

St. Vincent and Sarah Fisher Center

**Financial Statements
December 31, 2016**

**With Comparative Totals
For the Year Ended December 31, 2015**

St. Vincent and Sarah Fisher Center
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December 31, 2016

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Independent Auditors' Report

To the Board of Trustees
St. Vincent and Sarah Fisher Center
Detroit, Michigan

We have audited the accompanying financial statements of St. Vincent and Sarah Fisher Center (a nonprofit corporation), which comprise of the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Vincent and Sarah Fisher Center as of December 31, 2016, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the St. Vincent and Sarah Fisher Center 2015 financial statements, and our report dated August 24, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cole, Newton & Duran



Livonia, Michigan
August 30, 2017

St. Vincent and Sarah Fisher Center
Statements of Financial Position
December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

ASSETS

| | 2016 | 2015 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 243,431 | \$ 321,634 |
| Interest receivable | 7,228 | 7,559 |
| Accounts receivable | 1,665 | 51,346 |
| Rent credit | - | 57,043 |
| Prepaid expenses | 67,851 | 64,073 |
| Total Current Assets | 320,175 | 501,655 |
| FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION | 1,241 | - |
| OTHER ASSETS | | |
| Investments | 8,232,226 | 7,764,065 |
| Total Assets | \$ 8,553,642 | \$ 8,265,720 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 9,827 | \$ 7,897 |
| Accrued expenses | 61,246 | 58,513 |
| Total Current Liabilities | 71,073 | 66,410 |
| NET ASSETS | | |
| Unrestricted: | | |
| Unrestricted | 3,904,140 | 3,928,722 |
| Board designated for operations | 2,594,917 | 2,270,020 |
| Board designated endowment | 1,941,489 | 1,941,489 |
| Total unrestricted | 8,440,546 | 8,140,231 |
| Temporarily restricted | 42,023 | 59,079 |
| Total Net Assets | 8,482,569 | 8,199,310 |
| Total Liabilities and Net Assets | \$ 8,553,642 | \$ 8,265,720 |

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statements of Activities and Changes in Net Assets
December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

| | 2016 | | 2015 | |
|--|---------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Totals | Totals |
| SUPPORT AND REVENUE | | | | |
| Contributions and bequests | \$ 190,205 | \$ 2,300 | \$ 192,505 | \$ 247,433 |
| Other income | 57,060 | - | 57,060 | 120,555 |
| Subtotal | 247,265 | 2,300 | 249,565 | 367,988 |
| Net assets released from restrictions | 20,271 | (20,271) | - | - |
| Total Support and Revenue | <u>267,536</u> | <u>(17,971)</u> | <u>249,565</u> | <u>367,988</u> |
| FUNCTIONAL EXPENSES | | | | |
| Program | 843,187 | - | 843,187 | 808,383 |
| Management and general | 65,421 | - | 65,421 | 85,856 |
| Fundraising | 84,378 | - | 84,378 | 89,345 |
| Total Expenses | <u>992,986</u> | <u>-</u> | <u>992,986</u> | <u>983,584</u> |
| Changes in Net Assets from Operations | (725,450) | (17,971) | (743,421) | (615,596) |
| Investment income (loss) | 1,025,765 | 915 | 1,026,680 | (60,948) |
| Increase (Decrease) in Net Assets | 300,315 | (17,056) | 283,259 | (676,544) |
| Net Assets at Beginning of Year | 8,140,231 | 59,079 | 8,199,310 | 8,875,854 |
| Net Assets at End of Year | <u>\$ 8,440,546</u> | <u>\$ 42,023</u> | <u>\$ 8,482,569</u> | <u>\$ 8,199,310</u> |

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statements of Functional Expenses
December 31, 2016
With Comparative Totals for December 31, 2015

