

FRIENDS OF WOODSTOCK SCHOOL, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019 AND 2018

FRIENDS OF WOODSTOCK SCHOOL, INC.

JUNE 30, 2019

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PADGETT & PADGETT, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To The Finance Committee and Board of Directors

Friends of Woodstock School, Inc.

Report on the Financial Statements

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, 2019 and 2018 and the related statements of activities and changes 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.

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, 2019 and 2018 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

March 27, 2020

Mount Vernon, Washington

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2019 and 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 125,596	\$ 85,812
Investments	3,019,194	3,173,794
Promises to give - current	4,000	84,000
Prepays and deposits	450	27,043
Total current	<u>3,149,240</u>	<u>3,370,649</u>
Promises to give - long-term , net	21,860	25,635
Endowment investments	2,799,688	2,675,135
Assets held in trust	291,688	291,684
	<u>3,113,236</u>	<u>2,992,454</u>
TOTAL ASSETS	<u>\$ 6,262,476</u>	<u>\$ 6,363,103</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Other payable	67	67
Deferred revenue	-	70,540
Grants payable	94,500	57,773
Total Current Liabilities	<u>94,567</u>	<u>128,380</u>
Net Assets		
Without donor restrictions	2,583,141	2,510,639
With donor restrictions		
Purpose restrictions	1,123,226	1,327,486
Perpetual in nature	2,461,542	2,396,598
Total Net Assets	<u>6,167,909</u>	<u>6,234,723</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,262,476</u>	<u>\$ 6,363,103</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Without donor restrictions	With donor restrictions Purpose restrictions	Perpetual in nature	Total	Without donor restrictions	With donor restrictions Purpose restrictions	Perpetual in nature	Total
Public Support, Revenue & Other Support								
Contribution	\$ 78,969	\$ 119,484	\$ 42,578	\$ 241,031	\$ 117,417	\$ 101,426	\$ 3,160	\$ 222,003
Conference revenue	76,666	-	-	76,666	73,393	-	-	73,393
Other revenue	4,266	-	-	4,266	16,130	-	-	16,130
Interest and dividends	74,136	58,221	-	132,357	56,852	66,599	-	123,451
Net(Loss) gain on investments	100,263	159,672	-	259,935	144,275	131,691	-	275,966
Net(Loss) gain on assets held in trust	2	-	-	2	25,133	-	-	25,133
Pledge and life insurance income payments	(110,000)	110,000	-	-	-	-	-	-
Transfer for mandatory accumulation		(22,366)	22,366	-	-	(31,607)	31,607	-
Net assets reclassified from restrictions	629,272	(629,272)	-	-	255,644	(255,644)	-	-
Total Public Support, Revenue & Other Support	853,574	(204,261)	64,944	714,257	688,844	12,465	34,767	736,076
Expenses								
Program	635,402	-	-	635,402	317,892	-	-	317,892
Management and general	100,861	-	-	100,861	89,504	-	-	89,504
Fundraising	44,808	-	-	44,808	66,926	-	-	66,926
Total Expenses	781,071	-	-	781,071	474,322	-	-	474,322
Change in Net Assets	72,503	(204,261)	64,944	(66,814)	214,522	12,465	34,767	261,754
Net Assets - beginning of the year	2,510,638	1,327,487	2,396,598	6,234,723	2,296,117	1,315,021	2,361,831	5,972,969
Net Assets - end of the year	\$ 2,583,141	\$ 1,123,226	\$2,461,542	\$6,167,909	\$ 2,510,639	\$ 1,327,486	\$ 2,396,598	\$ 6,234,723

