NYAKA, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nyaka, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Nyaka, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 Unites 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nyaka, Inc. as of December 31, 2019 and 2018, 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 Unites States of America.

Maner Costerisan PC

May 11, 2020

NYAKA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 454,887	$ 289,934
Contributions receivable	23,996	17,064
Promises to give	111,520	12,250
Investments	82,299	21,785
Inventory	549	1,364
Total current assets	673,251	342,397
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation	2,875	3,103
Beneficial interest in assets held by Capital Region Community Foundation	15,376	12,883
Total long-term assets	18,251	15,986
TOTAL ASSETS	$ 691,502	$ 358,383
LIABILITES AND NET ASSETS		
CURRENT LIABILITES		
Accounts payable	$ 48,595	$ 4,627
Accrued payroll	6,927	23,396
Total current liabilities	55,522	28,023
LONG-TERM DEBT	1,000	1,000
Total liabilities	56,522	29,023
NET ASSETS		
Without donor restictions		
Designated	19,375	16,173
Undesignated	274,627	115,692
With donor restrictions	340,978	197,495
Total net assets	634,980	329,360
TOTAL LIABILITIES AND NET ASSETS	$ 691,502	$ 358,383

See notes to financial statements.

NYAKA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,435,894	$ 501,293	$ 1,937,187
Investment return, net	13,164	-	13,164
Other income	11,869	-	11,869
Net assets released from restrictions	357,810	(357,810)	-
Total revenue and support	1,818,737	143,483	1,962,220
EXPENSES			
Program	1,099,073	-	1,099,073
Fundraising	288,626	-	288,626
Management and general	268,901	-	268,901
Total expenses	1,656,600	-	1,656,600
CHANGE IN NET ASSETS	162,137	143,483	305,620
NET ASSETS, beginning of year	131,865	197,495	329,360
NET ASSETS, end of year	$ 294,002	$ 340,978	$ 634,980

See notes to financial statements.

NYAKA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,398,309	$ 295,806	$ 1,694,115
Investment return, net	4,042	-	4,042
Other income	48,209	-	48,209
Fundraising revenue	14,945	-	14,945
Net assets released from restrictions	202,211	(202,211)	-
Total revenue and support	1,667,716	93,595	1,761,311
EXPENSES			
Program	1,272,669	-	1,272,669
Fundraising	188,090	-	188,090
Management and general	202,551	-	202,551
Total expenses	1,663,310	-	1,663,310
CHANGE IN NET ASSETS	4,406	93,595	98,001
NET ASSETS, beginning of year	127,459	103,900	231,359
NET ASSETS, end of year	$ 131,865	$ 197,495	$ 329,360

See notes to financial statements.

NYAKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		
	Nyaka School	Fundraising	Management and General	Total Expenses
Program expenses	$ 681,170	$ -	$ -	$ 681,170
Salaries	232,228	43,429	145,365	421,022
Payroll taxes	21,850	8,238	5,731	35,819
Insurance	19,693	7,425	5,166	32,284
Travel and meals	58,243	58,243	-	116,486
Professional fees	-	88,917	88,917	177,834
Advertising	3,798	1,432	997	6,227
Telephone	2,323	876	610	3,809
Supplies	36,566	13,787	9,592	59,945
Rent	9,188	3,464	2,411	15,063
Depreciation	-	-	1,191	1,191
Fundraising expenses	-	49,990	-	49,990
Miscellaneous expenses	34,014	12,825	8,921	55,760
TOTAL EXPENSES	$ 1,099,073	$ 288,626	$ 268,901	$ 1,656,600

See notes to financial statements.

