UNITED PENTECOSTAL FOUNDATION
ST. LOUIS, MISSOURI

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

UNITED PENTECOSTAL FOUNDATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2014

CliftonLarsonAllen LLP
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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, 2014, and 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, 2014, and the results of its changes in 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
August 19, 2014

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

ASSETS	
Cash	$ 2,930
Dividends Receivable	216
Investments	
General	415,656
Held for Benefit of Charitable Gift Annuities	1,214,907
Held for Benefit of Managed Funds	784,820
Total Investments	2,415,383
Charitable Remainder Trusts	794,019
Total Assets	$ 3,212,548

LIABILITIES AND NET ASSETS

LIABILITIES	
Obligations Under Charitable Gift Annuities	$ 520,939
Obligations Under Managed Funds	784,820
Obligations Under Charitable Remainder Trusts	359,916
Total Liabilities	1,665,675
NET ASSETS	
Unrestricted	(243,066)
Temporarily Restricted	897,318
Permanently Restricted	892,621
Total Net Assets	1,546,873
Total Liabilities and Net Assets	$ 3,212,548

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF ACTIVITY
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	$ -	$ 344,600	$ 35,712	$ 380,312
Investment Earnings	61,249	158,057	44,666	263,972
Trust Fees	1,874	-	-	1,874
Change in Value of Charitable Gift Annuities	-	22,029	-	22,029
Change in Value of Charitable Remainder Trusts	-	-	11,545	11,545
Net Assets Released from Restrictions	167,388	(167,388)	-	-
Total Revenues and Support	230,511	357,298	91,923	679,732
EXPENSES				
Program:				
Distributions	151,065	-	-	151,065
General and Administrative:				
Administrative Fees	33,412	-	-	33,412
Total Expenses	184,477	-	-	184,477
CHANGE IN NET ASSETS	46,034	357,298	91,923	495,255
NET ASSETS, BEGINNING OF YEAR	(289,100)	540,020	800,698	1,051,618
NET ASSETS, END OF YEAR	$ (243,066)	$ 897,318	$ 892,621	$ 1,546,873

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 495,255
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
Realized Gains, Unrealized Gains, Reinvested Dividends,	
and Reinvested Interest	(263,972)
Change in Assets and Liabilities	
Dividends Receivable	(216)
Obligations Under Charitable Gift Annuities	(22,027)
Obligations Under Charitable Remainder Trusts	7
Related Party Payable	(6,003)
Distributions Payable	(27,000)
Net Cash Provided by Operating Activities	176,044
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(418,564)
Proceeds from the Sale of Investments	182,039
Net Cash Used in Investing Activities	(236,525)
CASH FLOWS FROM FINANCING ACTIVITIES	
Endowment Contributions	35,713
Net Cash Provided by Financing Activities	35,713
NET DECREASE IN CASH	(24,768)
CASH, BEGINNING OF YEAR	27,698
CASH, END OF YEAR	$ 2,930

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 generally accepted accounting principles.

Basis of Presentation

Under the accounting standards set forth by the Financial Accounting Standards Board, the Foundation is required to report contributions received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Foundation 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.

"Restricted" is a term used to describe net assets that have been donated to the Foundation with specific donor restrictions. Donor imposed restrictions are classified as either *permanently* restricted or *temporarily* restricted.

"Permanently Restricted Net Assets" must be maintained by the Foundation in perpetuity. At June 30, 2014, the Foundation's permanently restricted net assets consist of various types of endowment funds. See Note 6.

"Temporarily Restricted Net Assets" are those net assets whose use by the Foundation has been limited by the donor (a) to later periods of time or after a specific date or (b) to specific purposes. The Foundation's temporarily restricted net assets consist of charitable gift annuities and donor advised funds as of June 30, 2014. See Note 6.

"Unrestricted Net Assets" include those net assets whose use is not restricted by the donor, even though their use may be limited in other respects, such as board designation. Unrestricted net assets relate to donations received and revenue earned for the general purpose of the Foundation. Additionally, the unrestricted net assets include the endowment deficiencies.

It is the Foundation's policy to recognize and report restricted donations, as temporarily restricted and release them into unrestricted, even if the restricted donation is received and expended in the same reporting year. It is the Foundation's policy to generally expend restricted donations first, if there are program donations available that are both restricted and unrestricted.

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 generally accepted accounting principles 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, 2014.

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 net asset value (NAV) 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 Organization 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 Organization manages certain endowments on behalf of various transferors for which it receives a management fee. The Organization 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 balance sheet.

Recognition of Donations

Donations are recorded at fair market value at the time of donation. Donations are considered available for unrestricted 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 temporarily restricted or permanently restricted support which increases the respective net asset classification. Restricted charitable gift annuity donations are received with the understanding that three percent 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, 2014.

Functional Expenses

Amounts included as general and administrative include administrative fees associated with operation of the Foundation. Administrative fees include a one percent annual fee based on average fund balance and a fee of three percent per initial charitable gift annuity donation, both paid to UPCI for administration of the Foundation. Administrative fees also include investment advisory fees. Program expenses includes 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. 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 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, 2014 was $1,214,907. 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 $520,939 at June 30, 2014. The gain related to these agreements was $22,029 for the year ended June 30, 2014 and is recorded as change in value of charitable gift annuities 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 fifteen years, or earlier of their death, after the death of the trust creator. At June 30, 2014, there remains nine more years of annuity obligations under these arrangements. 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, 2014 was $794,019.

