MENNONITE EDUCATION AGENCY, INC.
AND AFFILIATE
Elkhart, Indiana

CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 of the consolidated financial statements, the Organization has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Crowe LLP

Crowe LLP

South Bend, Indiana
September 23, 2019

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 126,773	$ 286,412
Investment in insurance reserve	61,009	45,823
Accounts receivable, net	147,728	27,464
Prepaid expenses	-	1,000
Equipment		
Office equipment	42,395	31,401
Less accumulated depreciation	(20,789)	(25,110)
Net equipment	21,606	6,291
Investments	530,901	521,099
Investments - Agencies	163,119,863	162,664,997
	163,650,764	163,186,096
	$ 164,007,880	$ 163,553,086
LIABILITIES AND NET ASSETS		
Accounts payable and other current liabilities	$ 289,617	$ 286,377
Accrued payroll and related taxes	3,974	10,419
Benefits payable	33,089	34,834
Capital lease obligation	17,020	1,852
Due to Agencies	163,119,863	162,664,997
Total liabilities	163,463,563	162,998,479
Net assets		
Without donor restrictions		
Undesignated	217,037	206,533
Board designated	119,224	120,584
Total without donor restrictions	336,261	327,117
With donor restrictions	208,056	227,490
Total net assets	544,317	554,607
	$ 164,007,880	$ 163,553,086

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains						
Contributions - conferences and congregations	$ 137,524	$ -	$ 137,524	$ 147,336	$ -	$ 147,336
Contributions - Hispanic Ministries	-	69,280	69,280	-	87,883	87,883
Contributions - Racial/Ethnic Leadership Education	-	32,688	32,688	-	36,113	36,113
Contributions - other	82,579	1,039	83,618	96,182	1,221	97,403
Bequests	22,927	-	22,927	24,073	-	24,073
Program service revenue - support from institutions	317,932	-	317,932	332,035	-	332,035
Program service revenue - Hispanic Ministries	58,408	-	58,408	54,591	-	54,591
Program service revenue - consulting income	16,505	-	16,505	247,424	-	247,424
Program service revenue - investment fund expense reimbursement	235,510	-	235,510	229,749	-	229,749
Investment income	11,966	5,303	17,269	7,832	3,200	11,032
Other	16,079	-	16,079	22,604	-	22,604
Gain on sale of equipment	340	-	340	-	-	-
Net realized and unrealized gains on investments	1,925	2,608	4,533	18,418	12,344	30,762
Net assets released from purpose and time restrictions	130,352	(130,352)	-	147,631	(147,631)	-
Total revenue, support, and gains	1,032,047	(19,434)	1,012,613	1,327,875	(6,870)	1,321,005
Expenses						
Program						
Institutional relations	504,482	-	504,482	522,186	-	522,186
Hispanic Ministries	156,760	-	156,760	193,495	-	193,495
Racial/Ethnic Leadership Education	18,058	-	18,058	22,705	-	22,705
Church relations	115,679	-	115,679	124,048	-	124,048
Special projects	18,654	-	18,654	218,561	-	218,561
Total program	813,633	-	813,633	1,080,995	-	1,080,995
Supporting services						
General and administrative	127,967	-	127,967	145,002	-	145,002
Fundraising	17,076	-	17,076	15,477	-	15,477
First Fruits to Mennonite Church USA Executive Board	64,227	-	64,227	67,607	-	67,607
Total supporting services	209,270	-	209,270	228,086	-	228,086
Total expenses	1,022,903	-	1,022,903	1,309,081	-	1,309,081
Change in net assets	9,144	(19,434)	(10,290)	18,794	(6,870)	11,924
Net assets, beginning of year	327,117	227,490	554,607	308,323	234,360	542,683
Net assets, end of year	$ 336,261	$ 208,056	$ 544,317	$ 327,117	$ 227,490	$ 554,607

See accompanying notes to consolidated financial statements.

MENNONITE EDUCATION AGENCY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (10,290)	$ 11,924
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,098	4,304
Net realized and unrealized gains on investments	(4,533)	(30,762)
Change in fair value of investment in insurance pool	(15,186)	(22,630)
Change in assets and liabilities		
Accounts receivable	(120,264)	27,983
Prepaid expenses	1,000	(1,000)
Accounts payable and other current liabilities	3,240	161,042
Accrued payroll and related taxes	(6,445)	(382)
Benefits payable	(1,745)	(3,194)
Net cash from operating activities	(148,125)	147,285
Cash flows used in investing activities		
Purchases of equipment	(1,854)	(4,265)
Proceeds from sale of equipment	340	-
Proceeds from sale of investments	12,316	61,790
Purchases of investments	(17,585)	(59,572)
Net cash used in investing activities	(6,783)	(2,047)
Cash flows used in financing activities		
Principal payments on capital lease obligation	(4,731)	(2,545)
Net cash used in financing activities	(4,731)	(2,545)
Net change in cash and cash equivalents	(159,639)	142,693
Cash and cash equivalents at beginning of year	286,412	143,719
Cash and cash equivalents at end of year	$ 126,773	$ 286,412
Supplemental disclosure		
Investments - Agencies operating activity:		
Net realized and unrealized gains and losses	$ 4,603,848	$ 12,937,769
Net cash activity	(4,148,982)	(1,813,943)
Total increase in Investments - Agencies and Due to Agencies	$ 454,866	$ 11,123,826
Non-cash investing and financing activity:		
Purchase of equipment under capital lease	$ 19,899	$ -

