

WESTERN JUSTICE CENTER FOUNDATION

**Independent Auditor's Report
and Financial Statements
For the Year Ended
December 31, 2017**

WESTERN JUSTICE CENTER FOUNDATION

TABLE OF CONTENTS
December 31, 2017

Independent Auditor's Report	1
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Western Justice Center Foundation
Pasadena, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Western Justice Center Foundation (WJCF), a California nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Directors
Western Justice Center Foundation

Opinion

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

Report on Summarized Comparative Information

Western Justice Center Foundation's 2016 financial statements were audited by Vicenti, Lloyd, and Stutzman LLP whose practice became part of CliftonLarsonAllen LLP effective June 1, 2017 and whose report dated April 4, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 2018 on our consideration of the WJCF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the WJCF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the WJCF's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
July 30, 2018

WESTERN JUSTICE CENTER FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2017

With comparative totals for the year ended December 31, 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 143,111	\$ 124,762
Investments (Note 2)	26,563	87,114
Accounts receivable	23,808	37,997
Pledges receivable	37,000	15,000
Prepaid expenses and other assets	<u>15,182</u>	<u>8,371</u>
Total current assets	245,664	273,244
Non-current assets:		
Property and equipment, net (Note 3)	<u>2,717,841</u>	<u>2,741,321</u>
Total noncurrent assets	<u>2,717,841</u>	<u>2,741,321</u>
Total assets	<u><u>\$ 2,963,505</u></u>	<u><u>\$ 3,014,565</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 93,621	\$ 52,334
Accrued liabilities	37,386	42,169
Deferred revenue	90,229	63,954
Security deposits	<u>22,290</u>	<u>39,680</u>
Total current liabilities	<u>243,526</u>	<u>198,137</u>
Net assets:		
Unrestricted	2,638,985	2,754,760
Temporarily restricted (Note 6)	55,994	36,668
Permanently restricted (Note 7)	<u>25,000</u>	<u>25,000</u>
Total net assets	<u>2,719,979</u>	<u>2,816,428</u>
 Total liabilities and net assets	<u><u>\$ 2,963,505</u></u>	<u><u>\$ 3,014,565</u></u>

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

WESTERN JUSTICE CENTER FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
Revenue and support					
Contributions	\$ 765,738	\$ 84,500	\$ -	\$ 850,238	\$ 839,969
Grants	78,600	-	-	78,600	171,000
Rental income	438,046	-	-	438,046	396,083
Training income	72,789	-	-	72,789	186,000
Investment (loss) return	(1,479)	45	-	(1,434)	4,389
In-kind contributions	19,694	-	-	19,694	24,185
Net assets released from restrictions	<u>65,219</u>	<u>(65,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,438,607</u>	<u>19,326</u>	<u>-</u>	<u>1,457,933</u>	<u>1,621,626</u>
Expenses					
Program services	703,519	-	-	703,519	997,326
Management and general	400,796	-	-	400,796	201,277
Fundraising	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>450,067</u>	<u>391,133</u>
Total expenses	<u>1,554,382</u>	<u>-</u>	<u>-</u>	<u>1,554,382</u>	<u>1,589,736</u>
Change in net assets	(115,775)	19,326	-	(96,449)	31,890
Net assets, beginning of the year	<u>2,754,760</u>	<u>36,668</u>	<u>25,000</u>	<u>2,816,428</u>	<u>2,784,538</u>
Net assets, end of the year	<u>\$ 2,638,985</u>	<u>\$ 55,994</u>	<u>\$ 25,000</u>	<u>\$ 2,719,979</u>	<u>\$ 2,816,428</u>

