INTERNATIONAL SAMARITAN AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

INTERNATIONAL SAMARITAN AND SUBSIDIARY

TABLE OF CONTENTS

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of International Samaritan and Subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Samaritan and Subsidiary (Ohio not-for-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Samaritan and Subsidiary as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
June 7, 2019

INTERNATIONAL SAMARITAN AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	**$ 1,539,285**	$ 356,620
Accounts receivable	**1,751**	-
Pledges receivable, current portion	**1,135,000**	1,122,000
Prepaid expenses	**122,700**	106,521
Total current assets	**2,798,736**	1,585,141
Pledges receivable, net	**1,907,020**	2,927,095
Investments	**19,138,290**	21,713,465
Cash surrender value - life insurance policy	**65,228**	32,354
Property and equipment, net	**352,285**	574,635
Total assets	**$ 24,261,559**	$ 26,832,690
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 18,002**	$ 17,232
Accrued expense	**-**	34,550
Accrued payroll	**31,135**	22,216
Deposits	**319,050**	249,620
Total liabilities	**368,187**	323,618
NET ASSETS		
Without donor restrictions		
Undesignated	**4,104,588**	3,622,814
Board-designated for endowment	**19,138,290**	21,713,465
Total unrestricted net assets	**23,242,878**	25,336,279
With donor restrictions	**650,494**	1,172,793
Total net assets	**23,893,372**	26,509,072
Total liabilities and net assets	**$ 24,261,559**	$ 26,832,690

See notes to consolidated financial statements.

INTERNATIONAL SAMARITAN AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2018 (with comparative totals for year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
REVENUES AND SUPPORT				
Donations				
Public	$ 348,319	70,150	**$ 418,469**	$ 6,302,701
Service immersion	-	70,000	**70,000**	73,308
Direct education program – service immersion income	707,612	-	**707,612**	811,756
Net investment return	(1,778,451)	-	**(1,778,451)**	2,705,363
In-kind contributions	120,195	-	**120,195**	161,448
Interest income	225	-	**225**	205
Other income	-	-	**-**	4,938
Gain on sale of assets	113,433	-	**113,433**	-
Total revenues and support	(488,667)	140,150	**(348,517)**	10,059,719
Net assets released from restrictions	662,449	(662,449)	**-**	-
	173,782	(522,299)	**(348,517)**	10,059,719
EXPENSES				
Program services	1,902,386	-	**1,902,386**	1,846,230
Fundraising activities	67,212	-	**67,212**	129,262
Administrative	297,585	-	**297,585**	276,725
Total expenses	2,267,183	-	**2,267,183**	2,252,217
Change in net assets	(2,093,401)	(522,299)	**(2,615,700)**	7,807,502
Net assets, beginning of year	25,336,279	1,172,793	**26,509,072**	18,701,570
Net assets, end of year	$ 23,242,878	$ 650,494	**$ 23,893,372**	$ 26,509,072

INTERNATIONAL SAMARITAN AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2018 (with comparative totals for year ended December 31, 2017)

	Program Services					Supporting Services				
	Scholarships	**Service Trips**	**Capital Improvements**	**Other Programs**	**Total Program**	**Administrative Expenses**	**Fundraising Activities**	**Total Supporting**	**2018 Total**	**2017 Total**
Payroll and related	$ 303,437	$ 60,687	$ 36,412	$ 4,046	$ 404,582	$ 49,394	$ 57,160	$ 106,554	**$ 511,136**	$ 494,064
Grants and special assistance	484,304	11,886	103,633	26,345	626,168	-	-	-	**626,168**	422,778
Office	56,122	11,224	6,735	748	74,829	74,829	-	74,829	**149,658**	185,289
Travel	-	-	-	-	-	-	10,052	10,052	**10,052**	35,044
Direct education program – service immersion	-	631,581	-	-	631,581	-	-	-	**631,581**	753,820
Professional services	25,913	5,183	3,110	344	34,550	56,533	-	56,533	**91,083**	68,348
Life insurance premiums	-	-	-	-	-	13,149	-	13,149	**13,149**	16,184
In-kind	3,000	93,789	-	-	96,789	-	-	-	**96,789**	109,892
Depreciation and amortization	-	-	-	-	-	25,885	-	25,885	**25,885**	26,189
Conference and meetings	-	-	-	-	-	22,053	-	22,053	**22,053**	18,378
Contract services	17,783	3,557	2,134	236	23,710	-	-	-	**23,710**	44,856
Occupancy	-	-	-	-	-	55,742	-	55,742	**55,742**	76,078
Medical reimbursements	7,374	1,475	885	98	9,832	-	-	-	**9,832**	-
Miscellaneous	-	-	-	345	345	-	-	-	**345**	1,297
Total expenses	$ 897,933	$ 819,382	$ 152,909	$ 32,162	$ 1,902,386	$ 297,585	$ 67,212	$ 364,797	**$ 2,267,183**	$ 2,252,217