| | 2016 | | | 2015 | |
|--|--------------------------|---------------------------|-------------------------|--------------------------|--------------------------|
| | Program Services | Management and General | Fundraising | Totals | Totals |
| Salaries and wages | \$ 501,159 | \$ 28,723 | \$ 45,420 | \$ 575,302 | \$ 586,635 |
| Employee health benefits | 59,642 | 2,482 | 561 | 62,685 | 56,423 |
| Employee retirement benefits | 24,546 | 1,804 | 675 | 27,025 | 23,029 |
| Payroll taxes and workers' compensation | <u>39,566</u> | <u>2,393</u> | <u>3,695</u> | <u>45,654</u> | <u>45,147</u> |
| Total Salaries and Related Expenses | 624,913 | 35,402 | 50,351 | 710,666 | 711,234 |
| Occupancy | 91,955 | 1,732 | 2,503 | 96,190 | 63,247 |
| Supplies | 27,492 | 1,305 | 5,798 | 34,595 | 41,237 |
| Professional fees | 51,257 | 20,028 | 16,197 | 87,482 | 101,034 |
| Local transportation | 10,488 | 567 | 650 | 11,705 | 11,281 |
| Telephone | 6,273 | 636 | 387 | 7,296 | 6,484 |
| Specific assistance to individuals | 4,540 | - | - | 4,540 | 4,276 |
| Subscriptions and publications | 366 | 9 | 10 | 385 | 1,295 |
| Conferences, conventions and meetings | 3,258 | 180 | 1,208 | 4,646 | 1,155 |
| Membership fees | 818 | 140 | 300 | 1,258 | 1,079 |
| Postage and shipping | 418 | 2,025 | 2,910 | 5,353 | 8,709 |
| Outside printing | 7 | 1,998 | 2,286 | 4,291 | 9,092 |
| Bonds and insurance | 20,727 | 932 | 1,630 | 23,289 | 22,260 |
| Depreciation | 138 | - | - | 138 | - |
| Miscellaneous | <u>537</u> | <u>467</u> | <u>148</u> | <u>1,152</u> | <u>1,201</u> |
| Total Expenses | <u>\$ 843,187</u> | <u>\$ 65,421</u> | <u>\$ 84,378</u> | <u>\$ 992,986</u> | <u>\$ 983,584</u> |

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Statements of Cash Flows
December 31, 2016
With Comparative Totals for December 31, 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 283,259 | \$ (676,544) |
| Adjustments to reconcile net assets to net cash from operating activities: | | |
| Unrealized (gains) losses on investments | (729,300) | 688,170 |
| Depreciation | 138 | - |
| (Increase) decrease in assets: | | |
| Interest receivable | 331 | 1,651 |
| Accounts receivable | 49,681 | (47,494) |
| Rent credit | 57,043 | (57,043) |
| Prepaid expenses | (3,778) | 17,674 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 1,930 | (32,507) |
| Accrued expenses | 2,733 | (910) |
| Deferred revenue | - | (52) |
| | (337,963) | (107,055) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 1,894,615 | 1,392,478 |
| Purchase of investments | (1,633,476) | (1,280,240) |
| Purchase of equipment | (1,379) | - |
| | 259,760 | 112,238 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (78,203) | 5,183 |
| Cash and Cash Equivalents at Beginning of Year | 321,634 | 316,451 |
| Cash and Cash Equivalents at End of Year | \$ 243,431 | \$ 321,634 |
| Supplemental disclosure: | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for income taxes | \$ - | \$ - |

See Notes to the Financial Statements

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and nature of activities

The St. Vincent and Sarah Fisher Center (the Center) is a nonprofit entity whose mission is to provide education and skill development opportunities for at-risk children and families in the City of Detroit. The Center derives its revenue primarily from contributions and investment income.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation

Financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. The Center 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. Contributions and income received by the Center are held in various funds which are classified as follows:

Unrestricted net assets consist of resources that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets consist of resources of which the use by the Center is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

Permanently restricted net assets consist of beneficial interest in perpetual trusts and funds created by donors. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks, plus short-term investments that are readily convertible to cash, as well as investments with original maturities of three months or less. However, short-term investments with maturities at the date of purchase of three months or less, which are subject to investment management direction, are treated as investments rather than cash.

Accounts receivable

The Center currently provides all services free of charge. The Center occasionally records receivables from grants or other activities. Management is of the opinion that all receivables will be collected and uses the direct write-off method to recognize any bad debt.

Furniture and equipment

All furniture and equipment expenditures over \$1,000 are capitalized at cost and donated equipment is recorded at fair market value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Furniture and equipment purchased with temporarily restricted funds are released from restriction as depreciation is recognized over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are charged to expense as incurred.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, are measured at fair value that is determined based on quoted market prices. Investment income is reported below operating income based on the classification of the asset, unrestricted or temporarily restricted.

