

VAN WEZEL FOUNDATION, INC.

Financial Statements for the
Years Ended September 30, 2018 and 2017

And

Independent Auditors' Report

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Independent Auditors' Report

The Board of Directors
Van Wezel Foundation, Inc.

We have audited the accompanying financial statements of Van Wezel Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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.

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 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 Van Wezel Foundation, Inc. as of September 30, 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.



SUPLEE, SHEA, CRAMER & ROCKLEIN, P.A.

Sarasota, Florida

January 31, 2019

Van Wezel Foundation, Inc.
Statements of Financial Position
September 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,415,757	\$ 498,445
Investments	14,402,066	4,581,434
Contributions receivable	193,437	223,443
Bequest receivable	-	9,835,136
Prepaid expenses	380	-
Property and equipment, net of accumulated depreciation	<u>16,944</u>	<u>27,113</u>
TOTAL ASSETS	<u><u>\$ 16,028,584</u></u>	<u><u>\$ 15,165,571</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 104,716	\$ 106,332
Payroll and related taxes payable	13,414	21,324
Deferred revenue	<u>43,210</u>	<u>12,000</u>
Total Liabilities	<u>161,340</u>	<u>139,656</u>

Net Assets

Unrestricted net assets	13,898,921	3,305,374
Temporarily restricted net assets	709,548	10,461,766
Permanently restricted net assets	<u>1,258,775</u>	<u>1,258,775</u>
Total Net Assets	<u>15,867,244</u>	<u>15,025,915</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 16,028,584</u></u>	<u><u>\$ 15,165,571</u></u>

Van Wezel Foundation, Inc.

Statements of Activities

For the Years Ended September 30, 2018 and 2017

	2018					Total
	Unrestricted		Board Designated Capital (See Note 6)	Temporarily Restricted	Permanently Restricted	
	Operations	Board Designated Reserve				
Revenues, Gains and Other support:						
Contributions:						
Operating	\$ 1,345,971	\$ -	\$ -	\$ 206,437	\$ -	\$ 1,552,408
Capital campaign	-	-	-	561,112	-	561,112
Grants	123,750	-	-	-	-	123,750
Interest and investment income	276	85,223	33,475	45,703	-	164,677
Realized and unrealized gain net of investment fees on investments,	-	111,566	2,198	16,140	-	129,904
Revenues from special events, net of costs of direct benefits to others of \$300,394 and in-kind costs of direct benefits to others of \$13,350	303,642	-	-	-	-	303,642
Net assets released from restrictions:	581,610	-	10,000,000	(10,581,610)	-	-
Total revenues, gains and other support	2,355,249	196,789	10,035,673	(9,752,218)	-	2,835,493
Expenses:						
Program services	861,784	-	-	-	-	861,784
General and administrative	232,691	-	-	-	-	232,691
Fund-raising	401,637	-	-	-	-	401,637
Capital campaign (See Note 6)	498,052	-	-	-	-	498,052
Total expenses	1,994,164	-	-	-	-	1,994,164
Increase in net assets	361,085	196,789	10,035,673	(9,752,218)	-	841,329
Net Assets at beginning of year	1,107,548	2,197,826	-	10,461,766	1,258,775	15,025,915
Net Assets at end of year	\$ 1,468,633	\$ 2,394,615	\$ 10,035,673	\$ 709,548	\$ 1,258,775	\$ 15,867,244

Van Wezel Foundation, Inc.

Statements of Activities (continued)

For the Years Ended September 30, 2018 and 2017

	2017				Total
	Unrestricted		Temporarily Restricted	Permanently Restricted	
	Operations	Board Designated Reserve			
Revenues, Gains and Other support:					
Contributions:					
Operating	\$ 1,315,648	\$ -	\$ 10,034,489	\$ -	\$ 11,350,137
Capital campaign	-	-	125,000	-	125,000
Grants	112,650	-	-	-	112,650
Interest and investment income	2,297	64,341	38,893	-	105,531
Realized and unrealized gain net of investment fees on investments,	-	151,787	65,018	-	216,805
Revenues from special events, net of costs of direct benefits to others of \$453,475 and in-kind costs of direct benefits to others of \$30,915	279,952	-	-	-	279,952
Net assets released from restrictions	296,933	-	(296,933)	-	-
Total revenues, gains and other support	2,007,480	216,128	9,966,467	-	12,190,075
Expenses:					
Program services	802,840	-	-	-	802,840
General and administrative	166,929	-	-	-	166,929
Fund-raising	430,590	-	-	-	430,590
Capital campaign (See Note 6)	236,374	-	-	-	236,374
Total expenses	1,636,733	-	-	-	1,636,732
Increase in net assets	370,747	216,128	9,966,467	-	10,553,342
Net Assets at beginning of year	736,801	1,981,698	495,299	1,258,775	4,472,573
Net Assets at end of year	\$ 1,107,548	\$ 2,197,826	\$ 10,461,766	\$ 1,258,775	\$ 15,025,915

Van Wezel Foundation, Inc.

Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 841,329</u>	<u>\$ 10,553,342</u>
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	10,169	8,769
Realized and unrealized gain on investments	(106,194)	(224,954)
(Increase) Decrease in:		
Contributions receivable	30,006	(42,420)
Bequest receivable	9,835,136	(9,835,136)
Prepaid expenses	(380)	3,613
Increase (Decrease) in:		
Accounts payable	(1,616)	3,815
Payroll and related taxes payable	(7,910)	6,847
Deferred revenue	31,210	(128,925)
Total Adjustments	<u>9,790,421</u>	<u>(10,208,391)</u>
Net cash provided by operating activities	<u>10,631,750</u>	<u>344,951</u>
Cash Flows From Investing Activities:		
Net proceeds from sale and maturities of investments	1,013,957	1,977,426
Purchase of investments	(10,728,395)	(2,298,554)
Purchase of equipment	-	(21,641)
Net cash used by investing activities	<u>(9,714,438)</u>	<u>(342,769)</u>
Net increase in cash and cash equivalents	<u>917,312</u>	<u>2,182</u>
Cash and cash equivalents, beginning of year	<u>498,445</u>	<u>496,263</u>
Cash and cash equivalents, end of year	<u>\$ 1,415,757</u>	<u>\$ 498,445</u>

Van Wezel Foundation, Inc.

Statements of Functional Expenses

For the Years Ended September 30, 2018 and 2017

	2018				Total
	Program Services	General and Administrative	Fund Raising	Capital Campaign	
Grants to Van Wezel Performing					
Arts Hall	\$ 651,660	\$ -	\$ -	\$ -	\$ 651,660
Programs	5,507	-	-	-	5,507
Salaries and payroll taxes	144,967	79,498	243,171	89,335	556,971
Staff benefits	20,597	11,295	34,550	12,395	78,837
In-kind services	-	-	-	817	817
General fundraising	-	-	100,375	32,105	132,480
Marketing	31,589	-	-	143	31,732
Insurance expense	-	5,541	-	-	5,541
Postage	726	1,930	4,861	-	7,517
Printing	6,230	1,014	10,000	19	17,263
Professional services	-	18,529	-	362,867	381,396
Staff travel, meetings & professional development	-	-	-	-	-
Systems/computer maintenance	-	62,856	-	-	62,856
Telephone	-	35,021	-	-	35,021
General administrative overhead	-	2,487	-	-	2,487
Depreciation	-	13,503	36	371	13,910
Total Expenses	508	1,017	8,644	-	10,169
Total Expenses	<u>\$ 861,784</u>	<u>\$ 232,691</u>	<u>\$ 401,637</u>	<u>\$ 498,052</u>	<u>\$ 1,994,164</u>
	2017				
	Program Services	General and Administrative	Fund Raising	Capital Campaign	Total
Grants to Van Wezel Performing					
Arts Hall	\$ 479,304	\$ -	\$ -	\$ -	\$ 479,304
Programs	106,523	-	-	-	106,523
Salaries and payroll taxes	159,749	88,333	268,129	121,089	637,300
Staff benefits	25,706	14,097	43,119	16,994	99,916
In-kind services	-	-	25	-	25
General fundraising	-	1,488	106,863	281	108,632
Marketing	21,005	-	-	-	21,005
Insurance expense	-	4,135	-	-	4,135
Postage	1,710	2,069	1,517	47	5,343
Printing	8,405	1,152	3,114	912	13,583
Professional services	-	6,331	-	96,463	102,794
Staff travel, meetings & professional development	-	-	-	-	-
Systems/computer maintenance	-	1,214	-	-	1,214
Telephone	-	29,057	-	-	29,057
General administrative overhead	-	2,529	-	115	2,644
Depreciation	-	15,647	370	473	16,490
Total Expenses	438	877	7,453	-	8,768
Total Expenses	<u>\$ 802,840</u>	<u>\$ 166,929</u>	<u>\$ 430,590</u>	<u>\$ 236,374</u>	<u>\$ 1,636,733</u>

NOTE 1 - Summary of Significant Accounting Policies

Organization

Van Wezel Foundation, Inc. ("The Foundation") is a nonprofit corporation and was formed under the laws of the State of Florida on May 5, 1987. The Foundation's purpose is to create a world-class performing arts center that enriches the community, supports arts education, and inspires young minds.

