UNITED THROUGH READING

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Leaf & Cole, LLP
Certified Public Accountants

UNITED THROUGH READING
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Trustees
United Through Reading

Report on the Financial Statements

We have audited the accompanying financial statements of United Through Reading, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Through Reading as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Leaf & Cole LLP

San Diego, California
May 10, 2019

UNITED THROUGH READING
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Assets: (Notes 2, 4, 5, 6, 7 and 8)		
Cash and cash equivalents	$ 1,008,123	$ 748,491
Investments	1,081	-
Contributions receivable	139,424	44,022
Prepaid expenses	15,660	13,519
Beneficial interest in endowment funds	59,066	63,085
Furniture and equipment, net	57,675	-
TOTAL ASSETS	$ 1,281,029	$ 869,117

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities: (Note 2)		
Accounts payable and accrued expenses	$ 145,028	$ 84,756
Deferred revenue	-	25,000
Total Liabilities	145,028	109,756
Net Assets: (Notes 2, 9 and 10)		
Without Donor Restrictions	679,888	648,293
With Donor Restrictions:		
Purpose restriction	407,499	60,560
Perpetual in nature	48,614	50,508
Total Net Assets With Donor Restrictions	456,113	111,068
Total Net Assets	1,136,001	759,361
TOTAL LIABILITIES AND NET ASSETS	$ 1,281,029	$ 869,117

The accompanying notes are integral part of the financial statements.

UNITED THROUGH READING
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenue:						
Contributions:						
Corporations and corporate foundations	$ 801,745	$ 351,608	$ 1,153,353	$ 584,893	$ 20,000	$ 604,893
Foundations and civic groups	233,413	35,420	268,833	183,436	16,000	199,436
Individuals	267,579	-	267,579	150,956	-	150,956
In-kind contributions	238,697	-	238,697	410,963	-	410,963
Net assets released from restrictions	37,964	(37,964)	-	1,914	(1,914)	-
Total Contributions	1,579,398	349,064	1,928,462	1,332,162	34,086	1,366,248
Other Revenue:						
Special event revenue	594,855	-	594,855	646,934	-	646,934
Investment income	1,094	(4,019)	(2,925)	907	7,664	8,571
Total Other Revenue	595,949	(4,019)	591,930	647,841	7,664	655,505
Total Support and Other Revenue	2,175,347	345,045	2,520,392	1,980,003	41,750	2,021,753
Expenses:						
Program Services	1,403,699	-	1,403,699	1,219,214	-	1,219,214
Supporting Services:						
Management and general	251,507	-	251,507	258,125	-	258,125
Fundraising	139,370	-	139,370	126,308	-	126,308
Total Supporting Services	390,877	-	390,877	384,433	-	384,433
Total Progam and Supporting Services	1,794,576	-	1,794,576	1,603,647	-	1,603,647
Special Events	349,176	-	349,176	315,767	-	315,767
Total Expenses	2,143,752	-	2,143,752	1,919,414	-	1,919,414
Change in Net Assets	31,595	345,045	376,640	60,589	41,750	102,339
Net Assets at Beginning of Year	648,293	111,068	759,361	587,704	69,318	657,022
NET ASSETS AT END OF YEAR	$ 679,888	$ 456,113	$ 1,136,001	$ 648,293	$ 111,068	$ 759,361

The accompanying notes are integral part of the financial statements.

UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Personnel:				
Educational/resource expenses	$ 7,868	$ 637	$ 955	$ 9,460
Salaries, payroll taxes and benefits	814,487	85,565	121,528	1,021,580
Total Personnel	822,355	86,202	122,483	1,031,040
Occupancy:				
Equipment	7,295	741	1,052	9,088
Office rent	3,683	329	493	4,505
Telephone/Internet	5,535	497	685	6,717
Transportation/mileage/meals	22,507	2,297	3,079	27,883
Total Occupancy	39,020	3,864	5,309	48,193
Insurance/License Registrations	5,539	554	831	6,924
Office:				
Deposit processing fee	5,838	1,190	871	7,899
Miscellaneous	821	82	123	1,026
Office supplies/copies	1,107	122	167	1,396
Printing/reproduction/postage	17,638	1,798	2,645	22,081
Total Office	25,404	3,192	3,806	32,402
Professional:				
Professional fees	53,284	26,836	6,941	87,061
Total Professional	53,284	26,836	6,941	87,061
Other:				
Books	78,794	-	-	78,794
Consultants	14,685	-	-	14,685
Depreciation - Mobile story station	1,479	-	-	1,479
Educational/resource expenses	4,094	-	-	4,094
Equipment	115,465	-	-	115,465
Miscellaneous	1,110	-	-	1,110
Printing/reproduction/postage	16,773	-	-	16,773
Telephone/Internet	7,528	-	-	7,528
Program materials	32,873	-	-	32,873
Rent	667	-	-	667
Mobile Story Station	3,244	-	-	3,244
Supplies	3,607	-	-	3,607
Transportation/lodging/meals	69,940	-	-	69,940
Total Other	350,259	-	-	350,259
Total Expenses Before In-Kind Expenses	1,295,861	120,648	139,370	1,555,879
In-Kind Expenses	107,838	130,859	-	238,697
Total Program and Supporting Services Expenses	$ 1,403,699	$ 251,507	$ 139,370	$ 1,794,576