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 10,000 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 approximately 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, 2019 and 2018, amounts contributed to Mennonite Church USA were $64,227 and $67,607 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 net assets without donor restrictions or net assets with donor restrictions and are detailed as follows:

> Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. 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.
>
> Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time.

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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 from investments owned by MEA are included in the change in net assets. See Notes 3 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.

There is no allowance for doubtful accounts recorded at June 30, 2019 as management believes all amounts to be collectible. Management has recorded an allowance for doubtful accounts of $12,420 at June 30, 2018.

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, 2019 and 2018 was $6,098 and $4,304, 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.

Contributions: Contributions received are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions and then reported as net assets released from restrictions and reclassified as net assets without donor restrictions.

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, 2019 or 2018.

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.

Recently Adopted Accounting Pronouncements: In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities (ASU). The ASU addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses, and investment return. Organization has adopted the ASU and has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on net income or net assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and/or disclosures within the consolidated financial statements for the year ended June 30, 2019. Management has performed their analysis through September 23, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 - 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 the following (including amounts the Board could undesignate):

	2019	2018
Cash and cash equivalents	$ 126,773	$ 286,412
Accounts receivable, net	147,728	27,464
Investments	530,901	521,099
	805,402	834,975
Less net assets with donor restrictions	(208,056)	(227,490)
	$ 597,346	$ 607,485

The Organization has a policy of maintaining cash reserves equal to 25% of the operating expense budget for the next fiscal year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization typically collects accounts receivable within one year of the date of service.

The Organization's endowment fund consists of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Of the total amount of investments, $119,224 and $119,321 are designated by the Board of Directors as of June 30, 2019 and 2018, respectively, and must be undesignated to be spent for general expenditures.

NOTE 3 - 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, 2019 and 2018 of the investments owned by MEA by net asset classification. See Note 10 for more information.

	2019	2018
Pooled Funds:		
Without donor restrictions:		
Undesignated	$ 216,709	$ 208,221
Designated	119,224	119,321
Total without donor restrictions	335,933	327,542
With donor restrictions	194,968	193,557
	$ 530,901	$ 521,099

(Continued)

NOTE 3 - INVESTMENTS (Continued)

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

	2019	2018
Interest and dividends	$ 17,269	$ 11,032
Net realized and unrealized gains	4,533	30,762
	$ 21,802	$ 41,794

NOTE 4 - 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, 2019 and 2018 of these pooled investments. See Note 10 for the detailed composition of the underlying assets in which the endowment pool is invested.

	2019	2018
Pooled endowment funds	$ 162,861,075	$ 162,330,959
Pooled annuity funds	258,788	334,038
	$ 163,119,863	$ 162,664,997

There were various withdrawals from the pooled endowment by endowment pool participants totaling approximately $2,820,000 and $3,598,000 during the years ended June 30, 2019 and 2018, respectively. There were no new endowment pool participants during the years ended June 30, 2019 and 2018. During the years ended June 30, 2019 and 2018, there were also various cash additions to the pooled endowment of approximately $3,181,000 and $6,622,000, respectively.

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 $33,089 and $34,834 at June 30, 2019 and 2018, 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.

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NOTE 6 - LEASE COMMITMENT (Continued)

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

2020	$ 22,659
2021	22,659
2022	22,659
2023	22,659
2024	22,659
	$ 113,295

Total rent expense was $22,052 and $21,486 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions are donor-restricted for specific purposes. At June 30, net assets restricted by purpose are as follows:

	2019	2018
Racial/Ethnic Leadership Education	$ 5,981	$ 14,852
LaJunta Mennonite School of Nursing (Note 11)	194,968	193,557
Anabaptist Servant Scholarship	7,107	19,081
	$ 208,056	$ 227,490

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:

	2019	2018
Racial/Ethnic Leadership Education	$ 41,558	$ 39,205
LaJunta Mennonite School of Nursing	7,500	8,500
Hispanic Ministries	69,280	87,883
Anabaptist Servant Scholarship	12,014	12,043
	$ 130,352	$ 147,631