Basis of Presentation

The accompanying financial statements of the Van Wezel Foundation, Inc. have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Foundation has adopted FASB Accounting Standards Codification 958 *Financial Statements for Not-for-Profit Organizations* ("FASB ASC 958"). Under FASB ASC 958, 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.

Contributions

Contributions are measured at fair market value and recognized as revenue when received or when an unconditional pledge to contribute has been made by a donor in accordance with FASB Accounting Standards Codification 958-605-15 *Revenue Recognition – Contributions Received* ("FASB ASC 958-605-15").

No amounts have been reflected in the accompanying financial statements for donated volunteer services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time for fund-raising and governance.

Revenue Recognition

Contributions received with donor stipulations that limit the use of donated assets are treated as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions Receivable

The Foundation records signed pledges as receivables based upon management evaluation of donors and pledge history. No allowance for uncollectible pledges has been established, as all receivables were determined to be collectible.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 7 years.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Investments

The Foundation has adopted FASB Accounting Standards Codification 958-320-45, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ("FASB ASC 958-320-45"). This statement requires reporting investments in equity securities that have readily determinable fair values and for all investments in debt securities at fair value.

Gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless the use of the investments are temporarily or permanently restricted by explicit donor stipulations.

Dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets unless the use of the asset received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets.

Fair market valuations are generally determined as follows:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those or similar investments.

Federal Income Tax

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and had been classified as an organization that is not a private foundation under Section 509(a)(2).

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Reclassifications

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

Van Wezel Foundation, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 2 - Property and Equipment

A summary of property and equipment as of September 30, 2018, and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 29,205	\$ 29,205
Equipment	<u>146,176</u>	<u>146,176</u>
	175,381	175,381
Less accumulated depreciation	<u>(158,437)</u>	<u>(148,268)</u>
Furniture, fixtures and equipment, net	<u>\$ 16,944</u>	<u>\$ 27,113</u>

NOTE 3 - Unrestricted Net Assets

It is policy of the Board of Directors of Van Wezel Foundation, Inc. to create a world-class performing arts center that enriches the community, supports arts education, and inspires young minds. For the furtherance of this purpose, the Foundation created a Board Designated Reserve in 1990 which is restricted from use unless approved by a vote of 75% of the members of the Board of Directors attending a duly authorized meeting. It is expected that this fund balance will grow over time from investment gains exceeding losses, and any annual surpluses from operations. Investment income from this fund will be reinvested in the fund. The funds are managed to achieve long term capital appreciation commensurate with security of principal. The investment mix includes equities (25%-65%), bonds/fixed income (25%-65%), and cash and equivalents (0%-20%). During the year ended September 30, 2018, the Board of Directors designated \$10,000,000 to be used for the Sarasota Performing Arts Center initiative.

Unrestricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 1,468,633	\$ 1,107,548
Board designated - reserve	2,394,615	2,197,826
Board designated – capital	<u>10,035,673</u>	<u>-</u>
	<u>\$ 13,898,921</u>	<u>\$ 3,305,374</u>

NOTE 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Time restricted contributions	\$ 193,437	\$ 10,043,579
Capital campaign	36,080	-
Endowments	<u>480,031</u>	<u>418,187</u>
	<u>\$ 709,548</u>	<u>\$ 10,461,766</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Time restricted contributions	\$ 10,056,579	\$ 171,933
Capital campaign expenditures	<u>525,031</u>	<u>125,000</u>
	<u>\$ 10,581,610</u>	<u>\$ 296,933</u>

Van Wezel Foundation, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 5 - Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor imposed stipulations that they be maintained permanently by the Foundation. At the beginning of each fiscal year, based upon the market value of the fund on the last day of the immediately prior fiscal year, investment income earned from this fund may be transferred to Unrestricted Net Assets to be utilized in advancing the mission of the Foundation. An amount equal to the lesser of: (i) 5% of such market value or (ii) the actual earnings of the fund for the year (which shall consist of interest, dividends, and realized and unrealized gains, net of fees) may be transferred. The funds should be managed to achieve long term capital appreciation and current income commensurate with security of principal. The investment mix should include equities (15%-55%), bonds/fixed income (40%-80%), and cash and equivalents (0%-30%).

