Financial statements of:

THE TIWAHE FOUNDATION

Years ended
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Tiwahe Foundation
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Tiwahe Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tiwahe Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2018 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

April 5, 2019

THE TIWAHE FOUNDATION

	2018	2017
Assets:		
Current assets:		
Cash	**$ 345,932**	$ 209,584
Certificates of deposit	**525,641**	509,598
Pledges and grants receivable, net	**418,017**	342,306
Prepaid expense	**4,392**	995
Total current assets	**1,293,982**	1,062,483
Other assets:		
Investments	**4,621,581**	4,934,930
Pledges and grants receivable, net of current portion	**159,639**	331,543
	4,781,220	5,266,473
Total assets	**$ 6,075,202**	$ 6,328,956
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 4,910**	$ 11,204
Accrued expenses	**5,117**	6,462
Total current liabilities	**10,027**	17,666
Unearned revenue	**-**	37,666
Total liabilities	**10,027**	55,332
Net assets:		
Without donor restrictions:		
Undesignated	**416,734**	294,555
Designated by the board for endowment	**1,029,134**	1,355,348
Total without donor restrictions	**1,445,868**	1,649,903
With donor restrictions	**4,619,307**	4,623,721
Total net assets	**6,065,175**	6,273,624
Total liabilities and net assets	**$ 6,075,202**	$ 6,328,956

See notes to financial statements.

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THE TIWAHE FOUNDATION

	2018		
	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Foundations and corporations	$ 4,000	$ 609,209	$ 613,209
In-kind	12,500		12,500
Individual donations	20,527	14,049	34,576
Net investment (loss) return	(317,829)		(317,829)
Special event, less costs of direct benefits to donors of $28,074 and $20,328 for 2018 and 2017, respectively	28,969		28,969
Net assets released from restrictions	627,672	(627,672)	
Total support and revenue	375,839	(4,414)	371,425
Expenses:			
Program services	333,229		333,229
Management and general	183,372		183,372
Fundraising	63,273		63,273
Total expenses	579,874		579,874
Change in net assets	(204,035)	(4,414)	(208,449)
Net assets, beginning	1,649,903	4,623,721	6,273,624
Net assets, ending	$ 1,445,868	$ 4,619,307	$ 6,065,175

2017		
Without donor restrictions	With donor restrictions	Total
$ 3,130	$ 1,353,586	$ 1,356,716
11,500		11,500
4,670	328,946	333,616
605,682		605,682
29,474		29,474
593,126	(593,126)	
1,247,582	1,089,406	2,336,988
356,963		356,963
68,337		68,337
155,399		155,399
580,699		580,699
666,883	1,089,406	1,756,289
983,020	3,534,315	4,517,335
$ 1,649,903	$ 4,623,721	$ 6,273,624

THE TIWAHE FOUNDATION

	2018				
		Support services			
	Program services	Management and general	Fundraising	Total support services	Total expenses
Expenses:					
Salaries	$ 62,913	$ 98,701	$ 35,120	$ 133,821	$ 196,734
Payroll taxes	7,319	6,095	2,081	8,176	15,495
Employee benefits	13,330	11,987	4,149	16,136	29,466
Grants to individuals	100,450				100,450
Professional fees	56,135	60,867	7,146	68,013	124,148
Supplies	2,437	2,537		2,537	4,974
Memberships/dues	1,000	604	206	810	1,810
Occupancy	8,103	6,749	2,304	9,053	17,156
Equipment rental/office expense	1,304	1,086	371	1,457	2,761
Telephone	1,881	1,567	535	2,102	3,983
Postage	462	385	131	516	978
Printing	415	346	118	464	879
Database/website	21,864		1,318	1,318	23,182
Travel/meetings	21,486	4,420	13	4,433	25,919
Special events	1,308	1,090	28,446	29,536	30,844
Insurance	1,173	977	334	1,311	2,484
Miscellaneous	31,649	21,036	9,075	30,111	61,760
Total expenses	333,229	218,447	91,347	309,794	643,023
Less investment fees included with investment return (loss) on the statement of activities		(35,075)		(35,075)	(35,075)
Less special event cost of direct benefits to donors included with revenues on the statement of activities			(28,074)	(28,074)	(28,074)
Total functional expenses	$ 333,229	$ 183,372	$ 63,273	$ 246,645	$ 579,874

See notes to financial statements.

