MENNONITE EDUCATION AGENCY, INC.
AND AFFILIATE
Elkhart, Indiana

CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2018 and 2017

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
Elkhart, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mennonite Education Agency, Inc. and Affiliate
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mennonite Education Agency, Inc. and Affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit also involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mennonite Education Agency, Inc. and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe LLP

Crowe LLP

South Bend, Indiana
October 15, 2018

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 286,412	$ 143,719
Investment in insurance reserve	45,823	23,193
Accounts receivable	27,464	55,447
Prepaid expenses	1,000	-
Property and equipment		
Office equipment	31,401	35,248
Less accumulated depreciation	(25,110)	(28,918)
Net property and equipment	6,291	6,330
Investments	521,099	492,555
Investments - Agencies	162,664,997	151,541,171
	163,186,096	152,033,726
	$ 163,553,086	$ 152,262,415
LIABILITIES AND NET ASSETS		
Accounts payable and other current liabilities	$ 286,377	$ 125,335
Accrued payroll and related taxes	10,419	10,801
Benefits payable	34,834	38,028
Capital lease obligation	1,852	4,397
Due to Agencies	162,664,997	151,541,171
Total liabilities	162,998,479	151,719,732
Net assets		
Unrestricted		
Undesignated	206,533	192,022
Board designated	120,584	116,301
Total unrestricted	327,117	308,323
Temporarily restricted	227,490	234,360
Total net assets	554,607	542,683
	$ 163,553,086	$ 152,262,415

See accompanying notes to consolidated financial statements.

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, support, and gains						
Contributions - conferences and congregations	$ 147,336	$ -	$ 147,336	$ 153,429	$ -	$ 153,429
Contributions - Hispanic Ministries	-	87,883	87,883	-	96,067	96,067
Contributions - Racial/Ethnic Leadership Education	-	36,113	36,113	-	36,433	36,433
Contributions - other	96,182	1,221	97,403	91,617	30,014	121,631
Bequests	24,073	-	24,073	31,963	-	31,963
Program service revenue - support from institutions	332,035	-	332,035	356,680	-	356,680
Program service revenue - Hispanic Ministries	54,591	-	54,591	60,540	-	60,540
Program service revenue - consulting income	247,424	-	247,424	79,421	-	79,421
Program service income - investment management fees	229,749	-	229,749	236,564	-	236,564
Investment income	7,832	3,200	11,032	7,885	1,676	9,561
Other	22,604	-	22,604	49,253	-	49,253
Net realized and unrealized gains on investments	18,418	12,344	30,762	28,923	20,700	49,623
Net assets released from purpose and time restrictions	147,631	(147,631)	-	143,284	(143,284)	-
Total revenue, support, and gains	1,327,875	(6,870)	1,321,005	1,239,559	41,606	1,281,165
Expenses						
Program						
Institutional relations	522,186	-	522,186	538,581	-	538,581
Hispanic Ministries	193,495	-	193,495	197,122	-	197,122
Racial/Ethnic Leadership Education	22,705	-	22,705	21,518	-	21,518
Church relations	124,048	-	124,048	118,335	-	118,335
Special projects	218,561	-	218,561	28,831	-	28,831
Total program	1,080,995	-	1,080,995	904,387	-	904,387
Supporting services						
General and administrative	145,002	-	145,002	135,600	-	135,600
Fundraising	15,477	-	15,477	13,416	-	13,416
First Fruits to Mennonite Church USA Executive board	67,607	-	67,607	71,680	-	71,680
Total supporting services	228,086	-	228,086	220,696	-	220,696
Total expenses	1,309,081	-	1,309,081	1,125,083	-	1,125,083
Change in net assets	18,794	(6,870)	11,924	114,476	41,606	156,082
Net assets, beginning of year	308,323	234,360	542,683	193,847	192,754	386,601
Net assets, end of year	$ 327,117	$ 227,490	$ 554,607	$ 308,323	$ 234,360	$ 542,683

See accompanying notes to consolidated financial statements.