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

WESTERN JUSTICE CENTER FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	Program Services	Management and General	Fundraising	2017	2016
Salaries	\$ 243,996	\$ 82,107	\$ 176,081	\$ 502,184	\$ 643,996
Employee benefits	49,605	12,778	27,951	90,334	90,064
Payroll taxes	<u>18,937</u>	<u>6,183</u>	<u>13,526</u>	<u>38,646</u>	<u>53,798</u>
Total personnel costs	312,538	101,068	217,558	631,164	787,858
Depreciation and amortization	75,686	25,229	-	100,915	97,612
Consultants	179,271	106,774	50,213	336,258	256,581
Facilities expenses	96,011	77,694	-	173,705	167,474
Interest and bank charges	297	21,892	886	23,075	21,117
In-kind expenses	-	-	3,688	3,688	24,185
Office expenses	6,212	10,039	786	17,037	22,813
Conferences and meetings	677	10,487	171,034	182,198	123,463
Insurance	13,784	8,304	-	22,088	20,648
Telephone	7,640	9,978	-	17,618	16,490
Bad debts	-	-	-	-	-
Computer	19	6,000	-	6,019	8,594
Equipment	-	10,377	-	10,377	10,205
Miscellaneous	6,516	11,845	4,707	23,068	24,116
Postage and delivery	400	1,109	1,195	2,704	3,300
Travel	<u>4,468</u>	<u>-</u>	<u>-</u>	<u>4,468</u>	<u>5,280</u>
Total 2017 functional expenses	<u>\$ 703,519</u>	<u>\$ 400,796</u>	<u>\$ 450,067</u>	<u>\$ 1,554,382</u>	
Total 2016 functional expenses	<u>\$ 997,326</u>	<u>\$ 201,277</u>	<u>\$ 391,133</u>		<u>\$ 1,589,736</u>

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

WESTERN JUSTICE CENTER FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (96,449)	\$ 31,890
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	100,915	97,612
Contribution of stock	-	(111,310)
Unrealized losses (gains) on investments	4,565	(4,120)
Realized gains on investments	(3,086)	(28)
Change in operating assets and liabilities:		
Accounts receivable	14,189	(5,990)
Pledges receivable	(22,000)	(15,000)
Prepaid expenses	(6,811)	(23)
Accounts payable	41,287	32,509
Accrued liabilities	(4,783)	(3,910)
Deferred revenue	26,275	14,235
Security deposits	(17,390)	2,310
Net cash flows from operating activities	<u>36,712</u>	<u>38,175</u>
Cash flows from investing activities:		
Proceeds from investments	59,072	42,671
Purchases of property and equipment	(77,435)	(84,795)
Net cash flows from investing activities	<u>(18,363)</u>	<u>(42,124)</u>
Net change in cash and cash equivalents	18,349	(3,949)
Cash and cash equivalents, beginning of year	<u>124,762</u>	<u>128,711</u>
Cash and cash equivalents, end of year	<u><u>\$ 143,111</u></u>	<u><u>\$ 124,762</u></u>

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

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Western Justice Center Foundation (WJCF), a non-profit corporation, is dedicated to building a more civil, peaceful society where differences are valued.

WJCF designs and implements creative programs that change the way people think about and respond to differences and conflict. Its programs raise awareness, build skills and increase the possibility of just communities and schools.

WJCF's vision emerged in 1985, when a group of distinguished lawyers and judges from the U.S. Court of Appeals for the 9th Circuit and the Federal Central District Court saw an unmet need to expand the quantity and quality of research into dispute resolution methods and strategies for improving the administration of justice. In 1992, WJCF received its 501(c)(3) status. Its campus-like complex is home to 15 non-profit organizations that all have an interest in children, the arts, conflict resolution and public policy. WJCF's four historic buildings constitute an historic landmark that is listed in the National Registry of Historic Places. The Friends Building, the Keatinge Building and 65 South Grand have been completely restored. The fourth and largest building, Maxwell House, serves as the permanent headquarters for WJCF and was fully restored in October 2007.

WJCF current program initiatives include the following:

- **Children**

Haven is the first online community only for students who are actively engaged in creating safe and inclusive schools. This community includes peer mediators and students trained in conflict resolution, violence/bullying prevention and other efforts to increase safety and inclusion. Members will have access to experts in the field, new information on best practices and opportunities to learn from one another.

Acting for Social Change is an elective class offered at Los Angeles County High School for the Arts. The class meets two to three times a week for the school year providing the opportunity for 19 student actors to learn improvisational theater, from a SAG actor, and in turn use these skills in Creating Bias-Free Classrooms.

SchoolTools.info is a website that provides educators with extensive resources on conflict resolution education and related subjects. The feature resource is an interactive conflict resolution training created for high school students by WJCF experts. The lessons incorporate engaging and unique original videos, animations, quizzes, written scenarios and discussion activities in order to maximize the learning experience.

Compassion Plays is a touring theatrical program that sparks transformative conversation among audience-participants. Sessions address stereotyping, interracial conflict and xenophobia.