2017				
	Support services			
Program services	Management and general	Fundraising	Total support services	Total expenses
$ 55,397	$ 44,207	$ 79,100	$ 123,307	$ 178,704
7,240	2,468	4,415	6,883	14,123
10,551	4,600	8,200	12,800	23,351
82,343				82,343
115,582	23,313	32,369	55,682	171,264
1,027	1,010		1,010	2,037
875	39	70	109	984
8,004	2,729	4,881	7,610	15,614
538	183	328	511	1,049
1,600	546	976	1,522	3,122
867	296	529	825	1,692
3,802	1,258	2,251	3,509	7,311
26,802		1,472	1,472	28,274
13,275	4,306	708	5,014	18,289
755	258	20,826	21,084	21,839
1,285	438	784	1,222	2,507
27,020	9,529	18,818	28,347	55,367
356,963	95,180	175,727	270,907	627,870
	(26,843)		(26,843)	(26,843)
		(20,328)	(20,328)	(20,328)
$ 356,963	$ 68,337	$ 155,399	$ 223,736	$ 580,699

THE TIWAHE FOUNDATION

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (208,449)**	$ 1,756,289
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Endowment net investment return (loss)	**326,214**	(600,059)
Contributions restricted to endowment	**(107,715)**	(1,179,729)
(Decrease) increase in assets:		
Pledges and grants receivable	**(36,200)**	(45,500)
Prepaid expenses	**(3,397)**	(295)
Increase (decrease) in liabilities:		
Accounts payable	**(6,294)**	(8,238)
Accrued expenses	**(1,345)**	1,593
Net cash used in operating activities	**(37,186)**	(75,939)
Cash flows used in investing activities:		
Purchase of endowment investments	**(150,000)**	(918,742)
Receipt of endowment investment distribution	**137,135**	104,310
Net (purchase) sale of certificates of deposit	**(16,043)**	243,205
Net cash used in investing activities	**(28,908)**	(571,227)
Cash flows provided by financing activities, contributions restricted to endowment	**202,442**	558,561
Net increase (decrease) in cash	**136,348**	(88,605)
Cash, beginning	**209,584**	298,189
Cash, ending	**$ 345,932**	$ 209,584
Supplemental non-cash financing activities		
Recognition of revenue restricted to endowment	**$ 37,666**	$ 107,135

See notes to financial statements.

1. Summary of significant accounting policies:

Nature of organization:

The mission of The Tiwahe Foundation is to provide resources to American Indian people to live culturally centered, economically independent and healthy lives-grounded in sovereignty and indigenous worldview.

Seventh Generation Endowment Campaign-- The endowment campaign (started in 2009) has been a major strategic directive of the foundation to support the American Indian Family Empowerment Program and leadership development. Nearly reaching its goal of $6 million, Tiwahe Foundation completed active fundraising for the campaign in the beginning of 2018.

Description of programs:

American Indian Family Empowerment Program (AIFEP) – AIFEP operates as a grant-making program centered in American Indian culture and values to strengthen individuals and families and positively impact the American Indian community. As the flagship program, Tiwahe Foundation carries this vision forward to expand work and further philanthropy in the American Indian community.

Oyate Network Leadership Program – Oyate Network Leadership Program provides resources to urban, tribal and rural American Indian leaders across Minnesota. This program consists of creating broad networks, providing leadership trainings, access to an on-line platform, and grants for alumni-led projects. Originally founded in collaboration with Blandin Reservation Community Leadership Program, Native Nation Rebuilders, and other American Indian leadership initiatives, this program collectively has over 2,000 leadership alumni. Our goal is to build relationships and leadership skills. Our participants develop grassroots projects that address social change and innovation from a cultural perspective.

Basis of presentation:

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

Net assets classifications:

The Foundation classifies its net assets and revenues, gains, and losses based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) imposed restrictions. Designated amounts represent those revenues which the board has set aside for a particular purpose.

1. Summary of significant accounting policies (continued):

Net assets classifications (continued):

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We reported contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Certificates of deposit:

Certificates of deposit consist of instruments having an original maturity of three months or greater and are stated at cost plus accrued interest.

Concentrations:

The Foundation maintains its cash in one financial institution located in Minnesota. At times, bank balances may be in excess of the FDIC insurance limit. The Foundation has not experienced any loss associated with this practice.

At December 31, 2018 and 2017, approximately 48% and 57% of pledges and grants receivable were from three donors.

Fair value measurements:

The Foundation measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Foundation uses valuation techniques consistent with the market, income and cost approaches to measure fair value.

1. Summary of significant accounting policies (continued):

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Foundation has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Receivables:

Pledge and grants receivable are reported at fair value at the date the promise is received. Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Those that are expected to be collected in future years are recorded at the present value of the amount to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges and grants are not included as support until such time as the conditions are substantially met.

