

ISSAQUAH SCHOOLS FOUNDATION

AUGUST 31, 2017 AND 2016
FINANCIAL STATEMENTS



Bader Martin, PS Certified Public Accountants + Business Advisors



Independent Auditors' Report

Board of Trustees
Issaquah Schools Foundation
Seattle, Washington

We have audited the accompanying financial statements of Issaquah Schools Foundation, which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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. 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.



Board of Trustees
Issaquah Schools Foundation
Seattle, Washington

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Issaquah Schools Foundation as of August 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.

Prior Period Financial Statements

The financial statements of Issaquah Schools Foundation as of August 31, 2016, were audited by other auditors whose report dated June 5, 2017, expressed an unmodified opinion on those statements.

BADER MARTIN, P.S.

January 24, 2018

ISSAQUAH SCHOOLS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	August 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 715,409	\$ 920,622
Current portion of pledges receivable, net	160,692	48,800
Prepaid expenses	1,468	1,428
Total current assets	877,569	970,850
Pledges receivable, less current portion, net of allowance for doubtful accounts	43,549	20,140
Equipment, net	7,057	9,285
Investments held for endowment	874,198	727,041
Total assets	\$ 1,802,373	\$ 1,727,316
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 52,378	\$ 65,344
Grants payable	375,072	488,717
Total liabilities	427,450	554,061
Net assets:		
Unrestricted:		
Undesignated	304,446	319,638
Board designated	874,198	727,041
	1,178,644	1,046,679
Temporarily restricted	196,279	126,576
Total net assets	1,374,923	1,173,255
Total liabilities and net assets	\$ 1,802,373	\$ 1,727,316

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue:			
Individual contributions	\$ 927,792	\$ 93,263	\$ 1,021,055
Corporate and foundation contributions	3,140	191,750	194,890
In-kind contributions	229,225		229,225
Government and business grants	32,672	32,735	65,407
Special events, net of expenses of \$63,333	569,693		569,693
Other income	649		649
Investment income	97,519		97,519
Net assets released from restriction	<u>248,045</u>	<u>(248,045)</u>	
Total support and revenue	<u>2,108,735</u>	<u>69,703</u>	<u>2,178,438</u>
Expenses:			
Program services	1,291,566		1,291,566
Management and general	386,098		386,098
Fundraising	<u>299,106</u>		<u>299,106</u>
Total expenses	<u>1,976,770</u>		<u>1,976,770</u>
Change in net assets	131,965	69,703	201,668
Net assets, beginning of year	<u>1,046,679</u>	<u>126,576</u>	<u>1,173,255</u>
Net assets, end of year	<u>\$ 1,178,644</u>	<u>\$ 196,279</u>	<u>\$ 1,374,923</u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support and revenue:			
Individual contributions	\$ 692,277	\$ 84,405	\$ 776,682
Corporate and foundation contributions	21,155	55,000	76,155
In-kind contributions	163,770		163,770
Government and business grants	36,392	10,100	46,492
Special events, net of expenses of \$98,348	665,081		665,081
Other income	868		868
Investment income	55,372		55,372
Net assets released from restriction	<u>188,563</u>	<u>(188,563)</u>	
Total support and revenue	<u>1,823,478</u>	<u>(39,058)</u>	<u>1,784,420</u>
Expenses:			
Program services	1,256,950		1,256,950
Management and general	285,276		285,276
Fundraising	<u>281,673</u>		<u>281,673</u>
Total expenses	<u>1,823,899</u>		<u>1,823,899</u>
Change in net assets	(421)	(39,058)	(39,479)
Net assets, beginning of year	<u>1,047,100</u>	<u>165,634</u>	<u>1,212,734</u>
Net assets, end of year	<u>\$ 1,046,679</u>	<u>\$ 126,576</u>	<u>\$ 1,173,255</u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2017

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants to school district	\$ 743,089			\$ 743,089
Salaries and wages	202,673	\$ 154,706	\$ 156,353	513,732
Employee benefits	3,834	9,815	17,754	31,403
Payroll taxes	16,004	10,121	11,961	38,086
Other program costs	255,751			255,751
In-kind donations	69,929	17,217	63,238	150,384
Contract services		75,206		75,206
Office expenses	286	15,117	23,957	39,360
Miscellaneous expenses		30,305	19,759	50,064
Uncollectible pledges		39,093		39,093
Facilities and equipment		4,866		4,866
Advertising and promotion		15,070	6,084	21,154
Information technology		6,808		6,808
Insurance		2,924		2,924
Conference and meetings		2,295		2,295
Depreciation		2,228		2,228
Travel		327		327
Total expenses	<u><u>\$ 1,291,566</u></u>	<u><u>\$ 386,098</u></u>	<u><u>\$ 299,106</u></u>	<u><u>\$ 1,976,770</u></u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2016

