

FRIENDS OF WOODSTOCK SCHOOL, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 AND 2015

FRIENDS OF WOODSTOCK SCHOOL, INC.

JUNE 30, 2016

Table of contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activity and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-19



INDEPENDENT AUDITORS' REPORT

To The Finance Committee and Board of Directors

Friends of Woodstock School, Inc.

We have audited the financial statements of Friends of Woodstock School Inc. (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements. The financial statements of the prior period were audited by a predecessor auditor. The predecessor auditor expressed an unqualified opinion that was not modified on their report dated December 15, 2016.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Woodstock School Inc. of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Padgett & Padgett, PLLC

January 9, 2017, Mount Vernon, Washington

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2016 and 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 67,578	\$ 116,966
Investments	2,556,057	2,558,254
Promises to give - current	91,000	101,500
Prepays and deposits	58,689	23,837
Total current	<u>2,773,324</u>	<u>2,800,557</u>
PROPERTY AND EQUIPMENT, net	<u>1,819</u>	<u>-</u>
Promises to give - long-term , net	24,424	103,747
Endowment investments	1,647,045	1,686,944
Assets held in trust	364,457	384,363
	<u>2,035,926</u>	<u>2,175,054</u>
TOTAL ASSETS	<u><u>\$ 4,811,069</u></u>	<u><u>\$ 4,975,611</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ -	\$ 2,823
Other payable	(135)	
Deferred revenue	60,003	61,942
Grants payable	64,646	19,000
Total Current Liabilities	<u>124,514</u>	<u>\$ 83,765</u>
Net Assets		
Unrestricted	2,246,146	2,347,313
Temporarily restricted	753,794	888,716
Permanently restricted	1,686,615	1,655,817
Total Net Assets	<u>4,686,555</u>	<u>4,891,846</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,811,069</u></u>	<u><u>\$ 4,975,611</u></u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2016