FRIENDS OF WOODSTOCK SCHOOL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Fundraising Activities	Total	Program Services	Management and General	Fundraising Activities	Total
Salaries and wages	\$ 20,894	\$ 36,360	\$ 21,020	\$ 78,274	\$ 21,115	\$ 36,507	\$ 21,389	\$ 79,011
Payroll taxes		6,602	-	6,602	1,006	6,655	604	8,265
Employee benefits	1,006	2,415	604	4,025	-	2,415	-	2,415
Total personnel expenses	21,900	45,377	21,624	88,901	22,121	45,577	21,993	89,691
Grants made	211,783	-	-	211,783	148,380	-	-	148,380
Conference	89,731	-	-	89,731	104,367	-	-	104,367
Bank fees	-	7,130	-	7,130	-	-	-	-
Travel	715	3,913	429	5,057	11,639	5,086	4	16,729
Professional fees	61	18,679	37	18,777	-	13,994	-	13,994
Printing	486	4,579	5,000	10,065	45	1,187	4,250	5,482
Miscellaneous	-	16	-	16	222	10,655	138	11,015
Occupancy	2,222	5,333	1,333	8,888	2,292	5,502	1,375	9,169
Investment expenses	-	-	37,206	37,206	-	-	34,634	34,634
Insurance	-	2,448	-	2,448	-	-	-	-
Staff development grants	65,423	-	-	65,423	-	-	-	-
Maintenance	130	1,435	78	1,643	78	1,186	47	1,311
Postage and shipping	281	788	1,626	2,695	324	345	1,842	2,511
Scholarship grants	240,855	-	-	240,855	27,200	-	-	27,200
Telephone	1,376	3,405	826	5,607	893	2,144	536	3,573
Meetings	-	5,669	-	5,669	-	2,664	-	2,664
Alumni enrichment activity	-	-	1,386	1,386	-	-	1,908	1,908
Supplies	439	2,089	263	2,791	331	1,164	199	1,694
Bad debt adjustment	-	-	(25,000)	(25,000)	-	-	-	-
	<u>\$ 635,402</u>	<u>\$ 100,861</u>	<u>\$ 44,808</u>	<u>\$ 781,071</u>	<u>\$ 317,892</u>	<u>\$ 89,504</u>	<u>\$ 66,926</u>	<u>\$ 474,322</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 324,806	\$ 214,213
Cash received from program participants	10,392	83,938
Cash received from investments	82,396	112,908
Cash paid for grants	(415,911)	(175,295)
Cash paid to vendors	(239,532)	(236,184)
Cash paid to employees	(88,901)	(89,691)
Net cash used by operating activities	<u>(326,750)</u>	<u>(90,111)</u>
Cash Flows from Investing Activities		
Purchase of investments	(591,668)	(1,054,452)
Proceeds from sale of investments	937,103	1,031,581
Net cash from investing activities	<u>345,435</u>	<u>(22,871)</u>
Cash Flows Provide by Financing Activities		
Proceeds from contributions restricted to endowment	21,099	39,502
Change in cash and cash equivalents	39,784	(73,480)
Cash and cash equivalents - beginning of year	85,812	159,292
Cash and cash equivalents - end of year	<u>\$ 125,596</u>	<u>\$ 85,812</u>

FRIENDS OF WOODSTOCK SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (66,814)	\$ 261,754
Adjustments to reconcile change in net assets to net cash Used by operating activities		
Loss (gain) on investments	(259,935)	(275,966)
Loss (gain) on assets held in trust	(2)	(25,133)
Reinvested investment earnings	(62,595)	(4,663)
Contributions restricted to endowment	(13,959)	(3,160)
Change in asset and liability accounts		
Promises to give	83,775	(7,790)
Prepays and deposits	26,593	(2,720)
Accounts payable	-	67
Deferred revenue	(70,540)	(5,585)
Grants payable	36,727	(26,915)
Net cash use by operating activities	<u>\$ (326,750)</u>	<u>\$ (90,111)</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 classes of net assets

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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) restrictions.

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 passage of time or other events specified by donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Purpose restrictions net assets are as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Transfers</u>	<u>June 30, 2019</u>
Specific projects	\$ 452,087	\$ 102,230	\$ (229,556)	\$ 40	\$ 324,801
Scholarships	415,979	159,671	(240,855)	(4,477)	330,318
Staff development	186,894	990		-	187,884
Staff recruitment	95,000	-		(44,423)	50,577
Legacy	177,526	74,486	-	(22,366)	229,646
	<u>\$ 1,327,486</u>	<u>\$ 337,377</u>	<u>\$ (470,411)</u>	<u>\$ (71,226)</u>	<u>\$ 1,123,226</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.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

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.