See notes to consolidated financial statements.

INTERNATIONAL SAMARITAN AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2018	2017
OPERATING ACTIVITIES		
Change in net assets	**$ (2,615,700)**	$ 7,807,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**25,885**	26,189
Non-cash stock contribution	**(23,406)**	(51,556)
Unrealized loss (gain) on investments	**2,226,617**	(2,318,769)
Realized gain on investments	**(70,957)**	(67,706)
Gain of sale of assets	**(113,433)**	-
Increase in cash surrender value - life insurance policy	**(32,874)**	(26,973)
Change in operating assets and liabilities:		
Accounts receivable	**(1,751)**	9,004
Pledges receivable	**1,007,075**	(3,976,736)
Prepaid expenses	**(16,179)**	(39,928)
Accounts payable	**770**	(22,132)
Accrued payroll	**8,919**	10,489
Accrued expense	**(34,550)**	34,550
Deposits	**69,430**	(39,300)
Net cash provided by operating activities	**429,846**	1,344,634
INVESTING ACTIVITIES		
Proceeds from sale of assets	**347,148**	-
Purchase of property and equipment	**(37,247)**	(42,930)
Proceeds from sale of investments	**2,340,159**	706,804
Purchase of investments	**(1,897,241)**	(2,162,479)
Net cash provided by (used in) investing activities	**752,819**	(1,498,605)
Net change in cash	**1,182,665**	(153,971)
Cash, Beginning	**356,620**	510,591
Cash, Ending	**$ 1,539,285**	$ 356,620
NON-CASH INVESTING ACTIVITY		
Stock contributions	**$ 23,406**	$ 51,556

See notes to consolidated financial statements.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Organization

International Samaritan, ("International"), is a not-for-profit Ohio corporation incorporated on May 12, 1995. International's mission is to provide educational opportunities, improve living conditions, and raise consciousness of the living conditions in areas of severe poverty in foreign countries. International raised funds for an endowment fund to provide these services on a long-term basis.

On December 19, 2013, International established International Samaritan Foundation, LLC (the "Foundation"), a 100% controlled subsidiary. The purpose of the Foundation is to support the International.

The Organization's support and funding primarily comes from members of the Board of Trustees.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidated assets and liabilities, changes in net assets, and cash flows of the International and the Foundation (collectively, the "Organization"). All significant interrelated transactions have been eliminated in consolidation.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the FASB *Accounting Standards Codification (ASC)*.

The financial statements of the Association have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Concentrations and Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. Management has deemed this as a normal business risk.

The Organization's investments are held in a diversified portfolio with no concentrations of market risk. No other financial instruments expose the Organization to concentrations of credit risk or market risk.

The Organization receives a substantial portion of its revenue from a select number of individuals who are also members of the Organization. The Organization is aware that it will need to adjust its programs if a significant reduction of the current level of revenues occurs.

In addition, in 2017 the Organization received a significant portion of its funding from Board Trustees, accounting for approximately 78% of contribution revenue. Pledges receivable from Board Trustees was approximately 99% of total receivable each at December 31, 2018 and 2017.

