UNITED PENTECOSTAL FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Pentecostal Foundation
St. Louis, Missouri

We have audited the accompanying financial statements of United Pentecostal Foundation which comprise the statement of financial position as of June 30, 2019, the related statements of activity 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 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.

Board of Directors
United Pentecostal Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Pentecostal Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
September 3, 2019

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Cash:	
General	$ 7,762
Annuities	1,258
Endowments	84,375
Total Cash	93,395
Investments:	
Endowments	3,033,595
Donor Advised Funds	159,232
Charitable Gift Annuities	411,967
Endowments Held for Others	1,413,532
Charitable Remainder Trusts	645,925
Total Investments	5,664,251
Total Assets	$ 5,757,646

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES	
Charitable Gift Annuities	$ 449,560
Endowments Held for Others	1,413,532
Charitable Remainder Trusts	187,642
Total Liabilities	2,050,734
NET ASSETS (DEFICIT)	
Without Donor Restriction:	
Gift to United Pentecostal Church Loan Fund	(205,154)
Undesignated	7,759
Donor Advised Funds	159,232
Charitable Gift Annuities	(11,284)
Total Net Assets Without Donor Restriction	(49,447)
With Donor Restriction:	
Endowments	160,780
Net Assets Restricted in Perpetuity:	
Endowments	2,957,189
Charitable Gift Annuities	180,107
Charitable Remainder Trusts	458,283
Total Net Assets With Donor Restriction	3,756,359
Total Net Assets	3,706,912
Total Liabilities and Net Assets	$ 5,757,646

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF ACTIVITY
YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Contributions	$ 16,337	$ 273,735	$ 290,072
Investment Income, Net of Fees	(4,540)	157,358	152,818
Change in Value:			
Investment Income	-	46,693	46,693
Actuarial Change	1,559	43,256	44,815
Distributions	(6,300)	(112,020)	(118,320)
Investment Fees	(135)	(9,866)	(10,001)
Management Fees	(193)	(9,703)	(9,896)
Release from Restrictions	135,854	(135,854)	-
Total Revenue	142,582	253,599	396,181
EXPENSES			
Distributions	121,080	-	121,080
Management Fees	28,495	-	28,495
Miscellaneous Expenses	1,778	-	1,778
Total Expenses	151,353	-	151,353
CHANGE IN NET ASSETS	(8,771)	253,599	244,828
Net Assets (Deficit) - Beginning of Year	(40,676)	3,502,760	3,462,084
NET ASSETS (DEFICIT) - END OF YEAR	$ (49,447)	$ 3,756,359	$ 3,706,912

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 244,828
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized Gains, Unrealized Gains, Reinvested Dividends, and Reinvested Interest	(213,150)
Change in Assets and Liabilities:	
Donor Estate Receivable - Endowment	11,316
Obligations Under Charitable Gift Annuities	(21,321)
Obligations Under Charitable Remainder Trusts	(28,068)
Obligations Under Managed Funds	283,396
Net Cash Provided by Operating Activities	277,001
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	327,356
Proceeds from the Sale of Investments	(804,695)
Net Cash Used by Investing Activities	(477,339)
CASH FLOWS FROM FINANCING ACTIVITIES	
Endowment Contributions	285,051
Net Cash Provided by Financing Activities	285,051
NET INCREASE IN CASH	84,713
Cash - Beginning of Year	8,682
CASH - END OF YEAR	$ 93,395

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The United Pentecostal Foundation (the Foundation) was incorporated on October 17, 2003; however, no financial activity occurred until April 2005. The Foundation raises funds by various means, including gifts, donations, bequests, and devises by deed, conveyances, will or trust in order to benefit, support, promote, expand and extend the ministries, works, causes, objectives, programs and publishing functions of the United Pentecostal Church International (UPCI) and its affiliated divisions, districts, departments, agencies, boards, commissions, libraries, historical center, and publications.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Under the accounting standards set forth by the Financial Accounting Standards Board (FASB), the Foundation is required to report contributions received as net assets without donor restrictions and net assets with donor restrictions. In addition, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net Assets available for use in general operations and not subject to donor restrictions, even though their use may be limited in other respects, such as board designation. Net assets without donor restrictions relate to donations received and revenue earned for the general purpose of the Foundation. Additionally, the net assets without donor restrictions include the endowment deficiencies.

Net Assets With Donor Restrictions – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. At June 30, 2019, the Foundation's net assets with donor restrictions consist of charitable gift annuities and donor advised funds, see Note 7. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019, the Foundation's net assets with donor restrictions in perpetuity has various types of endowment funds, see Note 7.

It is the Foundation's policy to recognize and report donations with donor restrictions, as with donor restrictions and release them into without donor restrictions, even if the with donor restrictions donation is received and expended in the same reporting year. It is the Foundation's policy to generally expend donations with donor restrictions first, if there are program donations available that are both with and without donor restrictions.