The accompanying notes are an integral part of the financial statements.

UNITED THROUGH READING
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Personnel:				
Educational/resource expenses	$ 6,108	$ 483	$ 694	$ 7,285
Salaries, payroll taxes and benefits	684,984	58,036	109,642	852,662
Total Personnel	691,092	58,519	110,336	859,947
Occupancy:				
Equipment	11,755	976	1,465	14,196
Office rent	1,776	151	227	2,154
Telephone/Internet	6,094	570	855	7,519
Transportation/mileage/meals	13,535	1,347	2,187	17,069
Total Occupancy	33,160	3,044	4,734	40,938
Insurance/License Registrations	6,874	688	1,031	8,593
Office:				
Deposit processing fee	5,241	513	655	6,409
Miscellaneous	218	13	14	245
Office supplies/copies	3,331	764	721	4,816
Printing/reproduction/postage	15,665	1,440	2,164	19,269
Total Office	24,455	2,730	3,554	30,739
Professional:				
Professional fees	38,328	22,315	6,653	67,296
Total Professional	38,328	22,315	6,653	67,296
Other:				
Books	52,760	-	-	52,760
Consultants	14,765	-	-	14,765
Educational/resource expenses	679	-	-	679
Equipment	24,919	-	-	24,919
Miscellaneous	562	-	-	562
Printing/reproduction/postage	9,855	-	-	9,855
Telephone/Internet	6,051	-	-	6,051
Program materials	13,344	-	-	13,344
Rent	1,223	-	-	1,223
Supplies	1,688	-	-	1,688
Transportation/lodging/meals	59,325	-	-	59,325
Total Other	185,171	-	-	185,171
Total Expenses Before In-Kind Expenses	979,080	87,296	126,308	1,192,684
In-Kind Expenses	240,134	170,829	-	410,963
Total Program and Supporting Services Expenses	$ 1,219,214	$ 258,125	$ 126,308	$ 1,603,647

The accompanying notes are an integral part of the financial statements.

UNITED THROUGH READING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	$ 376,640	$ 102,339
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,479	-
Change in Perpetual restricted net assets	1,894	(3,598)
(Increase) Decrease in:		
Contributions receivable	(95,402)	(27,012)
Prepaid expenses	(2,141)	2,462
Increase (Decrease) in:		
Accounts payable and accrued expenses	60,272	(4,846)
Deferred revenue	(25,000)	(160,500)
Net Cash Provided by (Used in) Operating Activities	317,742	(91,155)
Cash Flows From Investing Activities:		
Purchase of investment	(1,081)	-
Decrease (Increase) in beneficial interest in endowment funds	4,019	(7,664)
Purchase of furniture and equipment	(59,154)	-
Net Cash Used in Investing Activities	(56,216)	(7,664)
Cash Flows From Financing Activities:		
Change in Perpetual restricted net assets	(1,894)	3,598
Net Cash (Used in) Provided by Financing Activities	(1,894)	3,598
Net Increase (Decrease) in Cash and Cash Equivalents	259,632	(95,221)
Cash and Cash Equivalents at Beginning of Year	748,491	843,712
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,008,123	$ 748,491

The accompanying notes are an integral part of the financial statements.

Note 1 - Organization:

United Through Reading (the "Organization"), a Nonprofit California Corporation, is dedicated to uniting U.S. military families who face physical separation by facilitating the bonding experience of reading aloud together.