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenue, and Other Support								
Contribution	\$ 79,932	\$ 66,890	\$ 16,440	\$ 163,262	\$ 129,220	\$ 193,145	\$ 13,802	\$ 336,167
Conference revenue	64,196			64,196	70,559			70,559
Other revenue	4,260			4,260	688			688
Interests and dividends	53,878	28,289		82,167	73,364	38,656		112,020
Net (Loss) gain on investments	(66,118)	(32,062)		(98,180)	(15,824)	(8,194)		(24,018)
(Loss) gain on assets held in trust	(19,907)			(19,907)	(8,718)			(8,718)
Transfer for mandatory accumulation		(14,358)	14,358	-		(7,561)	7,561	-
Net assets reclassified from restrictions	183,681	(183,681)		-	303,425	(303,425)		-
Total Public Support, Revenue and Other Support	<u>299,922</u>	<u>(134,922)</u>	<u>\$ 30,798</u>	<u>\$ 195,798</u>	<u>552,714</u>	<u>(87,379)</u>	<u>21,363</u>	<u>486,698</u>
Expenses								
Program	259,632			259,632	351,271			351,271
Management and general	96,982			96,982	96,546			96,546
Fundraising	44,475			44,475	79,106			79,106
Total Expenses	<u>401,089</u>			<u>401,089</u>	<u>526,923</u>			<u>526,923</u>
Change in Net Assets	(101,167)	(134,922)	30,798	(205,291)	25,791	(87,379)	21,363	(40,225)
Net Assets - beginning of year	2,347,313	888,716	1,655,817	4,891,846	2,321,522	976,095	1,634,454	4,932,071
Net Assets - end of year	<u>\$ 2,246,146</u>	<u>\$ 753,794</u>	<u>\$ 1,686,615</u>	<u>\$ 4,686,555</u>	<u>\$ 2,347,313</u>	<u>\$ 888,716</u>	<u>\$ 1,655,817</u>	<u>\$ 4,891,846</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	2016				2015			
	Program Services	Management and General	Fundraising Activities	Total	Program Services	Management and General	Fundraising Activities	Total
Salaries and wages	\$20,991	\$36,425	\$21,183	\$78,599	\$ 42,324	\$ 37,078	\$ 44,894	\$ 124,296
Payroll taxes	1,788	3,047	1,788	6,623	3,478	3,077	3,691	10,255
Employee benefits	972	2,334	583	3,889	988	2,370	593	3,951
Total personnel expenses	23,751	41,806	23,554	89,111	46,799	42,525	49,178	138,502
Grants made	169,489			169,489	231,115			231,115
Conference	57,519			57,519	58,499			58,499
Travel	1,345	3,944	1,910	7,199	7,367	8,884	2741	18,992
Professional fees		17,110		17,110		16,780		16,780
Printing	408	4,364	3,739	8,511	652	4,051	8121	12,824
Miscellaneous	296	10,368	380	11,044		10,537	26	10,563
Occupancy	2,208	5,301	1,325	8,834	2,259	5,422	1355	9,036
Investment expenses			10,179	10,179			8188	8,188
Fundraising expense							5587	5,587
Contractors		7,730		7,730				
Maintenance	153	913	264	1,330	1,056	3,252	661	4,969
Postage and shipping	264	964	2,142	3,370	1,329	809	2392	4,530
Telephone	733	1,758	440	2,931	835	2,004	501	3,340
Meetings	410	1,111	246	1,767		1,574	322	1,896
Tour expense	2,585			2,585	1,184			1,184
Supplies	471	1,613	296	2,380	176	708	34	918
	<u>\$259,632</u>	<u>\$96,982</u>	<u>\$44,475</u>	<u>\$401,089</u>	<u>351,271</u>	<u>96,546</u>	<u>79,106</u>	<u>526,923</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 259,263	\$ 425,188
Cash received from program participants	66,517	70,060
Cash received from investments	(14,358)	7,841
Cash paid for grants	(123,843)	(417,215)
Cash paid to vendors	(143,214)	(142,244)
Cash paid to employees	(89,111)	(138,502)
Net cash used by operating activities	<u>(44,746)</u>	<u>(194,872)</u>
Cash Flows from Investing Activities		
Purchase of investments	(1,878,779)	(713,246)
Proceeds from sale of investments	1,859,508	920,223
Purchase of equipment	(1,819)	
Net cash from investing activities	<u>(21,090)</u>	<u>206,977</u>
Cash Flows Provide by Financing Activities		
Proceeds from contributions restricted to endow	<u>16,448</u>	<u>31,812</u>
Change in cash and cash equivalents	(49,388)	43,917
Cash and cash equivalents - beginning of year	<u>116,966</u>	<u>73,049</u>
Cash and cash equivalents - end of year	<u>\$ 67,578</u>	<u>\$ 116,966</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 and 2015

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (205,291)	\$ (40,225)
Adjustments to reconcile change in net assets to net cash Used by operating activities		
Loss (gain) on investments	98,180	24,018
Loss (gain) on assets held in trust	19,907	8,718
Reinvested investment earnings	(82,167)	(104,179)
Contributions restricted to endowment	26,082	(12,312)
Change in asset and liability accounts		
Promises to give	89,823	101,333
Prepays and deposits	(34,852)	15,062
Accounts payable	(135)	
Deferred revenue	(1,939)	(1,187)
Grants payable	45,646	(186,100)
Net cash use by operating activities	<u>\$ (44,746)</u>	<u>\$ (194,872)</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Friends of Woodstock School (FWS) is organized and operated exclusively for charitable and educational purposes, in particular, to furnish financial and administrative aid and support for educational programs in the United States and foreign countries.