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 11,924	$ 156,082
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	4,304	4,459
Net realized and unrealized gains on investments	(30,762)	(49,623)
Forgiveness of RELE loans payable	-	(49,939)
Change in fair value of investment in insurance pool	(22,630)	1,639
Change in assets and liabilities		
Accounts receivable	27,983	(3,394)
Prepaid expenses	(1,000)	-
Accounts payable and other current liabilities	161,042	1,362
Accrued payroll and related taxes	(382)	2,473
Benefits payable	(3,194)	(2,925)
Net cash from operating activities	147,285	60,134
Cash flows from (used in) investing activities		
Purchases of property and equipment	(4,265)	(2,116)
Proceeds from sale of investments	61,790	23,881
Purchases of investments	(59,572)	(9,547)
Net cash from (used in) investing activities	(2,047)	12,218
Cash flows used in financing activities		
Principal payments on capital lease obligation	(2,545)	(2,291)
Net cash used in financing activities	(2,545)	(2,291)
Net change in cash and cash equivalents	142,693	70,061
Cash and cash equivalents at beginning of year	143,719	73,658
Cash and cash equivalents at end of year	$ 286,412	$ 143,719
Supplemental disclosure		
Investments - Agencies operating activity:		
Net realized and unrealized gains and losses	$ 12,937,769	$ 33,723,549
Net cash activity	(1,813,943)	(19,110,296)
Total increase in Investments - Agencies and Due to Agencies	$ 11,123,826	$ 14,613,253

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Mennonite Education Agency, Inc. (MEA) works with elementary and secondary schools, colleges, universities, and seminaries to provide a Mennonite education experience to almost 10,500 students of all ages. MEA also works with conferences, congregations, and individuals throughout the church involved in the unique qualities of Mennonite education.

The Mennonite Education Agency Investment Fund LLC (the Fund) performs the duties of the investment committee. MEA is the sole member of the Fund and appoints 100% of the Fund's Board of Managers. The Fund is responsible for the continued oversight and direction of the pooled endowment fund.

MEA is one of five church-wide program boards of Mennonite Church USA. The other affiliated program boards consist of Mennonite Mission Network, Everence, Mennonite Publishing Network, and Mennonite Health Services Alliance. Mennonite Church USA consists of congregations that are affiliated with one another in regional district conferences. The conferences serve as the main administrative structure for congregations. The conferences are represented at a General Assembly that meets every two years to act in matters of interest to the Mennonite Church USA constituency. The Executive Board of Mennonite Church USA functions on behalf of the General Assembly when the Assembly is not in session.

MEA contributes 10% of its next fiscal year's projected unrestricted revenue, adjusted for investment management fees and net assets released from restriction, to Mennonite Church USA as its contribution under the First Fruits Program. For the years ended June 30, 2018 and 2017, amounts contributed to Mennonite Church USA were $67,607 and $71,680 respectively.

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Mennonite Education Agency, Inc. and Mennonite Education Agency Investment Fund LLC (collectively referred to as the Organization). All inter-organization accounts and transactions between affiliated organizations have been eliminated in consolidation.

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

> Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Board designated net assets represent those assets that are internally designated for special projects and student financial aid, including a portion designated for endowment.
>
> Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization.
>
> Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. For the years ended June 30, 2018 and 2017, the Organization did not have any permanently restricted net assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000. Additionally, for purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents included in Investments - Agencies is for investment by the Agencies only and is not considered operating cash.

Investments: Investments are valued at their fair values in the consolidated statements of financial position. Unrealized gains (losses) from investments owned by MEA are included in the change in net assets. See Notes 2 and 10 for additional information on the nature of the Organization’s investments.

The Organization manages pooled long-term investment funds for 17 educational institutions and other church affiliated not-for-profit organizations (Investments - Agencies) along with investments owned by MEA. These investments are carried at fair value. Various administrative tasks are performed by Mennonite Foundation Inc., a subsidiary of the Everence board of directors, and managed by selected investment asset managers. The objective of the pooled long-term investment funds is to maximize capital appreciation and to protect the principal portion of the fund while following socially responsible investing and environmental, social, and governance (ESG) criteria. Asset managers, where possible, are required to follow specific guidelines set forth by the Organization. The Organization also determines an allowable payout rate from the earnings on these investments.