St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. All donations are recorded at fair value when received. Donor restricted balances are associated with resources contributed by donors, and the Center is obligated to use these funds for purposes designated by them.

The Center, on occasion, is the beneficiary under various wills, the amounts of which cannot be estimated. The Center's share of such bequests is recorded when the proceeds are determinable.

In-kind donations of materials are recorded as both contributions and expenditures at fair value when received. During the years ended December 31, 2016, and 2015, were \$1,896 and \$700, respectively.

Donated services

A substantial number of volunteers have donated significant amounts of time to the Center's program services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not-for-Profit Entities Topic of the FASB ASC.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statement of functional expenses. Indirect costs have been allocated between the program and supporting services based on estimates by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Tax status

The Center is exempt from federal income taxes under §501(c)(3) of the U.S. Internal Revenue Code. The Internal Revenue Service has classified the Center as an organization that is not a private foundation. The Center is no longer subject to U.S. federal tax examinations by tax authorities for years before 2013. Management has evaluated FASB ASC 740, *Income Taxes*, and has concluded it has no uncertain tax positions.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 – Concentration of Credit Risk and Contingencies

Cash and investments

The Federal Deposit Insurance Corporation (FDIC) insures balances up to \$250,000 in any one financial institution. At times during the year, balances on deposit in any one financial institution may exceed the insured amount. Funds held in brokerage accounts are not covered by the FDIC, but are covered by the Securities Investor Protection Corporation, which insures certain cash claims up to \$250,000. The Center has not experienced any losses with respect to uninsured deposits.

**St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 2 – Concentration of Credit Risk and Contingencies (continued)

Accounts receivable

As of December 31, 2016, and 2015, no allowance for uncollectible receivables have been recorded as all receivables were deemed collectible. As of December 31, 2016, there were no significant concentrations of accounts receivable. As of December 31, 2015, \$47,901 of the total receivables were due from a single source, related to a reimbursement grant. This amount was considered a significant concentration of accounts receivable, comprising of 93% of the receivable balance. The full amount of the grant was received in 2016.

Revenue

The Center receives a portion of its revenues from certain government grants that may be subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to the government entity. Until the reported costs have been audited and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 3 – Property and Equipment

At the years ended December 31, 2016, and 2015, furniture and equipment consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|-----------------|-----------------|
| Furniture and office equipment | \$ 25,840 | \$ 24,461 |
| Automotive equipment | 43,605 | 43,605 |
| | <u>69,445</u> | <u>68,066</u> |
| Less accumulated depreciation | <u>(68,204)</u> | <u>(68,066)</u> |
| Net furniture and equipment | <u>\$ 1,241</u> | <u>\$ -</u> |

NOTE 4 – Investments

Investments consisted of the following for the years ended December 31, 2016, and 2015:

| | <u>2016</u> | | <u>2015</u> | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>FMV</u> | <u>Cost</u> | <u>FMV</u> |
| Cash and money market funds | \$ 158,333 | \$ 158,333 | \$ 483,729 | \$ 483,729 |
| Fixed income | 2,534,886 | 2,509,688 | 2,385,309 | 2,371,852 |
| Equities | 3,693,485 | 5,564,205 | 3,823,501 | 4,908,484 |
| | <u>\$ 6,386,704</u> | <u>\$ 8,232,226</u> | <u>\$ 6,692,539</u> | <u>\$ 7,764,065</u> |

**St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 4 – Investments (continued)

Investment income (loss) for 2016, and 2015, is as follows:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|---------------------|--------------------|
| Interest and dividends | \$ 194,292 | \$ 152,881 |
| Realized gains (losses) | 148,481 | 520,634 |
| Unrealized gains (losses) | 729,300 | (688,170) |
| Management fees | <u>(45,393)</u> | <u>(46,293)</u> |
| | <u>\$ 1,026,680</u> | <u>\$ (60,948)</u> |

Investment Risks – Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values in the near term could materially affect the amounts reported in the accompanying financial statements.

NOTE 5 – Commitments

Building

A lease agreement for the period July 1, 2014, through June 30, 2017, was executed in August 2014. Monthly lease payments are \$6,050, which includes monthly utilities of \$350. The Center is responsible for maintenance of the lawn and landscaping, the cost of which will be shared with the landlord 50/50.