Basis of presentation

In accordance with financial accounting standards, FWS 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. Unrestricted net assets are available without restriction for support of FWS' operations. Temporarily restricted net assets are restricted to be used for certain purposes or future periods by FWS. Temporarily restricted net assets are as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfers</u>	<u>June 30, 2016</u>
Specific projects	\$ 109,708	\$ 44,345	\$ (15,683)		\$ 138,370
Scholarships	283,834	17,187	(88,168)		212,853
Staff development	215,150	3,800	(4,830)		214,120
Staff recruitment	170,000		(75,000)		95,000
Legacy	110,026	(2,217)		(14,358)	93,451
	<u>\$ 888,718</u>	<u>\$ 63,115</u>	<u>\$ (183,681)</u>	<u>\$ (14,358)</u>	<u>\$ 753,794</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity and the income may be used in support of various programs.

Income taxes

The Internal Revenue Service has recognized Friends of Woodstock School, Inc. as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Cash and cash equivalents

Cash and cash equivalents represent checking and money market .accounts.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

Investments

Investments are reported at their fair market values in the statements of financial position.

Furniture and equipment

Furniture and equipment are stated at cost or if donated at fair market value at the date of donation. Furniture and equipment costing over \$1,000 are capitalized and depreciated over their useful lives of three to five years using the straight-line method. As of June 30, 2016, property and equipment of \$909 was depreciated.

Promises to give

Promises to give are shown at net realizable value. Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give recognized when the conditions on which they depend are substantially met. Unconditional promises to give as of June 30, 2016 were due as follows:

Receivable in less than one year	\$91,000
Receivable in one to five years	33,000
Receivable in more than five years	<u>50,000</u>
Pledges receivable	174,000
Less allowance or uncollectible promises to give	(50,000)
Less discount to present value	<u>(8,576)</u>
Net pledges receivable	<u><u>\$115,424</u></u>

Promise to give receivable in more than one year are discounted to present value using a risk-free rate of return of 3.5%. Promises to give from the Downs Foundation were 55% of total promises to give as of June 30, 2016

Grants payable

Grants payable consist of unconditional funding commitments made to Woodstock School.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

Restricted and unrestricted support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is when a stipulated time restricted ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred revenue

Deferred revenue consists of payments received in advance of the annual conference. Revenue is recognized in the period to which it applies.

Donated assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair value at the date of donation.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated good, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

Functional allocation of expenses

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

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 the reported amounts of assets and liabilities and disclosures 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.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 2 – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of June 30, 2016 and 2015 are as follows:

	Quoted Price in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Input (Level 3)	Total
As of June 30, 2016				
US Equity	1,063,256	-	-	1,063,256
International Equity	553,701	-	-	553,701
AB Global Real Estate Fund	234,848	-	-	234,848
Emerging Markets	118,729	-	-	118,729
Intermediate Duration	771,462			771,462
Fixed Income Funds		1,074,535		1,074,535
Berstein Small Cap	148,829			148,829
Berstein GRI	237,742		-	237,742
	<u>3,128,567</u>	<u>1,074,535</u>	<u>-</u>	<u>4,203,102</u>
Cash Surrender Value of Life Insurance	-	-	100,089	100,089
Life Income Gifts	-	-	91,457	91,457
Hezlep Trust	-	-	172,911	172,911
Assets Held in Trust	-	-	364,457	364,457
Total Assets shown at Fair Value	<u>3,128,567</u>	<u>1,074,535</u>	<u>364,457</u>	<u>4,567,559</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 2 – FAIR VALUE MEASUREMENTS

(CONTINUED)

	Quoted Price in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Input (Level 3)	Total
As of June 30, 2015				
US Equity	1,140,565	-	-	1,140,565
International Equity	506,907	-	-	506,907
Emerging Markets	141,374	-	-	141,374
Real Asset Strategy	247,633			247,633
Dynamic Asset Strategy	972,401	215,936		1,188,337
Fixed Income Funds		935,094		935,094
Alternative Investments			85,288	85,288
	<u>3,008,880</u>	<u>1,151,030</u>	<u>85,288</u>	<u>4,245,198</u>
Cash Surrender Value of Life Insurance	-	-	98,560	98,560
Life Income Gifts	-	-	95,648	95,648
Hezlep Trust	-	-	190,155	190,155
Assets Held in Trust	-	-	384,363	384,363
Total Assets shown at Fair Value	<u>3,008,880</u>	<u>1,151,030</u>	<u>469,651</u>	<u>4,629,561</u>

Alternative investments consist of the Alliance Bernstein Unconstrained Bond Fund. The fund is valued at Net Asset and has been audited annually by Earnest and Young LLP. The objective of the fund is to generate income consistent with the preservation of capital. Investments in these category for which there is no readily determinable market value are classified as Level 3, as the valuation is based on significant unobservable inputs. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the fund manager. These investments have no restrictions on redemption.