Accounts Receivable: The Organization's accounts receivable consists primarily of amounts due from Mennonite schools and other organizations. Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Organization's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. The Organization does not accrue interest on past due accounts.

Management has recorded an allowance for doubtful accounts of $12,420 at June 30, 2018. There was no allowance for doubtful accounts recorded at June 30, 2017 as they believed all amounts to be collectible.

Equipment: Equipment is stated at cost or, if donated to the Organization, at fair value on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. Depreciation expense for the years ended June 30, 2018 and 2017 was $4,304 and $4,459, respectively. Assets held under capital leases are being amortized over the shorter of their expected useful lives or the term of their respective lease agreements.

Due to Agencies: Due to agencies represents the pooled investment funds held for 17 educational institutions and other church affiliated not-for-profit organizations titled Investments - Agencies in the consolidated statements of financial position. The presentation reflects the agency relationship that the Organization maintains with each pool participant.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from purpose and time restrictions.

Donor restricted gifts that are received for which their restricted purpose is met during the same year are initially recorded as temporarily restricted net assets and then reported as net assets released from restrictions and reclassified as unrestricted net assets.

Program Service Revenue: Program service revenue is measured at the fair value of the consideration received or receivable and consists of support from institutions, tuition for various educational programs, consulting income, and investment management fees. Program service revenue is recognized when earned.

Fair Value of Financial Instruments: The Organization's carrying amount for its financial instruments include cash and cash equivalents, investments - agencies, investment in insurance reserve, accounts receivable, accounts payable and other current liabilities, benefits payable, and capital lease obligation approximate fair value.

Income Taxes: MEA is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

U.S. GAAP requires that a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

MEA does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. MEA recognizes interest and/or penalties related to income tax matters in income tax expense. MEA did not have any amounts accrued for interest and penalties at June 30, 2018 or 2017.

Since the Fund is a single member limited liability company, all income is included in the taxable income of the individual member (MEA); thus, no federal or state income taxes are included in these consolidated financial statements.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements: In May 2015, the FASB issued Accounting Standards Update No. 2015-07 (ASU 2015-07), "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)." ASU 2015-07 removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For non-public business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016. The Organization adopted this standard during the year ended June 30, 2018. Accordingly, investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy (Note 10).

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2018. Management has performed their analysis through October 15, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENTS

MEA's investments are in a pooled fund which is sponsored by the Fund. The following schedule reflects the fair value at June 30, 2018 and 2017 of the investments owned by MEA by net asset classification. See Note 10 for more information.

	2018	2017
Pooled Funds:		
Unrestricted:		
Undesignated	$ 208,221	$ 191,104
Designated	119,321	115,038
Total unrestricted	327,542	306,142
Temporarily restricted	193,557	186,413
	$ 521,099	$ 492,555

The following schedule summarizes the investment return for the years ended June 30:

	2018	2017
Interest and dividends	$ 11,032	$ 9,561
Net realized and unrealized gains	30,762	49,623
	$ 41,794	$ 59,184

NOTE 3 - INVESTMENTS - AGENCIES

The Organization manages pooled long-term investment funds for 17 educational institutions and other church affiliated not-for-profit organizations along with investments owned by MEA. The following schedule reflects the fair value at June 30, 2018 and 2017 of these pooled investments. See Note 10 for the detailed composition of the underlying assets in which the endowment pool is invested.

	2018	2017
Pooled endowment funds	$ 162,330,959	$ 151,152,175
Pooled annuity funds	334,038	388,996
	$ 162,664,997	$ 151,541,171

There were various withdrawals from the pooled endowment by endowment pool participants totaling approximately $3,598,000 and $5,170,000 during the years ended June 30, 2018 and 2017, respectively. There were no new endowment pool participants during the years ended June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, there were also various cash additions to the pooled endowment of approximately $6,622,000 and $6,993,000, respectively.