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the 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 are described as follows:

The three levels of the fair value hierarchy 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 Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market 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. There have been no changes in the valuation methodologies used at June 30, 2019.

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Foundation places its cash balances at financial institutions where such balances may, at times, be in excess of federally insured limits. The Foundation also has balances in money market and mutual funds, which are subject to investment risk, including possible loss of principal.

Investment Valuation and Income Recognition

The Foundation's investments are valued at fair value. Fair value is 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. Investments in the money market fund and mutual funds are valued at the fair value of shares held by the Foundation at year-end. The loan certificate is valued at the present value of invested capital and accrued interest. Annuities payable are valued at their estimated fair value based on future cash flow requirements based on life expectancies of the beneficiaries and interest rates in effect at the time the annuity agreement went into effect.

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 Foundation 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Foundation presents, in the statement of activity, investment earnings, which consist of dividends, interest income, realized gains (losses), and unrealized gains (losses).

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Foundation has elected to date measure all investments at fair value. The Foundation may elect to measure newly acquired financial instruments at fair value, equity or cost in the future. In addition, the Foundation has individually elected to carry obligations under split instruments at fair value.

Investments Held for Benefit of Charitable Gift Annuities and Charitable Remainder Trusts

The Foundation recognizes its investment assets held for benefit of charitable gift annuities and charitable remainder trusts at fair value, as they are held in marketable mutual fund investments. Changes in the fair value of these investment assets are reported as investment earnings in the statement of activity.

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Managed Funds

The Foundation manages certain endowments on behalf of various transferors for which it receives a management fee. The Foundation does not hold variance power over the endowment and cannot redirect funds for other purposes if the original purpose of the endowment is superseded. These managed funds are held in marketable mutual fund investments and presented at fair value with an offsetting liability on the statement of financial position.

Recognition of Donations

Donations are recorded at fair market value at the time of donation. Donations are considered available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support, which increases the respective net asset classification. With donor restriction charitable gift annuity donations are received with the understanding that 3% of each donation will go to the United Pentecostal Church International to cover costs of administering the Foundation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. The Foundation is the beneficiary of numerous donated services; however, the fair market value of these services is not recorded as these donated services do not meet the criteria as defined under generally accepted accounting principles and, therefore, has not been recognized by the Foundation for the year ended June 30, 2019.

Functional Expenses

Amounts included as management and general include administrative fees associated with operation of the Foundation. Administrative fees include a 1% annual fee based on average fund balance and a fee of 3% per initial charitable gift annuity donation, both paid to UPCI for administration of the Foundation. Administrative fees also include investment advisory fees. Program expenses include distributions made to beneficiaries of the funds and charitable gifts managed by the Foundation.

Tax Status

UPCI has acknowledged and approved the Foundation’s request for inclusion as a subordinate institution that is operated, supervised, or controlled by UPCI under its group exemption letter granted by the Internal Revenue Service (IRS). As a result, the Foundation is entitled to an exemption from federal income tax under Section 501(c)(3) of the IRC as a UPCI affiliated and subordinate entity. Accordingly, no provision for income taxes has been included in these financial statements. Any interest and penalties recognized and associated with uncertain tax positions, of which there are none, would be classified as current liabilities in the Foundation’s financial statements.

NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (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 implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

NOTE 2 CHARITABLE GIFT ANNUITIES

The Foundation has established a program under which donors may set up charitable gift annuities. Under this program, donors can contribute assets to the Foundation and in return receive a guaranteed fixed income for life. The fair value of the assets held for benefit of charitable gift annuities at June 30, 2019 was $411,967. The Foundation recognizes contribution revenue for the difference between the fair value of the assets received and the annuity liability in the year of contribution.

Obligations under charitable gift annuities are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and IRS assumptions. The annuity obligations are adjusted each year for changes in the life expectancy of the beneficiaries and are reduced either as payments are made to the donor or as annuities are reinsured. The present value of future payment liabilities of charitable gift annuities was $449,560 at June 30, 2019. The gain related to these agreements was $20,059 for the year ended June 30, 2019, and is recorded as investment income in the statement of activity. The value of the obligation of charitable gift annuities is considered a Level 2 fair value measurement due to the use of observable interest rates, growth interest rates, and life expectancy tables available from the IRS and the securities market.

The Foundation is licensed by the state of Missouri to enter into annuity agreements with donors. Missouri Statutes do not have a reserve requirement with respect to the annuity payouts. Assets are to be invested only in securities permitted under Chapter 352 of Missouri Statutes. The Foundation is in compliance with these requirements.