Assets measured at fair value on a recurring basis using significant unobservable input (Level 3):

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 2 – FAIR VALUE MEASUREMENTS

(CONTINUED)

	Cash Surrender Value of <u>Life Insurance</u>	Life <u>Income Gifts</u>	Hezlep <u>Trust</u>	Alternative <u>Investments</u>	<u>Total</u>
Fair Value as of July 1, 2013	\$93,054	\$81,304	\$186,514	\$ -	\$360,872
Additions				83,730	83,730
Total gains (loss) in change in net assets	<u>3,305</u>	<u>14,713</u>	<u>14,191</u>	<u>301</u>	
Fair Value as of June 30, 2014	96,359	96,017	200,705	84,031	477,112
Additions				3,254	3,254
Total gains (loss) in change in net assets	<u>2,201</u>	<u>(369)</u>	<u>(10,550)</u>	<u>(1,997)</u>	<u>(10,715)</u>
Fair Value as of June 30, 2015	98,560	95,648	190,155	85,288	469,651
Additions or subtractions				(85,288)	(85,288)
Total gains (loss) in change in net assets	<u>1,529</u>	<u>(4,190)</u>	<u>(17,245)</u>		<u>(19,906)</u>
Fair Value as of June 30, 2016	<u>100,089</u>	<u>91,458</u>	<u>172,910</u>	<u>-</u>	<u>364,457</u>

In June 2016, the alternative investments were transferred to become a portion of small cap and global research insights funds.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 3 – ASSETS HELD IN TRUST

FWS is named as remainderman in certain charitable remainder trust agreements administered by others (life income gifts and life insurance policies). The terms of these agreements provide for the disbursement of the trust assets to FWS upon the death of the final beneficiary. During the life of the beneficiaries, certain payments are made from trust assets as prescribed in the agreements.

FWS is also the beneficiary of a perpetual trust (Hezlep Trust) administered by a third party. Under the terms of the agreement, interest and dividends are distributed to FWS on a quarterly basis. Assets held in trust are stated at fair value using the net present value of future cash flows which approximates the value of the underlying investments held in the trust and is a level 3 input.

NOTE 4 – ENDOWMENTS

FWS' endowment funds consist of five individual funds established for the purpose of providing scholarships and other long term needs. FWS' endowment funds include one Board-designated endowment fund and five 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 of donor-imposed restrictions. FWS accounts for its endowments in accordance with the "Uniform Prudent Management of Institutional Funds Act," (UPMIFA) as stated in the Revised Code of Washington (RCW) 24.55.

Interpretation of Relevant Law

FWS has determined that 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 is appropriate. As a result of this interpretation, FWS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment, as applicable, 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

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 4 – ENDOWMENTS

(Continue)

amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, FWS 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 investment
- 6) Other resources of the organization and
- 7) The investment policies of the organization

Return Objectives and Risk Parameters

FWS has adopted investment policies for endowment assets that focus on long-term results. At a minimum, these policies attempt to provide a predictable stream of funding to programs supported by FWS while seeking to maintain the purchasing power of the endowment assets. Under the policy, the endowment assets are invested in a manner that is intended to produce maximum long-term total returns consistent with reasonable risk to principal for their asset category.

Strategies Employed for Achieving Objectives

To satisfy its long-term total return objectives, FWS relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. FWS targets a diversified asset allocation that places a greater emphasis on equity-based investments, both foreign and domestic, to achieve its long-term objectives within a prudent risk basis. The current allocation goal is 60% equities and 40% fixed income and cash. FWS investments are managed by Bernstein Global Wealth Management.