NYAKA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		
	Nyaka School	Fundraising	Management and General	Total Expenses
Program expenses	$ 876,502	$ -	$ -	$ 876,502
Salaries	231,339	34,742	116,289	382,370
Payroll taxes	20,898	7,880	5,481	34,259
Insurance	25,593	9,650	6,712	41,955
Travel and meals	34,237	34,236	-	68,473
Professional fees	-	50,697	50,696	101,393
Advertising	7,678	2,895	2,014	12,587
Telephone	1,881	709	493	3,083
Supplies	27,947	10,537	7,331	45,815
Rent	9,150	3,450	2,400	15,000
Depreciation	-	-	1,313	1,313
Fundraising expenses	-	19,176	-	19,176
Miscellaneous expenses	37,444	14,118	9,822	61,384
TOTAL EXPENSES	$ 1,272,669	$ 188,090	$ 202,551	$ 1,663,310

See notes to financial statements.

NYAKA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	$ 305,620	$ 98,001
Adjustments to reconcile change in net assets to net		
cash provided (used) by operating activities		
Depreciation	1,191	1,313
Realized loss (gain) on investments	547	705
Unrealized gain on investments	(1,256)	(536)
Contributions receivable	(6,932)	8,357
Promises to give	(99,270)	33,583
Inventory	815	1,896
Accounts payable	43,968	(33,640)
Accrued payroll	(16,469)	8,670
Total adjustments	(77,406)	20,348
Net cash provided (used) by operating activities	228,214	118,349
Cash flows from investing activities		
Purchase of property and equipment	(963)	(1,792)
Change in beneficial interest in assets		
held by community foundation	(2,493)	1,096
Purchase of investments	(59,805)	-
Sale of investments	-	44,770
Net cash provided (used) by investing activities	(63,261)	44,074
NET CHANGE IN CASH AND CASH EQUIVALENTS	164,953	162,423
CASH AND CASH EQUIVALENTS		
Beginning of year	289,934	127,511
End of year	$ 454,887	$ 289,934

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Nyaka, Inc. ("Organization") are presented on the accrual basis of accounting.

Cash and cash equivalents - For the purpose of the statement of cash flows, cash equivalents and liquid assets maturing no more than 3 months from the date of purchase are considered cash and cash equivalents.

Contributions receivable - The Organization's contributions receivable are comprised primarily of contributions expected to be received from local sources and collected within 1 year. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of receivable accounts. Based on management's estimate, no allowance for bad debts was necessary for the years ended December 31, 2019 and 2018.

Promises to give - Unconditional promises to give are recorded at net realizable value when the promise is made. The Organization considers all promises to give at December 31, 2019 and 2018 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Inventory - Inventory consists of baskets and handbags and is valued at the lower of cost (first-in, first-out) or net realizable value.

Investments - Investments consist of equity securities and money market funds incidental to the investing process. These investments are recorded at fair value. Gains and losses resulting from the sale of securities are determined on the average cost basis. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Property and equipment - Purchased assets having a cost greater than $500 are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Cost of repairs and maintenance are charged to expense when incurred.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The Organization has designated, from net assets without donor restrictions, net assets for the endowment. Net assets without donor restrictions as of December 31 consist of the following:

	2019	2018
Undesignated	$ 274,627	$ 115,692
Designated for endowment	19,375	16,173
Total net assets without donor restrictions	$ 294,002	$ 131,865

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulation time has elapsed, or when the stipulated purpose has been accomplished.

Contribution revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-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 statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

The Nyaka, Inc. is a not-for-profit corporation working on behalf of HIV/AIDS orphans in rural Uganda to end systemic deprivation, poverty and hunger through a holistic approach to community development, education, and healthcare. The Nyaka, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and receivables. The Organization places its cash and cash equivalents with FDIC insured financial institutions. Although such cash may exceed the federally insured limits at certain times during the year, they are in the opinion of management subject to minimal risk. Investments represent diversified holdings of common stock. Concentration of credit risk with respect to receivables is limited by the Organization which has established polices for extending credit based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The Organization's revenue comes primarily from contributions from individuals and foundations. Individual entities contributing amounts in excess of 10% of total revenues are considered to be major contributors. In 2019, the Organization had three major contributors totaling approximately 40% of total revenues. In 2018, the Organization had three major contributors totaling approximately 48% of total revenues.

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services based on management estimates.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through May 11, 2020, which is the date the financial statements were available to be issued.