NOTE 3 CHARITABLE REMAINDER TRUSTS

The Foundation is the trustee and administers assets held for the benefit of two charitable remainder trusts that are held in perpetuity. Under these trust agreements, the Foundation is to distribute a percentage of funds to certain designated beneficiaries for 15 years, or earlier of their death, after the death of the trust creator. At June 30, 2019, there remain annuity payment obligations under these arrangements through May 8, 2022. Upon the final required distribution, the remaining undistributed funds will revert to the Foundation as an endowment whereby 80% of annual earnings will be paid to certain designated organizations and 20% will be reinvested. The Foundation maintains variance power in these trust agreements. The fair value of the investment assets held for the benefit of charitable remainder trusts at June 30, 2019 was $645,925.

Obligations under these agreements are recorded for the required life annuity payments at the present value of expected future cash payments discounted using current interest rates and IRS assumptions. The annuity obligations are adjusted each year for changes in the annuity term and are reduced as payments are made to the donor. The present value of future payment obligations of charitable remainder trusts was $187,642 at June 30, 2019. The gain related to these agreements was $28,068 for the year ended June 30, 2019, and is recorded as change in value in the statement of activity. The value of investments and the obligations under charitable remainder trusts inputs that are not observable and significant to the fair value measurement.

NOTE 4 FAIR VALUE MEASUREMENT

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds:				
Exchange Traded Funds	$ 361,357	$ -	$ -	$ 361,357
Emerging Markets	212,350	-	-	212,350
Total Return Bond	1,236,213	-	-	1,236,213
International Equity	659,082	-	-	659,082
Large Cap Growth	531,671	-	-	531,671
Large Cap Value	783,701	-	-	783,701
REITs	276,927	-	-	276,927
Small Cap Growth	153,362	-	-	153,362
Small Cap Value	240,230	-	-	240,230
Bond Funds	240,904	-	-	240,904
Money Market	277,626	-	-	277,626
Loan Certificate	-	129,278	-	129,278
Total Investments	$ 4,973,423	$ 129,278	$ -	$ 5,102,701

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1	Level 2	Level 3	Total
Charitable Remainder Trusts	$ -	$ -	$ 645,925	$ 645,925
Charitable Gift Annuities	$ -	$ (449,560)	$ -	$ (449,560)
Endowments Held for Others	(1,413,532)	-	-	(1,413,532)
Charitable Remainder Trusts	-	-	(187,642)	(187,642)
Total Obligations	$ (1,413,532)	$ (449,560)	$ (187,642)	$ (2,050,734)

Level 3 Assets

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended June 30, 2019:

	Charitable Remainder Trusts	Obligations Under Charitable Remainder Trusts
July 1, 2018	$ 679,078	$ (215,710)
Total Gains or Losses (Realized/Unrealized Relating to Instruments Still Held at the Reporting Date	-	28,068
Purchases, Issuances, Sales, and Settlements:		
Purchases	17,157	-
Sales	(50,310)	-
June 30, 2019	$ 645,925	$ (187,642)

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation, on behalf of an endowment, has investment certificates with the United Pentecostal Church Loan Fund in the amount of $129,278 resulting in interest income of $2,183 at June 30, 2019.

During the year ended June 30, 2019, the Foundation made payments of $28,495 to UPCI, related to certain management functions provided by UPCI. Specifically, UPCI performs certain accounting and other services for the Foundation and charges a fee of 3% per initial charitable gift annuity donation as well as a 1% per annum fee on all investments to reimburse for costs incurred in the administration of the Foundation.

During the year ended June 30, 2019, the Foundation had $492,524 in assets held in managed and standard funds, with an offsetting liability in obligations under managed funds of $361,021 that were held on behalf of UPCI.

During the year ended June 30, 2019, the Foundation had $180,359 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of Urshan Graduate School of Theology. Additionally, the Foundation held $319,266 in standard endowments benefiting the Urshan Graduate School of Theology (UGST).

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended June 30, 2019, the Foundation had $87,829 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of Urshan College. During 2019, the Foundation received and remitted to Urshan College $20,000 as a contribution from an estate that was passed through the Foundation.

NOTE 6 RESTRICTIONS ON NET ASSETS

The Foundation obtains contributions that are often with donor restrictions for a specific purpose. As discussed in Note 1, contributions that are obtained for a specific purpose are put into net assets with donor restrictions. Contributions that are without donor restrictions for a specific purpose are reported as net assets without donor restrictions. The following represents net assets with donor restrictions that are for a specific purpose at June 30, 2019:

Net Assets With Donor Restriction:		
Standard Endowments	$	160,780
Net Assets Restricted in Perpetuity:		
Scholarship Endowment Fund		84,696
Administrative Endowment Fund		648,010
General Endowment Fund		5,100
Adoption Endowment Fund		6,068
Support Endowment Fund		2,183,874
Capital Improvements Endowment Fund		29,441
Charitable Gift Annuities		180,107
Charitable Remainder Trusts		458,283
Total	$	3,756,359

The charitable gift annuities provide for quarterly annuity payments totaling an annual aggregate of approximately $81,825 to be disbursed annually to the donors with payments terminating at the death of the annuitants. Under the various charitable gift annuities, any remaining funds are to be disbursed as specified by the donor in the charitable gift annuity agreement.