FWS' investment policy guidelines are reviewed and reconfirmed or revised on at least an annual basis. Performance of the organization's investments is reviewed on a regular basis by the Finance Committee and reported to the Board of Directors.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 4 – ENDOWMENTS

(Continue)

FWS' Endowed Scholarship Funds were established by written agreements with the originating donors. Under the agreements, the corpus is protected in perpetuity and only the temporarily restricted portion of the fund can be spent unless authorized by the originating donor.

The FWS Legacy Endowment (the Fund) was established to provide individual the opportunity to make charitable gifts to FWS that will become a permanent, general endowment for FWS, and a living memorial to those expressing their support for FWS. The purpose of the Fund is to create earnings for distributions that further the charitable and educational purpose of FWS.

Donations to the Fund are permanently restricted and invested. A portion of each year's net investment income, equal to the fiscal year's CPI-U(0.2% as of June 30, 2016) plus 1% and known as the "hold back" is reinvested to prevent erosion of the historic dollar value of the Fund. The "hold back" is added to the historic dollar value, and reclassified as permanently restricted. The balance of the net investment income may be spent where most needed as determined by the Board of Directors.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 4 – ENDOWMENTS

(Continue)

Endowment net assets consist of the following on June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Bishop Pickett Scholarship	\$ -	\$68,455	\$166,730	\$235,185
Joseph Schoonmaker Scholarship	-	-	379,238	379,238
Elizabeth Schillington Scholarship	-	10,945	61,329	72,274
KG Singh Scholarship	-	2,128	100,370	102,498
FWS Legacy Fund	28,052	93,451	736,347	857,850
Total endowment funds	<u>\$28,052</u>	<u>\$174,979</u>	<u>\$1,444,014</u>	<u>\$1,647,045</u>

Changes in endowment net assets for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$28,141</u>	<u>\$241,588</u>	<u>\$1,413,216</u>	<u>\$1,682,945</u>
Investment return				
Investment income	485	28,288	-	28,773
Net depreciation (realized/unrealized)	<u>(574)</u>	<u>(32,062)</u>	<u>-</u>	<u>(32,636)</u>
Total investment return	(89)	(3,774)	-	(3,863)
Contributions	-		16,440	16,440
Appropriated for expenditures	-	(48,477)		(48,477)
Transfer for mandatory accumulation	-	<u>(14,358)</u>	14,358	-
Endowment net assets, end of year	<u>\$28,052</u>	<u>174,979</u>	<u>1,444,014</u>	<u>1,647,045</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016 and 2015

NOTE 4 – ENDOWMENTS

(Continue)

Endowment net assets consist of the following on June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Bishop Pickett Scholarship	\$ -	\$80,546	\$154,290	\$234,836
Joseph Schoonmaker Scholarship	-	20,965	383,717	404,682
Elizabeth Schillington Scholarship	-	22,123	59,329	81,452
KG Singh Scholarship	-	7,449	100,370	107,819
FWS Legacy Fund	28,141	110,025	719,989	858,155
Total endowment funds	<u>\$28,141</u>	<u>\$241,108</u>	<u>\$1,417,695</u>	<u>\$1,686,944</u>

Changes in endowment net assets for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$27,776</u>	<u>\$270,939</u>	<u>\$1,396,332</u>	<u>\$1,695,047</u>
Investment return				
Investment income	601	38,656	-	39,257
Net depreciation (realized/unrealized)	(236)	(8,194)	-	(8,430)
Total investment return	365	30,462	-	30,827
Contributions	-		13,802	13,802
Appropriated for expenditures	-	(52,732)		(52,732)
Transfer for mandatory accumulation	-	(7,561)	7,561	-
Endowment net assets, end of year	<u>\$28,141</u>	<u>241,108</u>	<u>1,417,695</u>	<u>1,686,944</u>

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2016 through January 9, 2017, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2016 including the estimates inherent in the processing of financial statements.