,089,702
Net assets released from restrictions	583,091	(583,091)	-	-
Total revenues and support after reclassification of net assets released from restrictions	2,160,698	(80,811)	9,815	2,089,702
Expenses and gains/losses:				
Program services:				
Programming and production	845,031	-	-	845,031
Broadcasting and technical	756,698	-	-	756,698
Public information	204,979	-	-	204,979
Total program expenses	1,806,708	-	-	1,806,708
Supporting services:				
General administration	141,555	-	-	141,555
Fundraising and membership development	198,568	-	-	198,568
Total supporting expenses	340,123	-	-	340,123
Gains/losses:				
Gain on recovery of uncollectable pledges	(15,100)	-	-	(15,100)
Total gains/losses	(15,100)	-	-	(15,100)
Total expenses and gains/losses	2,131,731	-	-	2,131,731
Changes in net assets	28,967	(80,811)	9,815	(42,029)
Net assets, beginning of year	3,165,102	506,884	270,933	3,942,919
Net assets, end of year	$ 3,194,069	$ 426,073	$ 280,748	$ 3,900,890

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

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Contributions received	$ 1,861,548	$ 1,563,966
Grants received	677,141	567,742
Payments to vendors	(769,169)	(824,707)
Payments to employees, including taxes and benefits	(940,266)	(1,026,697)
Payments on interest	(58,958)	(60,271)
Proceeds from interest and dividends	3,059	603
Other cash receipts	17,723	25,483
Net cash provided by operating activities	791,078	246,119
Cash flows from investing activities:		
Purchase of property and equipment	(19,000)	(14,035)
Purchase of investments	(496,204)	(82,375)
Proceeds from sale of investments	194,634	328,047
Net cash provided by (used in) investing activities	(320,570)	231,637
Cash flows from financing activities:		
Principal payments on note payable	(237,907)	(167,138)
Net cash used in financing activities	(237,907)	(167,138)
Net increase in cash	232,601	310,618
Cash, beginning of year	551,355	240,737
Cash, end of year	$ 783,956	$ 551,355
Reconciliation of changes in net assets to net operating cash flows:		
Changes in net assets	$ 467,377	$ (42,029)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	265,098	249,359
Gain/Loss on uncollectable pledges	(6,633)	15,100
Unrealized gain on investments	(29,130)	(40,774)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	69,967	84,166
(Increase) decrease in prepaid expenses	31,908	(12,131)
Increase (decrease) in accounts payable	601	(10,951)
Increase (decrease) in vacation payable	(8,264)	(5,355)
Increase (decrease) in other accrued expenses	154	(866)
Increase (decrease) in unearned revenue	-	9,600
Net cash provided by operating activities	$ 791,078	$ 246,119

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

White Ash Broadcasting, Inc. (the “Organization”) is a nonprofit corporation which operates public radio stations in Fresno and Bakersfield, California, under the call letters KVPR and KPRX.

Basis of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization reports 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.

The Organization classifies net assets for the presentation of its financial statements as follows:

> ***Unrestricted net assets*** include assets over which the Organization has full discretion as to use.
>
> ***Temporarily restricted net assets*** include contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at September 30, 2018 are composed of contributions received and receivable for the capital campaign, as well as contributions restricted to the purchase of equipment. Also included in temporarily restricted assets are realized and unrealized gains on individual endowment funds that have not been expended as stipulated by the donor.
>
> ***Permanently restricted net assets*** include assets that are restricted by the donor for investment in perpetuity, the income from which is available to support activities as stipulated by the donor. Losses from investments are recorded as decreases in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation. The uninsured portions of these balances were $605,843 and $262,126 as of September 30, 2018 and 2017, respectively.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities. The fair values of investments are based on quoted market prices. The Organization’s investment policy authorizes investments in United States government obligations, corporate bonds, common stock and mutual funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair market value at the date of the donation. The Organization's policy is to capitalize all purchases in excess of $2,500. Any purchases less than $2,500 for property and equipment are expensed through operations unless the items are to be kept for three years or more. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Radio equipment	3-15 years
Office furniture and fixtures	3-15 years
Leasehold improvements	3-15 years

Compensated Absences

The Organization accrues personal time off for its qualified employees. The Organization's policy allows for up to 216 hours per year of paid time off. Personal time off accrued has been recorded and is included in vacation payable at year-end.