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, 2019, property and equipment of \$909 was depreciated, and they were fully 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, 2019 were due as follows:

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Receivable in less than one year	\$	4,000
Receivable in one to five years		54,000
Pledges receivable		<u>58,000</u>
Less allowance or uncollectible promises to give		(25,000)
Less discount to present value		<u>(7,140)</u>
Net pledges receivable	\$	<u>25,860</u>

Promises 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 and Edith Theis-Nielsen were made in 2018-2019 for a total of \$110,000.

Grants payable

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

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.

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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:

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 goods, 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.

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

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

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis as of June 30, 2019 and 2018 are as follows:

	Quoted Price in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Input <u>(Level 3)</u>	<u>Total</u>
As of June 30, 2019				
US Equity	\$ 1,547,389	\$ -	\$ -	\$ 1,547,389
International Equity	260,434	-	-	260,434
AB Global Real Estate Fund	251,615	-	-	251,615
Emerging Markets	127,446	-	-	127,446
Intermediate Duration	1,850,269	-	-	1,850,269
Fixed Income Funds	-	359,438	-	359,438
Bernstein FSOF II	252,268	-	-	252,268
Bernstein MML	264,829	-	-	264,829
AB Small Cap Equity	274,092	-	-	274,092
Bernstein Small Cap Equity	190,926	-	-	190,926
Bernstein GRI	427,766	-	-	427,766
Global Fixed Income Funds	-	12,410	-	12,410
	<u>5,447,034</u>	<u>371,848</u>	<u>-</u>	<u>5,818,882</u>
Cash Surrender Value of Life Insurance	-	-	97,104	97,104
Hezlep Trust	-	-	194,584	194,584
Assets Held in Trust	-	-	291,688	291,688
Total Assets shown at Fair Value	<u>\$ 5,447,034</u>	<u>\$ 371,848</u>	<u>\$ 291,688</u>	<u>\$ 6,110,570</u>

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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, 2018				
US Equity	\$ 1,747,669	\$ -	\$ -	\$ 1,747,669
International Equity	269,669	-	-	269,669
AB Global Real Estate Fund	290,427	-	-	290,427
Emerging Markets	130,702	-	-	130,702
Intermediate Duration	1,783,010	-	-	1,783,010
Fixed Income Funds	-	382,766	-	382,766
Bernstein FSOF II	132,205	-	-	132,205
Bernstein MML	222,648	-	-	222,648
AB Small Cap Equity	248,456	-	-	248,456
Bernstein Small Cap Equity	206,553	-	-	206,553
Bernstein GRI	434,824	-	-	434,824
	<u>5,466,163</u>	<u>382,766</u>	<u>-</u>	<u>5,848,929</u>
Cash Surrender Value of Life Insurance	-	-	99,433	99,433
Life Income Gifts	-	-	-	-
Hezlep Trust	-	-	192,251	192,251
Assets Held in Trust	-	-	291,684	291,684
Total Assets shown at Fair Value	<u>\$ 5,466,163</u>	<u>\$ 382,766</u>	<u>\$ 291,684</u>	<u>\$ 6,140,613</u>

Alternative investments consist of the Alliance Bernstein Unconstrained Bond Fund. The fund is valued at Net Asset Value and has been audited annually by Ernst and Young LLP. The objective of the fund is to generate income consistent with the preservation of capital. Investments in this 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.

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Cash Surrender Value of Life Insurance	Life Income Gifts	Hezlep Trust	Total
Fair Value as of June 30, 2017	\$ 100,336	\$ -	\$ 185,098	\$ 285,434
Additions(subtractions) Total gain(loss) in change in net assets	<u>(903)</u>	<u>-</u>	<u>7,153</u>	<u>6,250</u>
Fair value as of June 30, 2018	99,433	-	192,251	291,684
Additions(subtractions) Total gain(loss) in change in net assets	<u>(2,329)</u>	<u>-</u>	<u>2,333</u>	<u>4</u>
Fair value as of June 30, 2019	<u>\$ 97,104</u>	<u>\$ -</u>	<u>\$ 194,584</u>	<u>\$ 291,688</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 six 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.