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 gift annuities was $359,916 at June 30, 2014. The gain related to these agreements was $11,545 for the year ended June 30, 2014 and is recorded as change in value of charitable remainder trusts 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, 2014:

	Level 1	Level 2	Level 3	Total
Investments				
Mutuals Funds:				
Global Equity	$ 206,491	$ -	$ -	$ 206,491
International Equity	105,007	-	-	105,007
Large Cap Growth	371,545	-	-	371,545
Large Cap Value	356,971	-	-	356,971
High Yield Fund	147,633	-	-	147,633
REITs	108,770	-	-	108,770
Small Cap Growth	103,842	-	-	103,842
Small Cap Value	104,825	-	-	104,825
Bond Funds	711,396	-	-	711,396
Money Market	176,910	-	-	176,910
Loan Certificate	21,993	-	-	21,993
Total Investments	$ 2,415,383	$ -	$ -	$ 2,415,383
Charitable Remainder Trusts	$ -	$ -	$ 794,019	$ 794,019
Obligations Under Charitable Gift Annuities	$ -	$ (520,939)	$ -	$ (520,939)
Obligations Under Managed Funds	(784,820)	-	-	(784,820)
Obligations Under Charitable Remainder Trusts	-	-	(359,916)	(359,916)
Total Obligations	$ (784,820)	$ (520,939)	$ (359,916)	$(1,665,675)

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, 2014:

	Charitable Remainder Trusts	Obligations Under Charitable Remainder Trusts
July 1, 2013	$ 749,353	$ (359,909)
Total Gains or Losses (Realized/ Unrealized) Relating to Instruments Still Held at the Reporting Date	106,601	(7)
Purchases, Issuances, Sales and Settlements:		
Purchases	-	-
Sales	(61,935)	-
June 30, 2014	$ 794,019	$ (359,916)

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation, on behalf of an endowment, has an investment certificate with the United Pentecostal Church Loan Fund in the amount of $21,993 at June 30, 2014.

During the year ended June 30, 2014, the Foundation made payments of $15,694 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 three percent per initial charitable gift annuity donation as well as a one percent per annum fee on all investments to reimburse for costs incurred in the administration of the Foundation.

During the year ended June 30, 2014, the Foundation had $142,736 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of UPCI.

During the year ended June 30, 2014, the Foundation had $189,870 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 $60,959 in standard endowments benefiting the Urshan Graduate School of Theology.

During the year ended June 30, 2014, the Foundation had $45,000 in assets held in managed funds, with an offsetting liability in obligations under managed funds that were held on behalf of Urshan College.

NOTE 6 RESTRICTIONS ON NET ASSETS

The Foundation obtains contributions that are often restricted for a specific purpose. As discussed in Note 1, contributions that are obtained for a specific purpose are put into temporarily or permanently restricted net assets. Contributions that are not donor restricted for a specific purpose are reported as unrestricted net assets. The following represent net assets restricted for specific purposes at June 30, 2014:

Temporarily Restricted Net Assets:	
Charitable Gift Annuities	$ 724,721
Donor Advised Funds	172,597
	$ 897,318
Permanently Restricted Net Assets:	
Scholarship Endowment Fund	$ 27,581
Administrative Endowment Fund	361,785
General Endowment Fund	5,100
Adoption Endowment Fund	6,067
Support Endowment Fund	36,433
Capital Improvements Endowment Fund	10,000
Charitable Remainder Trusts	445,655
	$ 892,621

NOTE 6 RESTRICTIONS ON NET ASSETS (CONTINUED)

The charitable gift annuities provide for quarterly annuity payments totaling an annual aggregate of approximately $101,000 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, 2014, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose of Restrictions Accomplished:	
Charitable Gift Annuity Payments	$ 108,625
Donor Advised Distributions	41,300
Administrative Fees	17,463
	$ 167,388

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.

<u>Interpretation of Relevant Law</u>

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. Section 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.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. However, endowment deficiencies are classified as unrestricted net assets.

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, 2014 is as follows:

	Unrestricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ 49,456	$ 446,966	$ 496,422

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Changes in the endowment net assets for the fiscal year ended June 30, 2014 is as follows:

	Unrestricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ (2,749)	$ 411,253	$ 408,504
Investment Earnings	60,980	-	60,980
Contributions	-	35,713	35,713
Distributions	(1,140)	-	(1,140)
Administrative Fees	(7,635)	-	(7,635)
Endowment Net Assets, End of Year	$ 49,456	$ 446,966	$ 496,422

Permanently Restricted Net Assets

(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 446,966

Unrestricted 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	$ 49,456

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of distributing each year up to five percent 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 three to six percent 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.

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 percent equity mutual funds and 55 percent fixed income mutual funds. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 to 11 percent annually. Actual returns in any given year may vary from this amount.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

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.

NOTE 8 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 19, 2014, the date the financial statements were available to be issued.