Revenue Recognition

The Organization recognizes revenues when earned, regardless of the timing of cash receipts. Revenue is considered earned when the Organization has substantially met its obligation to be entitled to the benefits represented by the revenue. Deposits, advance payments and progress payments for programs or activities to be conducted primarily in the next fiscal year are classified as deferred revenues and are recognized as revenue only when the revenue-producing event has occurred.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions or grants received and expended in the same fiscal year are reported as temporarily restricted net assets and releases from restriction, respectively, in the statement of activities.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated In-Kind Services

Donated in-kind services are recognized as contributions if they significantly enhance non-financial assets or involve a professional service that would otherwise have been purchased and whose values can be objectively measured. Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2018 and 2017 were $2,938 and $624, respectively.

Income Taxes

The Organization has qualified as a nonprofit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501 (c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provide accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Fair Value of Financial Instruments

The Organization considers its cash, pledges receivable, prepaid expenses, accounts payable, vacation payable, other accrued expenses and unearned revenue to be short-term in nature, and therefore their fair value approximates their carrying values.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Organization. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return, which could be earned if such contributions have been made in the current year. The noncurrent portion of pledges receivable are related to the Capital Campaign. The Organization determines uncollectible pledges at an estimated amount based on management's estimate. The discount rate applied to arrive at net present value was 2%.

NOTE 2 – PLEDGES RECEIVABLE (Continued)

Total unconditional promises to give were as follows at September 30:

	2018	2017
Receivables in less than one year	$ 328,728	$ 307,464
Receivables in one to five years	13,025	99,950
Total	341,753	407,414
Less: Discount to net present value	(2,678)	(6,505)
Subtotal	339,075	400,909
Less: Allowance for uncollectible pledges	(7,500)	(6,000)
Net unconditional promises to give	$ 331,575	$ 394,909

NOTE 3 – INVESTMENTS

Investments include unrestricted, temporarily restricted and permanently restricted funds. The fair value of investments is as follows at September 30:

	2018	2017
Corporate bond funds	$ 233,847	$ 144,196
Equity funds	392,161	230,689
Money markets	338	335
Fixed income	79,574	-
Total	$ 705,920	$ 375,220

As stated in Note 1, income from permanently restricted net assets is available to support any activity. Therefore, the investment return increases the unrestricted net assets.

Investment return consists of the following at September 30:

	2018	2017
Investment earnings	$ 25,183	$ 16,311
Unrealized gain/(loss)	3,947	24,463
Total	$ 29,130	$ 40,774

NOTE 3 – INVESTMENTS (Continued)

Generally accepted accounting principles define fair value as 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. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations are for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations are for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. The Organization has no financial assets or liabilities of this category.

Level 3: Inputs are unobservable. Valuations are for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discount cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining fair value assigned to such assets or liabilities. The Organization has no financial assets or liabilities in this category.

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2018:

Description	Level 1	Level 2	Level 3
Equity Funds	$ 392,161	$ -	$ -
Bond Funds	233,847	-	-
Money Market	338	-	-
Fixed Income	79,574	-	-
	$ 705,920	$ -	$ -

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2017:

Description	Level 1	Level 2	Level 3
Equity Funds	$ 230,689	$ -	$ -
Bond Funds	144,196	-	-
Money Market	335	-	-
	$ 375,220	$ -	$ -

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	2018	2017
Land	$ 411,650	$ 411,650
Radio equipment	413,844	413,844
Office furniture and fixtures	56,849	56,849
Leasehold improvements	57,034	38,034
Buildings and Improvements	3,839,704	3,839,704
	4,779,081	4,760,081
Accumulated depreciation	(864,348)	(599,250)
Property and equipment, net	$ 3,914,733	$ 4,160,831

Depreciation expense for the years ended September 30, 2018 and 2017 was $265,098 and $249,359, respectively.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit agreement with a bank that provides for borrowings of up to $150,000 at the bank's prime rate. Any borrowings under this line are collateralized by the Organization's savings account, deposits, receivables and fixed assets. At September 30, 2018 and 2017, the Organization did not carry a balance on the line of credit. The Organization did not pay any interest for the year ended September 30, 2017 and 2016. The line expired in October 2018 and was renewed with comparable terms and a maturity date in October 2019.