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 – ENDOWMENTS (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure 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 and has taken steps to move toward alternative investments of up to 15% of the total portfolio while reducing fixed income to 25% of the portfolio. This transition in allocation is expected to occur over a two year period. To facilitate this transition, FWS created an Investment Committee consisting of current Board members. Asset allocation as

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 – ENDOWMENTS (CONTINUED)

of June 30, 2019 was 42% equities, 40% fixed income, 9% alternative investments, 8% emerging markets and real estate, and 1% cash.

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 Investment Committee and reported to the Board of Directors.

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 individuals 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, 2019) 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
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 – ENDOWMENTS (CONTINUED)

Endowment net assets consist of the following on June 30, 2019

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	Perpetual in nature	
Bishop Pickett Scholarship	\$ -	\$ 89,427	\$ 168,440	\$ 257,867
Joseph Schoonmaker Scholarship	-	1,424	416,736	418,160
Elizabeth Schillington Scholarship	-	21,466	66,029	87,495
KG Singh Scholarship	-	11,341	100,370	111,711
FWS Legacy Fund	70,494	229,646	823,940	1,124,080
Li Chu Scholarship Endowment	-	152,460	647,915	800,375
Total endowment funds	<u>\$ 70,494</u>	<u>\$ 505,764</u>	<u>\$ 2,223,430</u>	<u>\$ 2,799,688</u>

Changes in endowment net assets for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	Perpetual in nature	
Endowment net assets, beginning of year	<u>\$ 52,168</u>	<u>\$ 468,970</u>	<u>\$ 2,158,475</u>	<u>\$ 2,679,613</u>
Investment return				
Investment income	1,418	58,221	-	59,639
Net appreciation (realized/unrealized)	2,949	159,672	-	162,621
Total investment return	4,367	217,893	-	222,260
Contributions	13,959	-	42,589	56,548
Appropriated for expenditures	-	(154,256)	-	(154,256)
Transfer for mandatory accumulation	-	(26,843)	22,366	(4,477)
Endowment net assets, end of year	<u>\$ 70,494</u>	<u>\$ 505,764</u>	<u>\$ 2,223,430</u>	<u>\$ 2,799,688</u>

FRINDS OF WOODSTOCK SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 – ENDOWMENTS (CONTINUED)

Endowment net assets consist of the following on June 30, 2018

	Without donor restrictions	With donor restrictions		Total
		Purpose restrictions	Perpetual in nature	
Bishop Pickett Scholarship	\$ -	\$ 94,666	\$ 167,910	\$ 262,576
Joseph Schoonmaker Scholarship	-	30,061	383,716	413,777
Elizabeth Schillington Scholarship	-	19,045	63,829	82,874
KG Singh Scholarship	-	13,561	100,370	113,931
FWS Legacy Fund	52,168	177,526	797,653	1,027,347
Liu Chu Scholarship Endowment	-	134,111	644,997	779,108
Total endowment funds	<u>\$ 52,168</u>	<u>\$ 468,970</u>	<u>\$ 2,158,475</u>	<u>\$ 2,679,613</u>

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

	Without donor restrictions	Without donor restrictions		Total
		Purpose restrictions	Perpetual in nature	
Endowment net assets, beginning of year	\$ 30,278	\$ 384,114	\$ 2,112,288	\$ 2,526,680
Investment return				
Investment income	820	66,598	-	67,418
Net appreciation (realized/unrealized)	1,607	127,215	4,477	133,299
Total investment return	2,427	128,771	4,477	200,717
Contributions	19,463	101,427	3,160	124,050
Appropriated for expenditures	-	(178,777)	6,943	(171,834)
Transfer for mandatory accumulation	-	(31,607)	31,607	-
Endowment net assets, end of year	<u>\$ 52,168</u>	<u>\$ 468,970</u>	<u>\$ 2,158,475</u>	<u>\$ 2,679,613</u>

FRINDS OF WOODSTOCK SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	2019	2018
Financial assets, at year end	\$ 3,148,790	\$ 3,343,606
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(1,123,226)	(1,327,486)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,025,564	\$ 2,016,120

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2019 through March 27, 2020 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, 2019 including the estimates inherent in the processing of financial statements.