NOTE 4 - RELE LOANS PAYABLE

The Organization's Racial/Ethnic Leadership Education (RELE) loan program is a program that provided financial aid in the form of grants and loans to underrepresented student ethnic groups within Mennonite Church USA. The RELE program included the Hispanic Education in Theology and Leadership loan program whereby eligible students qualified to have their student loans underwritten by the Organization and "forgivable" on the stipulation that they serve in an approved leadership role in a minority church or Mennonite Church agency after graduating from Goshen College. The program, administered by Goshen College, was partially funded by donor contributions as well as by the Organization. The Organization underwrote low-interest bearing government student loans which were paid back out of an escrow account funded by the Organization. This loan program was discontinued, resulting in forgivable loans during the fiscal year ended June 30, 2007. However, certain loans were eligible for forgiveness through the fiscal year ending June 30, 2021. During the year ended June 30, 2017, the remaining RELE loans payable balance of $49,939 was forgiven.

NOTE 5 - BENEFITS PAYABLE

A former CEO of Mennonite Board of Education, Inc. (the predecessor to MEA) was also under contract with Goshen College. As a Goshen College employee, the CEO was entitled to benefits provided by the college, which included full health insurance coverage for the faculty member and spouse until the time of death. It was concluded that Goshen College would manage the benefit and assume a portion of the liability based on the employee's years of service to Goshen College, and MEA would assume the balance. Goshen College pays 23.1% of the liability, and MEA pays 76.9% of the liability. MEA's portion of the liability was $34,834 and $38,028 at June 30, 2018 and 2017, respectively.

NOTE 6 - LEASE COMMITMENT

The Organization leases office space with no stated termination date in the lease agreement. The Organization has no intentions of leaving the leased space.

Minimum lease commitments for the next five years are as follows:

2019	$ 21,152
2020	21,152
2021	21,152
2022	21,152
2023	21,152
	$ 105,760

Total rent expense was $21,486 and $32,069 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets are either donor-restricted for specific purposes or for use in a specified period of time. At June 30, temporarily restricted net assets restricted by purpose are as follows:

	2018	2017
Racial/Ethnic Leadership Education	$ 14,852	$ 17,944
LaJunta Mennonite School of Nursing	193,557	186,413
Anabaptist Servant Scholarship	19,081	30,003
	$ 227,490	$ 234,360

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2018	2017
Racial/Ethnic Leadership Education	$ 39,205	$ 38,768
LaJunta Mennonite School of Nursing	8,500	8,000
Hispanic Ministries	87,883	96,068
Anabaptist Servant Scholarship	12,043	11
Other	-	437
	$ 147,631	$ 143,284

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Organization contributed an amount equal to 5.00% percent of compensation to a defined contribution plan for each employee working 20 hours or more each week for the years ended June 30, 2018 and 2017. Total contributions were $21,932 and $22,347 for the years ended June 30, 2018 and 2017, respectively.

(Continued)

NOTE 9 - INVESTMENT IN INSURANCE RESERVE

The Organization is in a pool with five other entities, referred to as the Mennonite Educators Benefit Plan (MEBP), to pay for major medical expenses of covered employees. Each participating entity made an initial investment into the MEBP. The participating entities submit to the plan health care claims incurred by their employees during the fiscal year. At fiscal year end the participating entities are responsible for their proportionate share of the claims incurred. Each entity's proportionate share is determined by the MEBP.

The MEBP has established policies for determining the ownership of the net assets of the MEBP. The amount recorded as "investment in insurance reserve" has been determined based on these policies as of June 30, 2018 and 2017 to be $45,823 and $23,193, respectively. The Organization's share of income or loss of the pool is recorded in the consolidated statements of activities and changes in net assets.

Should the MEBP ever dissolve, final disposition is subject to MEBP membership policies.

NOTE 10 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of June 30, 2018 and 2017, by valuation hierarchy, all of which were based on the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets. The tables also present alternative investments that are valued at net asset value (NAV) and are not presented within the fair value hierarchy based on U.S. GAAP.