In more than 200 locations worldwide, United Through Reading offers military service members the opportunity to be video-recorded reading books to their children at home. This program creates emotional connections between parents and their children, encourages literacy and makes homecomings easier.

In 2018, with the help of 43,555 volunteer hours, United Through Reading served over 180,000 beneficiaries, at 252 recording locations around the world distributing more than 22,000 children's books to military children. According to surveys, 83% of participants report a decrease in their children's anxiety during deployment and 100% of participants report a reduction in their own stress during deployment.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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 the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Note 2 - Significant Accounting Policies: (Continued)

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in common stock are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Beneficial interest in endowment funds are considered Level 3 assets and are reported at the fair value of the underlying assets as reported by the fund manager.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all contributions receivable were fully collectible; therefore, no allowance for doubtful contributions receivable was recorded at December 31, 2018 and 2017.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of $1,000 for furniture and equipment at cost, while donations of furniture and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Furniture and equipment	5 years

Depreciation totaled $1,479 and $-0- for the years ended December 31, 2018 and 2017, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of furniture and equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid vacation totaling $63,313 and $47,141 at December 31, 2018 and 2017, respectively, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Special Event Revenue

Special event revenue is recognized in the period that the event occurs. Deferred revenue totaled $-0- and $25,000 at December 31, 2018 and 2017, respectively.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Materials

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated professional services are recorded at fair value, and totaled $84,181 and $260,486 for the years ended December 31, 2018 and 2017, respectively and are included in in-kind contributions in the statement of activities.

In-kind contributions of books and supplies used for program services with an estimated fair value of $154,516 and $150,477 for the years ended December 31, 2018 and 2017, respectively, are included in in-kind contributions in the statement of activities.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records and estimates made by the Organization's management.

Income Tax Status

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2018 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

Note 2 - Significant Accounting Policies: (Continued)

Comparative Financial information for December 31, 2017

The financial statements include information for the year ended December 31, 2017 and is presented for purposes of additional analysis and was derived from the audited financial statements for the year ended December 31, 2017. This information is the responsibility of management and should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2017.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes that affected the Organization's financial statements include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosures of quantitative and qualitative information regarding liquidity and availability of resources, (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended December 31, 2018. The Organization has reclassified certain accounts in the 2017 financial statements to conform with the current year financial statement presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2019, the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. The Organization considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs as well as the conduct of services undertaken to support those activities to be general expenditures.

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

Financial Assets as Year-End:	
Cash and cash equivalents	$ 1,008,123
Investments	1,081
Contributions receivable	139,424
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,148,628

Note 3 - Liquidity and Availability: (Continued)

In addition, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Common stock	$ 1,081	$ -	$ -	$ 1,081
Beneficial interest in endowment funds (Note 8)	-	-	59,066	59,066
	$ 1,081	$ -	$ 59,066	$ 60,147

	2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Beneficial interest in endowment funds (Note 8)	$ -	$ -	$ 63,085	$ 63,085
	$ -	$ -	$ 63,085	$ 63,085

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 7 as indicated above.

The following table represents the Organization's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the year ended December 31:

	2018			
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 59,066	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A

	2017			
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	$ 63,085	Valuation of underlying assets as provided by San Diego Foundation and Rancho Santa Fe Foundation	Base price	N/A

Note 5 - Investments:

Investments consist of the following at December 31:

	2018	2017
Common stock	$ 1,081	$ -
Total Investments	$ 1,081	$ -

The following schedule summarizes the investment income (loss) and its classification in the statement of activities for the years ended December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	$ 1,094	$ -	$ 1,094
Investment return on beneficial interest in endowment funds	-	(4,019)	(4,019)
Total Investment Income (Loss)	$ 1,094	$ (4,019)	$ (2,925)

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	$ 907	$ -	$ 907
Investment return on beneficial interest in endowment funds	-	7,664	7,664
Total Investment Income (Loss)	$ 907	$ 7,664	$ 8,571

Note 6 - Contributions Receivable:

Contributions receivable totaled $139,424 and $44,022 at December 31, 2018 and 2017, respectively and are due in less than one year.