- **Children**

Peer Mediation Invitational - An annual event involving teams of children and youth from schools throughout Los Angeles County. This program pairs experienced mediators, corporate and civic leaders with students for a one-day mentorship and role playing experience in mock mediation settings.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Trainings (Continued)**

ABC's of Conflict is a 30-hour workshop in the principles of conflict resolution education. Participants learn how to integrate conflict resolution education into their classrooms and youth groups and how to set up mediation programs for their schools or organizations.

Creating Bias Free Classrooms is a training program that allows teachers and students to practice intervening in bias-related conflict. Using a highly interactive format, the program uses professional teenage and adult actors to bring to life diversity-related conflicts that commonly arise in today's classroom.

Basis of Presentation - The financial statements of the Organization are presented on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized in the period in which the liability is incurred (goods have been received or services rendered).

Net Asset Classes - To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of WJCF are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

Accordingly, all the financial transactions have been recorded and reported by net asset class as follows:

Unrestricted – These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

Temporarily Restricted – WJCF reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.

Permanently Restricted – These net assets are given by donors who stipulate that resources are to be maintained permanently, but permits WJCF to expend all of the income (or other economic benefits) derived from the donated assets.

Contributions and Donor Restricted Gifts - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give are reported on the statement of financial position as pledges receivable and are reported at expected future cash flows. As of December 31, 2017, pledges receivable consist of one pledge that is expected to be received in the next fiscal year. No discount or allowance was recorded against this pledge because it was not considered material.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Cash and Cash Equivalents - For purposes of the statement of cash flows, WJCF considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. All accounts receivable are deemed to be fully collectible at December 31, 2017; therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment - Expenditures for fixed assets in excess of \$2,000 are capitalized at cost. Donated assets to be used in WJCF's programs are capitalized at their fair value on the date of the gift. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Estimated useful lives are as follows:

Land Leasehold	91 Years
Building Improvements	40 Years
Furniture and Fixtures	7 Years
Equipment	5 Years

In-Kind Contributed Services - Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended December 31, 2017, WJCF did not receive any in-kind contributed services.

In addition, some unpaid volunteers have made contributions of their time to WJCF. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Income Taxes - WJCF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and by the California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WJCF has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to WJCF's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. WJCF files informational returns in the U.S. federal jurisdiction, and the state of California.

Concentration of Credit Risks - WJCF maintains non-interest bearing bank accounts with one high-credit, quality financial institution. At times, such investments may be in excess of the Federal Deposits Insurance Corporation insurance limit of \$250,000. WJCF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investments are held at financial institutions and are protected by the Securities Investor Protection Corporation up to \$500,000. These investments are exposed to credit loss for the amount of funds held in the event of nonperformance by the counterparties. However, WJCF does not anticipate nonperformance by the counterparties.

Use of Accounting Estimates - The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

Functional Allocation of Expenses - The costs of providing the program and supporting activities of the organization have been summarized on a functional basis in the statement of activities and presented in detail in the statement of functional expenses. Accordingly, certain labor, material or other costs have been allocated among the program, administrative and fundraising functions based on an estimate of the relative share of the labor, material or other costs benefiting each function.

Compensated Absences - Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the Organization are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

Comparative Totals - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with WJCF's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Subsequent Events - All events subsequent to the statement of financial position date of December 31, 2017, through July 30, 2018, which is the date these financial statements were available to be issued, have been evaluated in accordance with applicable accounting standards.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 2: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value and are measured on a recurring basis. Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

- Level 1 - Quoted prices in an active market for identical assets.
- Level 2 - Quoted prices for similar assets and market-corroborated inputs. WJCF does not have any Level 2 investments.
- Level 3 - WJCF's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances. WJCF does not have any Level 3 investments.

Fair values of investments as of December 31, 2017, which are deemed as Level 1 fair value measurements, were as follows:

	Fair Value
Money Market Funds (Level 1)	\$ 26,563
Total investments	<u>\$ 26,563</u>

Return on investments for the year ended December 31, 2017, consisted of the following:

Interest and dividend income	\$ 45
Realized gains	3,086
Unrealized losses	<u>(4,565)</u>
Total investment return	<u>\$ (1,434)</u>

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017, consisted of the following:

Building improvements	\$ 3,704,191
Land leasehold	467,736
Antique furniture and library books	6,229
Furniture and fixtures	300,664
Equipment	<u>115,901</u>
Total depreciable assets	4,594,721
Less: accumulated depreciation	<u>(1,876,880)</u>
Total property and equipment, net	<u>\$ 2,717,841</u>

Depreciation and amortization expense for the year ended December 31, 2017, was \$100,915.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 4: CAPITAL LEASE

WJCF leases its facilities from the City of Pasadena under the terms of a non-cancelable capital lease of which payments are made in the form of "monthly base rent and monthly tenant improvement rent."