(Continued)

NOTE 10 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Cash and cash equivalents	$ 3,604,165	$ -	$ -	$ -	$ 3,604,165
Equity securities - large cap	33,261,120	-	-	-	33,261,120
Equity securities - mid cap	11,085,554	-	-	-	11,085,554
Equity securities - small cap	8,421,922	-	-	-	8,421,922
Equity securities - international	28,403,576	-	-	-	28,403,576
Equity mutual funds	7,988,537	-	-	8,192,870	16,181,407
Fixed income mutual funds	27,528,249	-	-	-	27,528,249
Real estate funds	9,823	-	-	13,551,510	13,561,333
Commodities mutual funds	7,963	-	-	4,035,384	4,043,347
Bond funds of funds	-	-	-	16,022,164	16,022,164
Private equity fund of funds	-	-	-	1,073,259	1,073,259
Total investments	$ 120,310,909	$ -	$ -	$ 42,875,187	$ 163,186,096

	Fair Value Measurements at June 30, 2017				
	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Cash and cash equivalents	$ 5,242,609	$ -	$ -	$ -	$ 5,242,609
Equity securities - large cap	29,907,559	-	-	-	29,907,559
Equity securities - mid cap	10,180,509	-	-	-	10,180,509
Equity securities - small cap	7,717,069	-	-	-	7,717,069
Equity securities - international	26,203,920	-	-	-	26,203,920
Equity mutual funds	8,425,315	-	-	8,039,238	16,464,553
Fixed income mutual funds	25,666,253	-	-	-	25,666,253
Real estate funds	11,492	-	-	11,108,332	11,119,824
Commodities mutual funds	9,462	-	-	3,535,771	3,545,233
Bond funds of funds	-	-	-	14,725,852	14,725,852
Private equity fund of funds	-	-	-	1,260,345	1,260,345
Total investments	$ 113,364,188	$ -	$ -	$ 38,669,538	$ 152,033,726

Inputs and Valuation Techniques

In determining fair value, management uses various valuation approaches. With respect to investments for which quoted prices in active markets are observable (Level 1 inputs), management determines fair value based on the quoted prices at the measurement date.

(Continued)

NOTE 10 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

With respect to investments using significant observable inputs other than Level 1 prices, management determines fair value using the net asset value (NAV). The NAVs of investment vehicles are determined on the accrual basis of accounting in conformity with U.S. GAAP. Investment managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values. Holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals, and/or the income approach.

In most instances, the Organization possesses the ability to redeem its investment at the NAV at the measurement date, and in some instances additional restrictions on redemption, such as lock-ups and gates, are in place such that investment redemption at NAV is not possible at the measurement date.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. The fair values of money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Equity Securities

The fair values of equity securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Common stocks include a variety of large cap, mid cap, small cap, and international companies which have varying levels of capitalization.

Equity Mutual Funds

Equity mutual funds consist of mutual funds which are primarily invested in equity securities. The funds' objective is to seek long-term growth of capital through investment in world wide publicly traded equities. In pursuing this objective, these funds invest in diversified portfolios of small cap, mid cap, and large cap equity securities in countries other than the United States and are traded on international stock exchanges throughout the world. The fair values of mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). For equity mutual funds not traded on an active market, management has full transparency to the holdings of the funds, and the fair value of these investments is based on NAV reported by fund managers, which is determined by managers based on the value of underlying holdings of the funds (NAV). At June 30, 2018, there are no restrictions on redemption.

Fixed Income Mutual Funds

Fixed income mutual funds consist of mutual funds which are primarily invested in fixed income securities. The fair values of mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

(Continued)

NOTE 10 - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Real Estate Funds

Real estate funds consist of mutual funds invested in commodities and futures contracts, as well as funds invested in real estate securities and other real estate investments. The fair values of real estate mutual funds consist of publicly traded real estate securities and are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair values of the other real estate investments, which includes futures contracts, include investments in private real estate operating companies, private real estate partnerships, and privately held real estate investment trusts (REITs), are based on NAV reported by fund managers, which is determined by managers based on the value of underlying holdings of the funds (NAV). At June 30, 2018, redemption on these funds are subject to a gate.