Note 7 - Furniture and Equipment:

Furniture and equipment consist of the following at December 31:

	2018	2017
Vehicle - Mobile Story Station	$ 59,154	$ -
Office equipment and furniture	1,369	6,629
Subtotal	60,523	6,629
Less: Accumulated depreciation	(2,848)	(6,629)
Furniture and Equipment, Net	$ 57,675	$ -

Note 8 - Beneficial Interest in Endowment Funds:

The Organization has a beneficial interest in endowment funds held at Rancho Santa Fe Foundation and San Diego Foundation. The beneficial interest in endowment funds held at Rancho Santa Fe Foundation is held in an investment pool, which is structured for long-term, total return consisting of 31.4% domestic equities, 22.7% international equities, 2.0% in emerging markets, 35.6% fixed income and 8.3% in cash and cash equivalents. The beneficial interest in endowment funds held at San Diego Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 25.0% domestic equities, 26.0% global/international equities, 21.2% alternative investments, 18.0% fixed income, 6.8% real estate investments, 2.5% commodities and 0.5% in cash and cash equivalents. The activity of the beneficial interests in endowment funds consisted of the following for the year ended December 31, 2018:

	Rancho Santa Fe Foundation	San Diego Foundation	Total
Balance at December 31, 2016	$ 26,340	$ 29,081	$ 55,421
Investment return	3,598	4,066	7,664
Balance at December 31, 2017	29,938	33,147	63,085
Investment return	(1,894)	(2,125)	(4,019)
Balance at December 31, 2018	$ 28,044	$ 31,022	$ 59,066

Note 9 - Net Assets With Donor Restrictions:

	2018	2017
Subject to Expenditure for Specified Purpose:		
Books and supplies	$ 174,085	$ 36,000
Hampton Roads and North Carolina	100,000	-
Recording sites	93,750	-
Mobile Story Station	19,193	-
Unappropriated endowment earnings	10,452	12,577
Wounded Warriors	10,019	11,983
Total Subject to Expenditure for Specified Purpose	407,499	60,560
Perpetual in Nature:		
Endowments (Note 10)	48,614	50,508
Total Net Assets with Donor Restrictions	$ 456,113	$ 111,068

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2018	2017
Purpose Restrictions Accomplished:		
Books and supplies	$ 36,000	$ 1,914
Wounded Warriors	1,964	-
Total Net Assets Released From Restrictions	$ 37,964	$ 1,914

Note 10 - Endowment Net Assets:

The Organization has a beneficial interest in endowment funds that are held at Rancho Santa Fe Foundation ("RSFF") and San Diego Foundation ("SDF") collectively referred as the "Foundations". As required by generally accepted accounting principles net assets associated with endowment funds are classified and reported based on he existence of donor-imposed restrictions. The Foundations manage the funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The investment objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in an endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

The Organization considers a fund to be underwater if the value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Organization has no underwater endowment funds at December 31, 2018 and 2017.

Net assets with donor restrictions in perpetuity held are comprised of:

- The original value of gifts donated to the fund.
- The original value of Organization funds transferred to the fund.
- The original value of subsequent gifts donated to the fund.
- Investment income and realized and unrealized gains and losses on investments.
- Distributions from the fund in accordance with spending policy.

RSFF endowment funds are invested in permanent funds with long-term investment objectives and strategies that will accommodate relevant, reasonable or probable events. Management of the assets is designed to preserve the principal of the funds and provide a source of funds for current operations and programs. The Organization's spending policy allows for annual distributions of equity to 5% of the current value, which includes contributions to the fund, income earned on such contributions and all gains and losses on such funds.

SDF endowment funds are invested in a portfolio of equity and debt securities, which are structured for long-term total return. SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

Note 10 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at December 31:

	2018		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
San Diego Foundation	$ 10,452	$ 20,570	$ 31,022
Rancho Santa Fe Foundation	-	28,044	28,044
	$ 10,452	$ 48,614	$ 59,066

	2017		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
San Diego Foundation	$ 12,577	$ 20,570	$ 33,147
Rancho Santa Fe Foundation	-	29,938	29,938
	$ 12,577	$ 50,508	$ 63,085

Changes in endowment net assets for the year ended December 31:

	2018		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at December 31, 2017	$ 12,577	$ 50,508	$ 63,085
Investment return	(2,125)	(1,894)	(4,019)
Endowment Net Assets at December 31, 2018	$ 10,452	$ 48,614	$ 59,066

	2017		
	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at December 31, 2016	$ 8,511	$ 46,910	$ 55,421
Investment return	4,066	3,598	7,664
Endowment Net Assets at December 31, 2017	$ 12,577	$ 50,508	$ 63,085