Allowance for doubtful accounts:

The carrying amount of operating pledges is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management estimates this allowance based on historical collection trends. Management also individually reviews all delinquent balances for significant pledges which are potentially uncollectible. After all attempts to collect a pledge have failed, the receivable is written-off against the allowance.

Investments:

At December 31, 2018 and 2017, investments consisted mainly of an endowment fund held at the Minneapolis Foundation. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statement of financial position. Net investment return or loss is reported in the statement of activities and consists of interest and dividends, realized and unrealized gains and losses less external and direct internal investment expenses, and is classified by net asset class based on the existence of any restrictions.

Unearned revenue:

Unearned revenues arise when conditional contributions are received before the related matching conditions are satisfied. These unearned revenues will be recognized as contributions revenue as the applicable matching conditions are met.

1. Summary of significant accounting policies (continued):

Revenue recognition:

Revenues and public support are reported as an increase in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as an increase or a decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Donor restricted contributions, the restriction of which are met in the same year as the contributions are made, are reported as contributions without donor restrictions. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

Functional expenses:

Expenses relating to grants to individuals, supplies, database/ website, and travel/meetings are directly identified with the program or supporting services to which they relate. The remaining expenses that are not directly identifiable are allocated to program and supporting services on the basis of actual time spent by Foundation personnel within the program and supporting services functions.

Income tax:

The Foundation has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, is generally not subject to income taxes, except for taxes pertaining to unrelated business income. The Foundation is exempt from state taxes under Minnesota Statute 290.05. Therefore, there is no provision for income taxes. The Organization is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Change in accounting principles:

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, provides information about liquidity and availability of resources, and improves consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events:

Management has evaluated for subsequent events through April 5, 2019, the date the financial statements were available for issuance.

2. Liquidity and availability:

Tiwahe Foundation receives significant grants and contributions with donor restrictions to be used in accordance with the associated time and purpose restrictions. Tiwahe Foundation also receives gifts to its endowment that will exist in perpetuity with the income generated from the endowment to be used to fund the AIFEP program. The majority of the support Tiwahe Foundation receives is with donor restrictions and has historically represented approximately 81% of annual program funding needs, with the remainder funded by contributions and investment income without donor restrictions.

The Foundation considers investment income without donor restrictions, contributions without donor restrictions and grants and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include program expenses, grant commitments, administrative and general expenses and fundraising expenses expected to be paid in the subsequent year.

Tiwahe Foundation regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds. Tiwahe Foundation has various sources of liquidity at its disposal, including cash and certificates of deposits. The certificates of deposits are invested in such a manner whereby approximately 25% of certificate of deposits mature on a quarterly basis. Prior to the each scheduled certificate of deposit maturity, Tiwahe Foundation evaluates the next quarter's cash requirements and determines whether to cash in the matured certificate of deposit or to reinvest the certificate of deposit for another year.

The following represents the Foundation's financial assets available to meet general expenditures over the next twelve months at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash	**$ 345,932**	$ 209,584
Certificates of deposit	**525,641**	509,598
Pledges and grants receivable, net	**418,017**	342,306
Prepaid expense	**4,392**	995
	1,293,982	1,062,483
Less pledges receivable restricted to endowment	**(234,917)**	(261,306)
Financial assets available to meet general expenditures over the next twelve months	**$ 1,059,065**	$ 801,177

3. Pledges and grants receivable:

Unconditional promises are recorded as contributions receivable and revenue of the appropriate net asset category. Long-term contributions receivable are expected to be collected through 2025. The discount rate used on pledges was 4%.

Promises to give at December 31, 2018 and 2017 are as follows:

	2018	2017
Pledges receivable	**$ 414,908**	$ 543,693
Operating grants receivable	**192,200**	156,000
Less discounts to net present value	**(12,074)**	(13,262)
Pledges and grants receivable	**595,034**	686,431
Less allowance for doubtful accounts	**(17,378)**	(12,582)
Pledges and grants receivable, net	**$ 577,656**	$ 673,849
Amounts due in:		
Less than one year	**$ 418,017**	$ 342,306
One to five years	**159,536**	330,941
Over five years	**103**	602
	$ 577,656	$ 673,849

4. Fair value:

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of the Foundation measured at fair value on a recurring basis as of December 31, 2018 and 2017.

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Minneapolis Foundation holdings	**$ 0**	**$ 4,621,581**	**$ 0**	**$ 4,621,581**

	2017			
	Level 1	Level 2	Level 3	Total
Minneapolis Foundation holdings	$ 0	$ 4,934,930	$ 0	$ 4,934,930

The investments are held at the Minneapolis Foundation. The assets are held and invested in the social impact growth strategy fund. The Foundation records the value of the investments based on information received from the Minneapolis Foundation.