Subsequent event - The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization's financial assets as of December 31, 2019 and 2018 respectively, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include board designations set aside for scholarship, research, repairs and maintenance, capital improvement and other funds.

	2019	2018
Total financial assets at year-end	$ 691,502	$ 358,383
Less non-liquid assets		
Inventory	(549)	(1,364)
Property and equipment	(2,875)	(3,103)
Less donor-restricted net assets	(340,978)	(197,495)
Less board-designated net assets	(19,375)	(16,173)
Financial assets available to meet cash needs for general expenditures within one year	$ 327,725	$ 140,248

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures. While the Organization's governing board has designated a portion of its non-restricted resources as noted above, these funds remain available and may be spent at the discretion of the board.

NOTE 4 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Beneficial interest in assets held by Capital Region Community Foundation: The Capital Region Community Foundation (CRCF) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes. The beneficial interest held at CRCF was determined by CRCF based upon the Organization's allocable share in the market value of the underlying investments made by CRCF as reported to CRCF by a third-party trustee from published market quotes. The beneficial interest is considered a level 2 investment under current fair value measurement standards.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Limited partnership: The limited partnership currently operates in the real estate industry. This investment is valued based upon the Organization's ownership interest in the partnership's net assets. The value of net assets is based on the underlying assets and liabilities of the limited partnership. This investment seeks to generate capital appreciation. To the extent that the inputs are observable and timely, the value of this security is categorized as Level 2.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following is a market value summary by the level of the inputs used in evaluating the Organization's assets carried at fair value at December 31, 2019 and 2018. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	2019	2018
Level 1		
Common stock	$ 3,219	$ 2,499
Level 2		
Limited partnership	78,300	18,495
Money market funds (recorded at cost)	780	791
Total investments	$ 82,299	$ 21,785
Level 2		
Beneficial interest in assets held by Capital Region Community Foundation	$ 15,376	$ 12,883

Investment return, net consists of the following for the year ended December 31:

	2019	2018
Interest and dividends, net	$ 9,962	$ 5,307
Unrealized gain (loss)	1,256	536
Realized gain (loss)	(547)	(705)
Change in beneficial interest in assets held by community foundation	2,493	(1,096)
Total investment return, net	$ 13,164	$ 4,042

NOTE 5 - PROMISES TO GIVE

Promises to give consist of the following at December 31:

	2019	2018
Promises to give before unamortized discount	$ 111,520	$ 12,250
Amounts due in:		
Less than 1 year	$ 111,520	$ 12,250

Promises to give greater than one year were not discounted as management believes the amount to be insignificant. Management has determined that all promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at December 31, 2019 and 2018, consist of the following:

	Estimated Useful Life	2019	2018
Computer equipment	5 years	$ 15,132	$ 14,169
Furniture and fixtures	5 years	317	317
Less accumulated depreciation		(12,574)	(11,383)
		$ 2,875	$ 3,103
Depreciation expense		$ 1,191	$ 1,313

NOTE 7 - LONG-TERM DEBT

The Organization received proceeds on an unsecured loan from the Gianturco Family Foundation for $1,000 on December 11, 2017. The loan bears an interest rate of 0% and matures December 2020.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 were available for the following purposes:

	2018	Inflows	Outflows	2019
Subject to expenditure for specified purpose:				
Construction of secondary school in Uganda	$ -	$ 116,278	$ 116,278	$ -
General operations	12,250	-	730	11,520
Grandmother project	-	42,302	42,302	-
Mummy Drayton School Clinic	1,178	-	1,178	-
NVSS construction	-	11,100	5,142	5,958
NVSS operations	-	225	225	-
Sponsor a student	177,242	189,771	159,495	207,518
Children's library	6,825	-	-	6,825
Sustainability project	-	104,794	-	104,794
EDJA Foundation	-	36,823	32,460	4,363
Total net assets with donor restrictions	$ 197,495	$ 501,293	$ 357,810	$ 340,978

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 were available for the following purposes:

	2017	Revenue	Expense	2018
Subject to expenditure for specified purpose:				
Construction of secondary school in Uganda	$ -	$ 41,719	$ 41,719	$ -
Endowment	-	1,000	1,000	-
General operations	45,833	-	33,583	12,250
Grandmother project	-	42,994	42,994	-
Mummy Drayton School Clinic	5,564	500	4,886	1,178
NVSS construction	5,459	3,126	8,585	-
NVSS operations	-	4,000	4,000	-
Sponsor a student	40,589	186,990	50,337	177,242
Children's library	6,455	370	-	6,825
EDJA Foundation	-	15,107	15,107	-
Total net assets with donor restrictions	$ 103,900	$ 295,806	$ 202,211	$ 197,495

NOTE 9 - OPERATING LEASE

The Organization leases office space under an operating lease requiring monthly payments of $1,300 and expires in March 2023. During 2019 and 2018, $15,000 and $15,000, respectively, of rent was paid under lease agreements.

Future minimum lease payments are as follows:

Years Ending December 31,	
2020	$ 15,450
2021	15,600
2022	15,600
2023	3,900

NOTE 10 - ENDOWMENTS

The Organization's endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, both donor-restricted and funds designated by the Board of Directors, are reported based on the existence or absence of donor-imposed restrictions. The endowment is classified for the following purpose at December 31:

	2019	2018
Board designated		
Investments	$ 3,999	$ 3,290
Community foundation	15,376	12,883
Total endowments	$ 19,375	$ 16,173

NOTE 10 - ENDOWMENTS (continued)

The Organization has interpreted the Michigan 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 (of which they currently have none) absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization 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.

The Organization’s investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy should allow for predictability of spendable fund for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of equity securities, fixed income, and alternative investments with performance benchmarks on each asset class.

The Organization has a spending policy which shall allow for maximum annual distributions equal to 5% of the rolling average of the preceding twelve quarterly market values. In establishing this policy, the Organization considered the long-term expected return on its investments. Accordingly, the Organization expects the current spending policy to allow its net assets to grow annually. This is consistent with the Organization’s objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

NOTE 10 - ENDOWMENTS (continued)

Changes in endowment net assets are as follows for the years ended December 31:

	2019	2018
Endowment net assets, at January 1	$ 16,173	$ 17,453
Interest and dividends, net	-	50
Realized gain (loss) on investments	(547)	(770)
Unrealized gain (loss) on investments	1,256	536
Change in beneficial interest in assets held by Community Foundation	2,493	(1,096)
Endowment net assets, at December 31	$ 19,375	$ 16,173

NOTE 11 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION

The Organization established an endowment at the Capital Region Community Foundation (CRCF) during 2013 with an initial deposit of $10,000 and named itself as the beneficiary. This amount in addition to net earnings and additional transfers is presented on the statement of financial position as, "Beneficial Interest in Assets Held at Community Foundation", in the amount of $15,376 and $12,883 as of December 31, 2019 and 2018, respectively. Although this amount has been recorded as an asset, the Organization has granted variance power to CRCF. Change in the Organization's beneficial interest is as follows for the year ended December 31:

	2019	2018
Beneficial interest, beginning of year	$ 12,883	$ 13,979
Change in value of beneficial interest		
Investment income	2,493	(1,096)
Beneficial interest, end of year	$ 15,376	$ 12,883

NOTE 12 - NEW ACCOUNTING STANDARD

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which it and all subsequent amendments to the ASU No. 2014-09, replaced most existing revenue recognition guidance in U.S. GAAP. The Organization adopted the provisions of this guidance on January 1, 2019 using the retrospective approach. The Organization has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Organization's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Organization.

In June 2018, the FASB issued ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The ASU provides guidance to distinguish recognition practices of contribution activity related to the adoption of ASU 2014-09. The Organization adopted the provisions of this guidance in conjunction with ASU 2014-09. There was no impact to revenue recognized for the years ended December 31, 2019 and 2018 as a result of implementing ASU 2018-08.