Pursuant to the Third Amendment to the Lease Agreement dated July 1994, WJCF paid capital lease payments in the form of base rent of \$1,553 per month and tenant improvement payments of \$3,610 per month including interest at the rate of 5.40% and 5.33%, respectively, per annum until March 2014. Thereafter, until the end of the lease term, the rent is \$1 per month. The original lease term ends April 1, 2044, at which time WJCF has renewal options extending through April 1, 2088.

The intention of the lease agreement was for WJCF to substantially renovate the buildings, and therefore all consideration paid was deemed to be related to the land lease.

As of December 31, 2017, the future minimum lease payments are \$12 per year until April 1, 2088.

At the time of the lease, WJCF paid \$467,736, which is being amortized over the term of the lease, including extensions, of 91 years. At December 31, 2017, WJCF has included this lease consideration in property and equipment, with accumulated amortization of \$106,655, and a net unamortized value of \$361,081. Current year amortization expense is \$5,140.

WJCF subleases portions of its facilities to other non-profit organizations. Lease rates are adjusted annually based upon changes in the Consumer Price Index. Rental income during the year ended December 31, 2017 totaled \$438,045. Of this, \$180,628 is attributable to one-time event facility rentals, \$257,417 is attributable to office lease agreements.

The expected future minimum lease receipts, based solely upon existing leases and the expiration dates of those leases, excluding revenue associated with any new leases and month-to-month leases, is as follows:

<u>Year Ending December 31,</u>	
2018	\$ 12,000
2019	5,000
Total	<u>\$ 17,000</u>

NOTE 5: RETIREMENT PLAN

WJCF has a deferred compensation plan whereby WJCF contributes 3% of the annual gross earnings of eligible employees. Pension expenses charged to operations for the year ended December 31, 2017, were \$17,798.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2017

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017, consist of the following:

Universal Music Group	\$ 25,000
Wells Fargo	10,000
Global Giving	8,994
Various donors - time restricted	12,000
Total temporarily restricted net assets	<u>\$ 55,994</u>

NOTE 7: ENDOWMENT FUNDS

WJCF received a \$25,000 endowment donation during the year ended December 31, 2012. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management of WJCF's endowment is governed by the laws in the state of California based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA). WJCF interpreted the statute 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, WJCF classifies as permanently restricted net assets: (a) the original value of gifts donated to the endowment fund; (b) the original value of subsequent gifts to the endowment fund; and (c) accumulations to the endowment fund made in accordance with 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with donor instructions and the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WJCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The stated instructions of the donor.
- The donor's objectives concerning the duration and preservation of the fund.
- The expected total return from income and appreciation of investments.

WJCF has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and stable stream of funding to programs and projects supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The long-term investment objective is to earn an average annual real total return of at least 6.25%, net of investment management fees, over long-term periods. Over shorter-time periods, the fund will seek to outperform a composite of market indices reflecting the asset allocation policies and perform on par with other institutional funds with similar investment objectives and policies.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires WJCF to retain as a fund of perpetual duration. Subsequent gains that restore the fair value of the endowment fund to the required level are classified as an increase in unrestricted net assets and temporarily restricted net assets, as appropriate. There were no deficiencies of this nature as of December 31, 2017.

WESTERN JUSTICE CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

NOTE 7: ENDOWMENT FUNDS

Any funds appropriated by WJCF will be done in a manner consistent with the standard of prudence prescribed by UPMIFA. In making the annual appropriations, if any, WJCF will consider the following factors:

- The duration and preservation of the fund
- The purposes of WJCF and the fund
- The general economic conditions
- The possible effect of inflation or deflation
- The expected total return from income or appreciation
- Other resources of WJCF
- The investment policies of WJCF

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 25,000	\$ 25,000
Investment return:			
Investment income	45	-	45
Total investment return	45	-	45
Amounts appropriated for expenditure	(45)	-	(45)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>