5. In-kind support:

The Foundation received donated accounting services and recognized in-kind revenue and professional fees totaling $12,500 and $11,500 for the years ended December 31, 2018 and 2017, respectively.

6. Net assets with donor restrictions:

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
AIFEP		$ 31,845
Alumni Network Program	**$ 168,855**	208,000
Oyate Network Program	**70,000**	
Subject to passage of time:		
Pledges	**258,860**	370,000
Subject to NFP endowment spending policy and appropriation:		
General endowment	**3,592,447**	3,579,582
Pledges receivable and cash not yet transferred to endowment investments: restricted to general endowment	**529,145**	434,294
	$ 4,619,307	$ 4,623,721

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or lapse of time restrictions.

	2018	2017
Time restriction	**$ 420,182**	$ 260,928
Purpose restriction	**207,490**	332,198
	$ 627,672	$ 593,126

7. Leases:

The Foundation has a lease agreement for office space, with minimum monthly rental payments of $1,462 through September 30, 2018 and $1,323 from that date through June 30, 2020, plus common area maintenance (CAM) charges. The total future minimum rental commitments as of December 31, 2018, are as follows:

Year ending December 31	Amount
2019	$ 16,043
2020	8,280

Total rent expense in connection with office rental was $17,156 and $15,614 for the years ended December 31, 2018 and 2017, respectively.

8. Endowment:

The Foundation's endowment funds consist of donor contributions received and invested by the Foundation for AIFEP operations and leadership initiatives. 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 State of Minnesota enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) effective August 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Foundation's Board of Directors has determined that the majority of the Foundation's net assets restricted to endowment meet the definition of endowment funds under UPMIFA. Based on the Foundation's interpretation of UPMIFA, the Foundation has reviewed all of its endowment funds.

The Board of Directors of the Foundation has interpreted the UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets restricted to endowment (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

8. Endowment (continued):

Investment return objectives, risk parameters and strategies:

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment investments that attempt to provide a predictable stream of funding to support payments for the program supported by the 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 investments are invested in a well diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 2-3% of the annualized market value of the endowment principal, while growing the funds if possible.

Therefore, the Foundation expects its endowment investments, over time, to produce an average rate of return equal to or greater than the CPI plus the 2-3% spending policy rate over a rolling ten year period. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment investments; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy:

The Foundation has a policy of appropriating for distribution each year 2-3% of the annualized market value of the endowment principal. In establishing this policy, the Foundation considered the long-term expected return on its endowment investments, the nature and duration of the endowment investments, all of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment investments to grow at an average rate greater than the CPI plus the 2-3% spending policy, annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment investments as well as to provide additional real growth through new gifts and investment return. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Board designated endowment:

In accordance with UPMIFA, the Foundation seeks to preserve the purchasing power of the endowment investments over time and to appropriate as board designated endowment the portion of endowment investments that is in excess of the inflation-adjusted value of the contributions to the endowment. As of the close of each fiscal year, the Foundation will determine the amount to be appropriated from the endowment investments in accordance with spending policy and the value of the endowment investments net of that appropriation. To the extent the total value of endowment investments exceed the value of the endowment net of the appropriation, such excess will be considered the board designated endowment. No distributions will be made from the board designated endowment investments until the combined value of the endowment investments exceed $6,000,000 unless the Foundation's Board of Directors determines that special circumstances warrant earlier distribution. After the combined value of the endowment investments exceed $6,000,000, the Foundation may appropriate board designated endowment investments in accordance with the spending policy noted above.

8. Endowment (continued):

Composition endowment funds as of December 31, 2018 and 2017, are as follows:

	Board designated without donor restrictions	With donor restrictions	Total
Endowment investments, January 1, 2017	$ 755,289	$ 2,765,150	$ 3,520,439
Investment return, net	600,059		600,059
Contributions		814,432	814,432
Endowment investments, December 31, 2017	1,355,348	3,579,582	4,934,930
Investment return, net	**(326,214)**		**(326,214)**
Contributions		**12,865**	**12,865**
Endowment investments, December 31, 2018	**$ 1,029,134**	**$ 3,592,447**	**$ 4,621,581**

9. Related party:

Two members of the Foundation's endowment committee have entered into consulting agreements to provide fundraising services to the Foundation. The Foundation paid $950 and $24,760 for services rendered by these committee members for the years ended December 31, 2018 and 2017, respectively.