NOTE 6 – Capital Campaign Activities

In October 2016, the Board of Directors established a capital campaign for the purpose of raising funds for the Sarasota Performing Arts Center initiative. The expenses for the capital campaign have been separately stated in the Statement of Activities and Statement of Functional Expenses to separate those activities from general operations of the Foundation. Expenses related to the capital campaign fund were \$498,052 and \$236,374 for the years ended September 30, 2018 and 2017, respectively.

In June 2018, the Board of Directors designated an unrestricted bequest of \$10,000,000 to the capital campaign. There were restricted donations totaling \$561,112 and \$125,000 made to the capital campaign in the year ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, the assets of the capital campaign totaled \$10,035,673 and are invested in a separate account designated for the capital campaign. Future donations for the capital campaign will be designated for this account

NOTE 7 - Investments

Investments, which are stated at fair value at September 30, 2018, and 2017, are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds and common stock	\$ 1,587,182	\$ 2,272,843	\$ 1,745,778	\$ 2,296,465
Corporate bonds	3,849,422	3,803,962	1,928,757	1,831,150
Other bonds	1,234,225	3,187,421	190,107	186,779
Commodity mutual funds	188,153	210,722	195,100	200,606
Public REIT's	43,839	45,747	64,312	66,434
Other short term investments	4,881,755	4,881,371	-	-
Total	<u>\$ 11,784,576</u>	<u>\$ 14,402,066</u>	<u>\$ 4,124,054</u>	<u>\$ 4,581,434</u>

Van Wezel Foundation, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 7 – Investments (continued)

Investment income from cash equivalents and investments consisted of the following for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 164,677	\$ 105,531
Net realized and unrealized gains	159,930	243,854
Investment fees	<u>(30,026)</u>	<u>(27,049)</u>
Total	<u>\$ 294,581</u>	<u>\$ 322,336</u>

NOTE 8 - Contributions Receivable

Unconditional promises to give at September 30, 2018, and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 190,437	\$ 223,443
Receivable in one to five years	<u>3,000</u>	<u>-</u>
Total contributions receivable	193,437	223,433
Less discounts to net present value	-	-
Less allowance for uncollectible pledges	<u>-</u>	<u>-</u>
Net contributions receivable at September 30, 2018, and 2017	<u>\$ 193,437</u>	<u>\$ 223,443</u>

NOTE 9 - Bequest Receivable

In 2017, a donor named the Organization as a beneficiary in an irrevocable trust, and the terms of this trust require a cash distribution to the organization in the amount of \$10,000,000 upon the death of the donor. The donor passed away in September 2017, and the bequest was recorded as a receivable at September 30, 2017. The full amount of the bequest was received in the year ended September 30, 2018.

NOTE 10 - Fair Value Measurements

The Foundation adopted FASB Accounting Standards Codification 820-10 *Fair Value Measurements* ("FASB ASC 820-10"), which defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques. FASB ASC 820-10 applies to all assets and liabilities required to be measured and reported at fair value on a recurring or nonrecurring basis. The fair value hierarchy is as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar or identical instruments in active markets or non-active markets or other significant observable inputs.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Van Wezel Foundation, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 10 - Fair Value Measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	09/30/18	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds and common stock	\$ 2,272,843	\$ 2,272,843	\$ -	\$ -
Corporate bonds	3,803,962	3,803,962	-	-
Other bonds	3,187,421	3,187,421	-	-
Commodity mutual funds	210,722	210,722	-	-
Public REIT's	45,747	45,747	-	-
Other short term investments	4,881,371	4,881,371	-	-
Total	\$ 14,402,066	\$ 14,402,066	\$ -	\$ -

	Fair Value Measurements at Reporting Date Using			
	09/30/17	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds and common stock	\$ 2,296,465	\$ 2,296,465	\$ -	\$ -
Corporate bonds	1,831,150	1,831,150	-	-
Other bonds	186,779	186,779	-	-
Commodity mutual funds	200,606	200,606	-	-
Public REIT's	66,434	66,434	-	-
Total	\$ 4,581,434	\$ 4,581,434	\$ -	\$ -

NOTE 11 - Concentration of Risk

The Foundation maintains cash accounts in a commercial bank located in Sarasota, Florida. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the account balance may exceed \$250,000. The Foundation's uninsured cash balances total \$331,845 and \$111,313 as of September 30, 2018, and 2017, respectively. The Foundation also maintained cash equivalents in money market mutual funds totaling \$812,598 and \$115,631 as of September 30, 2018, and 2017, respectively.