The donor advised funds provide for investment options and distributions to be directed by the donor advisor. At such time that no successor advisor is named, the funds are to be disbursed as specified by the donor in the donor advised fund agreement.

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose of Restrictions Accomplished:		
Distributions from Standard Endowments	$	108,080
Administrative Fees		27,774
Total	$	135,854

NOTE 7 ENDOWMENT FUNDS

The Foundation's endowments consist of individual funds established for a variety of purposes, which are described in detail in Note 6. The endowments represent donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment agreements allow for distribution of up to 5% annually and include up to 1% administration fee charge based on fair market value of the endowment funds.

Interpretation of Relevant Law

The Foundation has established endowment agreements with each donor endowment fund. Almost all of these endowment fund agreements were established in accordance with investment guidelines provided in Revised Missouri Statutes in Chapter 402 – *Investment Guidelines for Eleemosynary Funds and Trust Funds for Handicapped Persons.* In accordance with R.S. Mo. Chapter 402, the Foundation appropriates for expenditure or accumulates so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established based on the intent of the donor expressed in the gift instrument. This requires the Foundation to act in good faith with the care that an ordinary prudent person in like position would exercise under similar circumstances with consideration of the same factors similar to UPMIFA.

Only one of the Foundation's endowment agreements is established in accordance with UMIFA Act of 1973. UMIFA was amended in August 2009, when the state of Missouri enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted the 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 the interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the with donor restrictions endowments in perpetuity, (b) the original value of subsequent gifts to the with donor restrictions endowments in perpetuity, and (c) accumulations to the with donor restrictions endowments in perpetuity 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 with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. However, endowment deficiencies are classified as net assets without donor restrictions.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

In accordance with R.S. Mo. Chapter 402 and UPMIFA, the Foundation 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

Endowment net asset composition by type of net asset as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - In Perpetuity	Total
Donor-Restricted Endowment Funds	$ -	$ 160,780	$ 3,137,296	$ 3,298,076

Changes in the endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - In Perpetuity	Total
Endowment Net Assets - Beginning of Year	$ (179)	$ 140,207	$ 2,899,186	$ 3,039,214
Reclassification of Underwater Investment	179	(179)	-	-
Investment Earnings, Net of Fees	-	156,426	14,132	170,558
Contributions	-	-	273,735	273,735
Change in Value of Annuities	-	-	15,188	15,188
Distributions	-	(108,080)	(61,710)	(169,790)
Administrative Fees	-	(27,594)	(3,235)	(30,829)
Endowment Net Assets - End of Year	$ -	$ 160,780	$ 3,137,296	$ 3,298,076

With Donor Restrictions - In Perpetuity Net Assets (1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 3,137,296
With Donor Restrictions Net Assets (1) The portion of perpetual endowment funds that exceeds the historical donation or UPMIFA requires the Foundation to retain as a fund of perpetual duration	$ 160,780

Noted as of June 30, 2019, there were $265 of underwater endowment funds that are shown within Donor Restricted Net Assets.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of distributing each year up to 5% of the three-year rolling average asset value of endowments, unless waived by the beneficiary. In establishing this policy, the Foundation considered the long-term expected return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow at an average of 3% to 6% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on fixed income based investments to achieve its long-term return objectives within prudent risk constraints.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to organizations supported by the endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy the endowment assets are invested in a manner that generally allocates investments as 45% equity mutual funds and 55% fixed income mutual funds. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% to 11% annually. Actual returns in any given year may vary from this amount.

NOTE 8 FUNCTIONAL EXPENSES

The following table presents the functional allocation of expenses for the year ended June 30, 2019:

	Program	Management and General	Total
Distributions	$ 121,080	$ -	$ 121,080
Management Fees	7,124	21,371	28,495
Miscellaneous Expenses	-	1,778	1,778
Total	$ 128,204	$ 23,149	$ 151,353

NOTE 9 LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when they are assets held for others, assets held in trusts and state required annuity reserves, and perpetual and term endowments and accumulated earnings subject to appropriation beyond one year.

Financial Assets:	
Cash Including Cost Held as Investments	$ 93,395
Investments	5,664,251
Financial Assets, at Year-End	5,757,646
Less Those Unavailable for General Expenditure Within One Year, Due to:	
Cash and Investments Held for Others	(1,480,589)
Investments Held in Trusts and State Required Annuity Reserves	(670,649)
Perpetual Endowments and Accumulated Earnings Subject to Appropriation Beyond One Year	(3,422,616)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 183,792

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 3, 2019, the date the financial statements were available to be issued.