NOTE 6 – NOTE PAYABLE

The Organization has a note payable to United Security Bank payable in monthly installment of $7,429 including interest at 3.95% secured by assets of the Organization. The note has a principal balance of $1,335,502 and $1,573,409 at September 30, 2018 and 2017, respectively.

Principal payments consist of the following for years ending September 30:

2019	$ 36,515
2020	37,681
2021	39,361
2022	40,997
2023	42,638
Thereafter	1,138,310
Total	$ 1,335,502

Total interest expense on the note payable was $58,958 and $65,822 for the years ended September 30, 2018 and 2017, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	2018	2017
Capital campaign	$ 99,992	$ 190,479
Program services	385,464	235,594
Total temporarily restricted net assets	$ 485,456	$ 426,073

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors and by receipt of pledges receivable as described in Note 1.

NOTE 8 – ENDOWMENTS

Generally accepted accounting principles provide guidance on the net asset classification of donor restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Organization's endowment consists of approximately six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as 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. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

NOTE 8 – ENDOWMENTS (Continued)

Endowment Net Asset Computation by Type of Fund

Endowment net assets consist of the following at September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 122,915	$ 478,494	$ 601,409
Board-designated endowment funds	34,209	-	-	34,209
Total endowed net assets	$ 34,209	$ 122,915	$ 478,494	$ 635,618

Endowment net assets consisted of the following at September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 95,254	$ 280,748	$ 376,002
Board-designated endowment funds	32,740	-	-	32,740
Total endowed net assets	$ 32,740	$ 95,254	$ 280,748	$ 408,742

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2017	$ 32,740	$ 95,254	$ 280,748	$ 408,742
Investment return:				
Investment income	1,469	3,618	-	5,087
Net appreciation (depreciation)	-	24,043	-	24,043
Total investment return	1,469	27,661	-	29,130
Contributions	-	-	197,746	197,746
Endowment net assets, September 30, 2018	$ 34,209	$ 122,915	$ 478,494	$ 635,618

NOTE 8 – ENDOWMENTS (Continued)

Changes in Endowment Net Assets (Continued)

The following schedule shows changes in endowment net assets for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2016	$ 29,120	$ 57,200	$ 270,933	$ 357,253
Investment return:				
Investment income	949	15,361	-	16,310
Net appreciation (depreciation)	1,771	22,693	-	24,464
Total investment return	2,720	38,054	-	40,774
Contributions	900	-	9,815	10,715
Endowment net assets, September 30, 2017	$ 32,740	$ 95,254	$ 280,748	$ 408,742

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets

The following schedule shows the balances at September 30:

	2018	2017
PERMANENTLY RESTRICTED NET ASSETS		
The portion of perpetual endowment funds that is required to be retained either by explicit donor stipulation or by UPMIFA	$ 478,494	$ 280,748
Total endowment funds classified as permanently restricted net assets	$ 478,494	$ 280,748
TEMPORARILY RESTRICTED NET ASSETS		
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA	$ 122,915	$ 95,254
Total endowment funds classified as temporarily restricted net assets	$ 122,915	$ 95,254

NOTE 8 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets.

Return Objectives 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, as well as board-designated funds. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The investment committee meets quarterly to assess the investment assets and the returns from the assets. As of September 30, 2018, the Organization had an investment policy of approximately 60% bonds, 40% stocks in order to be conservative in an uncertain market.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year fifty percent of earnings, based on the fiscal year-end account value. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from September 30, 2018 through the date the financial statements were available to be issued at February 11, 2019 that would require additional disclosure or adjustment.