During September 2015, the Center amended the above lease agreement, due to building and construction renovations occurring during the course of the year. Due to the necessary renovations, the lease agreement was amended to reduce monthly rental payments to \$4,700 per month during the construction period, including a \$71,143 rental credit. The amended lease agreement also updated the term of the lease, ending June 2016 with an option to renew for an additional 12-month period. As of December 31, 2016, and 2015, the above rental credit amounted to \$0 and \$57,043, respectively.

Rent expense for the years ended December 31, 2016, and 2015, was \$68,400 and \$34,671, respectively.

NOTE 6 – Fair Value Measurements

The Center's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurement inputs consist of unadjusted quoted prices in active markets for identical, actual assets and have the highest priority. Management considers cash, cash equivalents (including Certificate of Deposits), publicly traded equities, U.S. Treasury securities, corporate bonds, and mutual funds to be Level 1 inputs.

**St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 6 – Fair Value Measurements (continued)

Level 2 Fair Value Measurement inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets in active markets. Quoted prices for identical or similar assets or liabilities in markets that are quoted at prices that are not immediately current, or when price quotations vary substantially either over time or among market makers for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 Fair Value Measurement inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Center's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

As of December 31, 2016, and 2015, management considers all investments of the Center to be Level 1 in the fair value hierarchy. During the years ended December 31, 2016, and 2015, there were no transfers between levels.

NOTE 7 – Employee Benefit Plan

The Center maintains a Safe Harbor 401(k) (the 401(k) plan), which covers substantially all employees. The Center matches one half of employee contributions to the 401(k) plan, up to 5% of the employee's wages. The Center also contributes 3% of each participating employee's wages to the Plan. The total contributions charged to expense during the years ended December 31, 2016, and 2015, were \$27,025 and \$23,029, respectively.

NOTE 8 – Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 9 – Restrictions on Net Assets

Temporarily Restricted

As of December 31, 2016, and 2015, temporarily restricted net assets were restricted as follows:

| | 2016 | 2015 |
|------------------------|------------------|------------------|
| Sarah Fisher Auxilary | \$ 5,661 | \$ 8,893 |
| Mission Awareness | 335 | 335 |
| Educational Enrichment | 32,385 | 32,385 |
| Family Outreach | 627 | 627 |
| Volunteers | 2,039 | - |
| Other activities | 976 | 16,839 |
| | <u>\$ 42,023</u> | <u>\$ 59,079</u> |

**St. Vincent and Sarah Fisher Center
Notes to the Financial Statements
December 31, 2016 and 2015**

NOTE 9 – Restrictions on Net Assets (continued)

Board Designated Endowment

The board of trustees has designated funds for endowment in the amount of \$1,941,489. FASB ASC Topic 948-205 provides guidance about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). While not donor-restricted, the board of trustees intends the funds to be permanent and manages them accordingly.

Board designated endowment fund activities for 2016, and 2015, are as follows:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-------------|-------------|
| Investment Return | | |
| Investment income | \$ 83,356 | \$ 149,155 |
| Net appreciation (depreciation) | 177,184 | (163,649) |
| Total investment return | 260,540 | (14,494) |
| Amount appropriated for (expenditure) | (260,540) | - |
| Amount designated for endowment fund | | 14,494 |
| Total change in endowment funds | <u>\$ -</u> | <u>\$ -</u> |

Endowment Investment and Spending Policies

The board of trustees has adopted investment and spending policies for endowment assets (and all its investments) so that a maximum total rate of return will be realized given a level of risk consistent with the preservation of capital and anticipated future cash flow requirements. The objectives of this policy are to be accomplished utilizing a balanced strategy of equities, fixed income securities, and cash equivalents in a mix which is conducive to participation in rising markets while allowing for adequate protection in falling markets. Recommended portfolio asset allocation is as follows:

| | |
|--------------------|-----|
| Equity Investments | 55% |
| Fixed Income | 40% |
| Cash | 5% |

The portfolio is diversified among economic sectors. The Center's investment policy recommends that no industry accounts for more than 20% and no issue accounts for more than 5% of the equity portfolio. In addition, the policy recommends that no issue accounts for more than 5% of the fixed income portfolio, with the exception of U.S. Treasury and government agency securities.

Continuous portfolio management is facilitated by the investment manager and monitored by the investment committee.

The spending policy is based on a formal annual budget approved by the board of trustees. As the Center does not charge for its services, and has limited revenue from contributions, it depends on investment earnings to provide a predictable stream of funding for its programs.