Investments

The Organization records its investments in marketable equity securities in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevailing financial market information. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Accounts and Pledges Receivable and Allowance

Accounts and pledges receivable are stated net of an allowance for doubtful accounts. Management believes all receivables are collectible as the majority of the amounts due come from the board members. The Organization does not require collateral for its accounts or pledges receivable. There was no allowance for doubtful accounts for accounts and pledges receivable at December 31, 2018 and 2017.

Property and Equipment

Property and equipment purchased by the Organization is carried on its books at cost. Property and equipment donated to the Organization has been recorded at its estimated value at the date of receipt by the Organization. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of three to thirty-nine years.

Gains or losses from the sale of property and equipment are recorded in the consolidated statement of activities.

Long-Lived Assets

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Deposits

Deposits consist of monies received related to program events (mission trips to other countries) that will occur in the subsequent fiscal year.

Revenue Recognition

All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as revenue and support with donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Pledges receivable in the accompanying consolidated statement of financial position consist of unconditional promises to give, which are recorded at their net realizable value at the time the promises are received. These promises to give are reflected as either current or long-term pledges receivable on the consolidated statement of financial position.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Functional Expenses

The costs of providing program and support services are reported on a functional basis in the statements of functional expense. Direct identifiable expenses are charged to programs and supporting services accordingly. Common costs are allocated among program and supporting service activities on the basis of planned resource usage established by management. Certain expenses have been allocated between programs on various bases and estimates. Although methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Comparative Consolidated Financial Statements

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net assets 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 Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

International Samaritan and Subsidiary is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2018 and 2017, there were no uncertain tax positions that require accrual.

The Organization believes that it has been operating within its tax exempt status and has no unrelated business income.

Reclassifications

Certain 2017 amounts in the consolidated statements of financial position have been reclassified to 2018 presentations. The reclassifications had no effect on net assets. Specific reclassifications are net assets without donor restrictions.

Subsequent Events

The Organization has performed a review of events subsequent to the consolidated statement of financial position through June 7, 2019, the date the consolidated statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets	
Cash	$ 1,539,285
Accounts receivable	1,751
Pledge receivable, net	1,135,000
Total financial assets	$ 2,676,036

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date and amounts set aside for long-term investing in endowments.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are comprised of the following:

	December 31,	
	2018	2017
Receivable in less than one year	$ 1,135,000	$ 1,122,000
Receivable in one to five years	2,050,000	3,160,000
	3,185,000	4,282,000
Less discount to net present value	142,980	232,905
	$ 3,042,020	$ 4,049,095

The discount rate used in long-term pledges receivable was 5% and 4% for each of the year ended December 31, 2018 and 2017, respectively.

NOTE 4 – INVESTMENTS

Investments were comprised of the following:

	December 31, 2018	December 31, 2017
Equity funds	$ 12,952,265	$ 15,162,423
Bond funds	6,186,025	6,551,042
	$ 19,138,290	$ 21,713,465

The following schedule summarizes the net investment earnings (losses) included in the consolidated statement of activities:

	December 31, 2018	December 31, 2017
Dividend and interest income	$ 512,808	$ 425,688
Investment fees	(135,599)	(106,800)
Unrealized gains (losses)	(2,226,617)	2,318,769
Realized gains	70,957	67,706
Investment return, net	$ (1,778,451)	$ 2,705,363

NOTE 5 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the abilities to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equity funds: Valued at the net asset value of shares held by the Organization at year end.