NOTE 12 - Endowments

The Foundation's endowment consisted of funds established for a variety of purposes. Its endowment includes donor-restricted endowments and time-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 12 – Endowments (continued)

The Board of Directors of the Foundation has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Any portion of an endowment fund that is not considered to be permanently restricted net assets will be classified as temporarily restricted net assets until appropriated for expenditure.

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable income stream to support their endowed purposes. The investment policy attempts to achieve long term capital appreciation through diversification of asset classes while maintaining security of principal. Return will be measured against the Consumer Price Index (CPI) and is expected to exceed the CPI by at least 4% over the long-term in the Permanently Restricted Endowment.

To satisfy its long-term 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 includes a range of 15-55% portfolio mix in equity-based investments to achieve its long-term return objectives with prudent risk parameters.

Changes in endowment net assets for the year ended September 30, 2018:

	Permanently Restricted	Temporarily Restricted
Net assets, beginning of year	\$ 1,258,775	\$ 418,187
Interest and investment income	-	45,703
Realized and unrealized gains and (losses)	-	16,140
Change in net assets	-	61,843
Net assets, end of year	<u>\$ 1,258,775</u>	<u>\$ 480,031</u>

Endowment net asset compositions as of September 30, 2018:

	Permanently Restricted	Temporarily Restricted
Donor restricted	\$ 1,258,775	\$ -
Time restricted	-	480,031
Board designated	-	-
Total Endowment Funds	<u>\$ 1,258,775</u>	<u>\$ 480,031</u>

Van Wezel Foundation, Inc.
Notes to Financial Statements
September 30, 2018 and 2017

NOTE 12 – Endowments (continued)

Changes in endowment net assets for the year ended September 30, 2017:

	Permanently Restricted	Temporarily Restricted
Net assets, beginning of year	\$ 1,258,775	\$ 314,276
Contributions	-	-
Interest and investment income	-	38,893
Realized and unrealized gains and (losses)	-	65,018
Change in net assets	-	103,911
Net assets, end of year	<u>\$ 1,258,775</u>	<u>\$ 418,187</u>

Endowment net asset compositions as of September 30, 2017:

	Permanently Restricted	Temporarily Restricted
Donor restricted	\$ 1,258,775	\$ -
Time restricted	-	418,187
Board designated	-	-
Total Endowment Funds	<u>\$ 1,258,775</u>	<u>\$ 418,187</u>

NOTE 13 – Employee Retirement Plan

All employees may participate in a 401K plan offered through the Foundation's professional employer organization. The plan offers a safe harbor contribution for each employee up to 3% of their earnings regardless of participation. At the end of each calendar year, the Foundation makes an additional 1% contribution of prior calendar year's earnings (for a total contribution of 4%). The Foundation contributed \$17,938 and \$13,908 in matching contributions as of September 30, 2018 and 2017, respectively.

NOTE 14 – Donated Services and Gifts in Kind

The Foundation has adopted FASB Accounting Standards Codification 958-605, *Accounting for Contributions Received and Contributions Made* ("FASB ASC 958-605"). Donated professional 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. Donated professional services have been recognized in the amount of \$14,347 and \$30,915 for the years ended September 30, 2018 and 2017, respectively. Gifts in kind have been recognized in the amount of \$0 and \$25 for the years ended September 30, 2018 and 2017, respectively.

Donated services and gifts in kind that meet the criteria of FASB ASC 958-605 are recognized as in-kind contributions on the statement of activities.

NOTE 15 – Future Accounting Pronouncements

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. This ASU significantly amends the standards for the presentation and accompanying disclosures for nonprofit organizations. Some of the changes include the following:

- Requires a functional and natural classifications of expenses.
- Requires the presentation of two classes of net assts instead of three.
- Requires additional disclosure of how a nonprofit organization manages liquidity and communicates the availability of financial assets to meet cash needs for general expenditures.
- Requires additional disclosures of the amounts and purposes of any Board of Directors' net asset designations.
- Requires additional disclosures of the methods used to allocate costs among programs and support functions.

This standard became effective for nonprofit entities with fiscal years beginning after December 15, 2017.

NOTE 16 – Subsequent Events

Subsequent events have been evaluated through January 31, 2019, the date the financial statements were available to be issued.