Commodities Mutual Funds

Commodities mutual funds consist of mutual funds that are primarily invested in commodity-linked futures contracts. The objectives of these funds are to provide an enhancement to investors' portfolios and to provide a partial inflation hedge with an attractive risk return profile as compared to other products using a commodity index as a pool of commodities. To achieve these objectives, these funds invest substantially all of their assets in future contracts. The fair values of commodities mutual funds, which are readily marketable, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair values of commodities mutual funds not readily marketable are based on NAV reported by fund managers, which are determined by managers based on the value of underlying holdings of the funds (NAV). At June 30, 2018, there are no restrictions on redemption.

Bond Funds of Funds

Bond funds of funds consists of investments in various fixed income bond funds with investment objectives focused on tactical asset allocation. The primary objective of these funds is to provide returns in a low risk environment using a tactical asset allocation strategy. The fair values of bond funds of funds are based on NAV reported by the fund manager, which are determined by managers based on the value of underlying holdings of the fund (NAV). At June 30, 2018, there are no restrictions on redemption.

Private Equity Fund of Funds

Private equity fund of funds consists of secondary private equity holdings invested in various funds with investment objectives focused on steady cash returns for investors. To achieve this objective, this fund invests in pre-existing investor commitments for investors looking for liquidity. The Organization cannot withdraw funds on an as needed basis but can sell or trade the Organization's interest provided the general partner approves. The fair value of private equity funds of funds is based on NAV reported by the fund manager, which is determined by managers based on the value of underlying holdings of the fund (NAV). At June 30, 2018, redemption on this is subject to a gate.

At June 30, 2018 and 2017, the Organization has $5,480,683 and $7,424,690, respectively, of unfunded commitments to fund these NAV investments.

(Continued)

NOTE 11 - ENDOWMENT COMPOSITION

The Organization's endowment primarily consists of equity, fixed income, real estate, and commodities funds. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by applicable standards, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition as of June 30 is as follows:

2018:

	Board Designated	Temporarily Restricted	Total
Board designated	$ 119,321	$ -	$ 119,321
Donor-restricted	-	193,557	193,557
Total endowment	$ 119,321	$ 193,557	$ 312,878

2017:

	Board Designated	Temporarily Restricted	Total
Board designated	$ 115,038	$ -	$ 115,038
Donor-restricted	-	186,413	186,413
Total endowment	$ 115,038	$ 186,413	$ 301,451

Changes in endowment net assets for years ended June 30 were as follows:

2018:

	Board Designated	Temporarily Restricted	Total
Beginning balance	$ 115,038	$ 186,413	$ 301,451
Interest and dividend income	2,184	3,200	5,384
Realized and unrealized gain on investments	7,579	12,344	19,923
Additions	-	100	100
Appropriations for expenditure	(5,480)	(8,500)	(13,980)
Total endowment	$ 119,321	$ 193,557	$ 312,878

2017:

	Board Designated	Temporarily Restricted	Total
Beginning balance	$ 105,983	$ 171,991	$ 277,974
Interest and dividend income	7	1,676	1,683
Realized and unrealized gain on investments	13,929	20,700	34,629
Additions	-	46	46
Appropriations for expenditure	(4,881)	(8,000)	(12,881)
Total endowment	$ 115,038	$ 186,413	$ 301,451

(Continued)

NOTE 11 - ENDOWMENT COMPOSITION (Continued)

Interpretation of UPMIFA: The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as temporarily restricted net assets those donor-restricted gifts that are available to be spent for specified purposes or in specific periods, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Organization must hold for a donor-specified period(s) as well as Board-designated funds.

Strategies Employed for Achieving Objectives: The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to the Organization to develop a significant source of revenue to support the endeavors of the Organization.

Spending Policy and How the Investment Objectives Relate to Spending Policy: Distributions shall not exceed 5% of the average net asset valuation for the previous 40 quarters in any given fiscal year.

Fund with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no deficiencies as of June 30, 2018 and 2017.