Bond funds: Valued at the net asset value of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity funds	$ 12,952,265	$ -	$ -	$ 12,952,265
Bond funds	-	6,186,025	-	6,186,025
Net assets at fair value	$ 12,952,265	$ 6,186,025	$ -	$ 19,138,290

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity funds	$ 15,162,423	$ -	$ -	15,162,423
Bond funds	-	6,551,042	-	6,551,042
Net assets at fair value	$ 15,162,423	$ 6,551,042	$ -	$ 21,713,465

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS

The Organization's endowment consists of individual funds established to fulfill its mission statement. Its endowment includes funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (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. There are no such donor-restricted endowment funds. As a result of this interpretation, the Organization would retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us 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:

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS (Continued)

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

The Board of Trustees has determined that the majority of the Organization's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Organization. Under the terms of the Organization's governing documents, the Board of Trustees has the ability to distribute as much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as without donor restrictions are classified as net assets with donor restrictions for financial statement purposes.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and bond securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy establishing a predisposition toward reinvesting income of the endowment fund, subject to the needs of the Organization for additional general operational funds from time to time. The Organization's spending policy currently does not have a provision allowing for any distribution from donor-restricted endowment funds.

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in endowment net assets are as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Board-designated net assets, beginning of year	$ 21,713,465	$ 17,819,756
Net investment return	(1,778,451)	2,705,363
Contributions	23,406	1,817,979
Expenditures	(820,130)	(629,633)
Board-designated net assets, end of year	$ 19,138,290	$ 21,713,465

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Buildings and improvements	$ 340,036	$ 642,301
Furniture and equipment	116,487	108,232
Transportation equipment	-	10,200
	456,523	760,733
Less: accumulated depreciation and amortization	104,238	186,098
	$ 352,285	$ 574,635

Depreciation and amortization expense was $25,885 and $26,189 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – NET ASSETS – WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2018	2017
Personnel	$ 23,790	$ 54,699
Education	624,991	1,104,070
Other	1,713	14,024
	$ 650,494	$ 1,172,793

During the years ended December 31, 2018 and 2017, net assets released from restrictions totaled $662,449 and $844,140, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS AND EXPENSES

The Organization receives volunteer professional services and supplies as in-kind contributions. The Organization records in-kind contributions and expenses related to these contributions. The total value of the in-kind contributions received meeting the criteria for being recorded in the consolidated financial statements was $96,789 and $109,892, respectively; which is recorded in the accompanying consolidated statement of activities. In additional, the Organization received donated stocks valued at $23,406 and $51,556 during the fiscal year of 2018 and 2017, respectively. The donated stocks were recorded as in-kind contributions and investments.

The in kind expenses, related to the in-kind contributions, are included in the consolidated statement of functional expenses. Total in-kind expenses for the years ended are categorized as follows:

	December 31,	
	2018	2017
Other professional services	$ 74,170	$ 97,292
Supplies	22,619	12,600
	$ 96,789	$ 109,892

NOTE 10 – CASH SURRENDER VALUE OF LIFE INSURANCE

During the year ended December 31, 2015, the Organization purchased insurance on the life of an unrelated party. The unrelated party donated the funds to pay the policy premiums, and will continue to do so, on an ongoing basis. As beneficiary, the Organization receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable. Cash value of life insurance is reported in the financial statements net of policy loans and surrender charges. Cash surrender value was $65,228 and $32,354 as of December 31, 2018 and 2017, respectively, and was recorded as assets on the statement of financial position.

NOTE 11 – OPERATING LEASES

The Organization leases a copier from an unrelated party. Under the lease, annual payments are required, and the lease expires in March 2019. Rental expense under the lease for the years ended December 31, 2018 and 2017 was $2,600 each. The future minimum lease payments for the year ended December 31, 2019 is $650.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Organization receives a substantial amount of its support from various members of the Board. Related party gross pledge receivables amounted to $3,106,000 and $4,156,000 as of December 31, 2018 and 2017, respectively. Contribution revenue from related parties was $79,406 and $6,021,870 for the years ended December 31, 2018 and 2017, respectively.

The Chairman of the Board is the owner of SJS investments, which manages the Organization's investments. The Organization paid SJS investments $122,299 and $106,800 for investment services for the fiscal years of 2018 and 2017, respectively.

The Trustee of the Board is a partner of Shumaker, Loop & Kendrick, LLP for legal services. The Organization paid $1,170 and $5,141 for the fiscal years of 2018 and 2017, respectively.