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Organization contributed an amount equal to 7.5% and 5.0% percent of compensation to a defined contribution plan for each employee working 20 hours or more each week for the years ended June 30, 2019 and 2018, respectively. Total contributions were $30,347 and $21,932 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 to be $61,009 and $45,823, 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, 2019 and 2018, 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, 2019				
	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Cash and cash equivalents	$ 2,148,956	$ -	$ -	$ -	$ 2,148,956
Equity securities - large cap	30,827,618	-	-	-	30,827,618
Equity securities - mid cap	10,896,400	-	-	-	10,896,400
Equity securities - small cap	7,861,110	-	-	-	7,861,110
Equity securities - international	30,313,739	-	-	-	30,313,739
Equity mutual funds	8,116,750	-	-	7,801,718	15,918,468
Fixed income mutual funds	31,125,261	-	-	-	31,125,261
Real estate funds	7,595	-	-	16,334,791	16,342,386
Commodities mutual funds	2,024	-	-	-	2,024
Bond funds of funds	-	-	-	16,404,045	16,404,045
Private equity fund of funds	-	-	-	1,810,757	1,810,757
Total investments	$ 121,299,453	$ -	$ -	$ 42,351,311	$ 163,650,764

	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

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, 2019, the funds have no restrictions on redemption and can be liquidated on a daily basis.

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, 2019, redemption on these funds are subject to a gate ranging from 7 to 12 years.

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, 2019, the funds have no restrictions on redemption and can be liquidated on a daily basis.

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, 2019, the funds have no restrictions on redemption and can be liquidated on a daily basis.

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, 2019, redemption on this is subject to a gate ranging from 7 to 12 years.

At June 30, 2019 and 2018, the Organization has $8,721,154 and $5,480,683, 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:

2019:

	Board Designated	With Donor Restrictions	Total
Board designated	$ 119,224	$ -	$ 119,224
Donor-restricted	-	194,968	194,968
Total endowment	$ 119,224	$ 194,968	$ 314,192

2018:

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

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

2019:

	Board Designated	With Donor Restrictions	Total
Beginning balance	$ 119,321	$ 193,557	$ 312,878
Interest and dividend income	3,570	5,303	8,873
Realized and unrealized gain on investments	1,148	2,608	3,756
Additions	-	1,000	1,000
Appropriations for expenditure	(4,815)	(7,500)	(12,315)
Total endowment	$ 119,224	$ 194,968	$ 314,192

2018:

	Board Designated	With Donor Restrictions	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

(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 net assets with donor restrictions 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 amounts with donor restrictions and are reported in net assets with donor restrictions. There were no deficiencies as of June 30, 2019 and 2018.

(Continued)

NOTE 12 - FUNCTIONAL EXPENSES

The operating expenses of the Organization presented by their natural classification within the consolidated statements of operations and changes in net assets are summarized by function as follows:

	For the year ended June 30, 2019				
	Program Services	General and Administrative	Fundraising	First Fruits	Total
Salaries and employee benefits	$ 107,649	$ 56,758	$ -	$ -	$ 164,407
Payroll taxes	6,958	10,435	-	-	17,393
Contract services	-	1,292	-	-	1,292
Professional fees	133,874	7,320	-	-	141,194
Occupancy	3,852	-	-	-	3,852
Utilities	491	207	-	-	698
Depreciation	-	958	-	-	958
Dues and subscriptions	-	1,819	-	64,227	66,046
Supplies and equipment	10,279	-	17,076	-	27,355
Insurance	-	841	-	-	841
Scholarships	31,014	-	-	-	31,014
Technology fees	2,722	6,891	-	-	9,613
Travel and meetings	82,020	38,539	-	-	120,559
Miscellaneous	4,063	2,907	-	-	6,970
Overhead	430,711	-	-	-	430,711
	$ 813,633	$ 127,967	$ 17,076	$ 64,227	$ 1,022,903

	For the year ended June 30, 2018				
	Program Services	General and Administrative	Fundraising	First Fruits	Total
Salaries and employee benefits	$ 111,539	$ 62,499	$ -	$ -	$ 174,038
Payroll taxes	7,032	11,637	-	-	18,669
Contract services	-	1,663	-	-	1,663
Professional fees	164,178	5,219	-	-	169,397
Occupancy	4,619	-	-	-	4,619
Utilities	704	463	-	-	1,167
Depreciation	-	688	-	-	688
Dues and subscriptions	-	3,791	-	67,607	71,398
Supplies and equipment	24,265	1,812	15,477	-	41,554
Insurance	-	859	-	-	859
Scholarship	37,043	-	-	-	37,043
Technology fees	2,066	6,196	-	-	8,262
Travel and meetings	279,597	29,848	-	-	309,445
Miscellaneous	11,508	7,907	-	-	19,415
Bad debt	-	12,420	-	-	12,420
Overhead	438,444	-	-	-	438,444
	$ 1,080,995	$ 145,002	$ 15,477	$ 67,607	$ 1,309,081

(Continued)

NOTE 12 - FUNCTIONAL EXPENSES (Continued)

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, which are allocated on the basis of estimates of time and effort, as well as professional fees, and supplies and equipment, which are allocated similarly to the overall salaries and benefits allocation. Overhead is mostly comprised of salaries and employee benefits, supplies and equipment, and occupancy.