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Grants to school district	\$ 728,821			\$ 728,821
Salaries and wages	201,125	\$ 111,315	\$ 145,932	458,372
Employee benefits	13,629	10,247	23,118	46,994
Payroll taxes	14,279	7,089	13,152	34,520
Other program costs	257,976			257,976
In-kind donations	40,880	17,135	23,897	81,912
Miscellaneous expenses	150	27,198	34,445	61,793
Office expenses		11,466	26,068	37,534
Uncollectible pledges		35,623		35,623
Advertising and promotion		21,866	13,280	35,146
Contract services		19,759	1,781	21,540
Conference and meetings	90	7,126		7,216
Information technology		6,351		6,351
Depreciation		3,962		3,962
Facilities and equipment		3,159		3,159
Insurance		2,924		2,924
Travel		56		56
Total expenses	<u><u>\$ 1,256,950</u></u>	<u><u>\$ 285,276</u></u>	<u><u>\$ 281,673</u></u>	<u><u>\$ 1,823,899</u></u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

STATEMENTS OF CASH FLOWS

	Year ended August 31,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 201,668	\$ (39,479)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gains on investments	(88,836)	(55,396)
Depreciation	2,228	3,962
Uncollectible pledges	39,093	35,623
Changes in assets and liabilities:		
Pledges receivable	(174,394)	(2,699)
Prepaid expenses	(40)	3
Accounts payable	(12,966)	43,083
Grants payable	(113,645)	71,496
Net cash provided by (used in) operating activities	<u>(146,892)</u>	<u>56,593</u>
Cash flows from investing activities:		
Purchases of investments	(65,510)	(175,000)
Proceeds from sale of investments	7,189	
Purchases of equipment		(4,333)
Net cash used in investing activities	<u>(58,321)</u>	<u>(179,333)</u>
Net change in cash and cash equivalents	(205,213)	(122,740)
Cash and cash equivalents, beginning of year	<u>920,622</u>	<u>1,043,362</u>
Cash and cash equivalents, end of year	<u>\$ 715,409</u>	<u>\$ 920,622</u>

See notes to financial statements.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Organization and summary of significant accounting policies:

Organization:

The Issaquah Schools Foundation (the Foundation) is a Washington nonprofit corporation organized in 1987 to drive resources to help all students achieve the promise of their academic potential.

The Foundation strives to be the unifying organization that enables the Issaquah School District (the District) to provide access to exceptional opportunities district-wide that ignite learning, improve educational outcomes, and prepare all students to be confident, competent, and engaged citizens. The Foundation is funded through individuals, parents, and other organizations in the Issaquah community.

The Foundation's primary program services include:

Cultural Bridges - Cultural Bridges is a family engagement strategy that helps build relationships between parents who were not born in the United States, their children, the District, and the broader Issaquah community through outreach, events, mentoring, translation services, and quarterly magazines.

Elementary Art - Issaquah Parent Teacher Student Association (PTSA) Council and the Foundation collaborate to provide elementary art education, an essential, however unfunded, state requirement. Through a system powered by volunteer art docents, all elementary students in the District receive art classes in their classrooms. The PTSAs in each school support the school-based costs of this program and the Foundation supports a district-level Art Docent Coordinator who provides training, curricular support, and technical assistance to the volunteer art docents.

Future Map - Future Map is an enhancement to Career Cruising, an innovative self-exploration and planning software that engages all high school students in the process of building their future by inspiring and providing them information to supplement their dreams. Future Map connects the business community to students, providing access to speakers, job shadowing, and career experts.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and summary of significant accounting policies (continued):

Organization (continued):

Healthy Youth Initiative - Healthy Youth Initiative (HYI) aims to build the community's capacity to empower youth and families, to reduce negative social and emotional (risky) behaviors, and to network the community in support of healthy youth and strong families. There are four main focuses for these efforts: 1) prevention of youth alcohol and substance abuse; 2) prevention of youth suicide, as well as promotion of youth mental health; 3) assistance for students in need of housing, clothing, food, and school supplies; and 4) research and community assessments to ensure that HYI is addressing appropriate needs within the District and the community.

VOICE - Volunteers of Issaquah Changing Education (VOICE) seeks to establish connections between struggling and at-risk District students to improve academic performance, increase self-esteem, develop critical social skills, and re-engage students with their school community. VOICE pairs these students with caring community members who meet with mentees one hour a week throughout the school year.

Grants - Classroom Enrichment - The Foundation recognizes that school budgets are limited and that classroom demands are high. Each year, the Foundation awards Classroom Enrichment Grants to enhance the learning environment of individual classrooms, libraries, computer labs, resource centers, and schools. Grants in this program are funded up to \$1,000.

Grants - Kateri Brow - Named for a past superintendent of the District, Kateri Brow Grants are awarded to encourage continuous improvement in education within the District. Kateri Brow Big Idea Grants are awarded for programs that reflect vision and innovation in education, while Kateri Brow Biggest Need Grants are awarded for programs that respond to a compelling need. Kateri Brow awards range in amounts from \$1,000 to \$10,000.

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and summary of significant accounting policies (continued):

Basis of presentation (continued):

Accordingly, net assets of the Foundation and changes in net assets are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Foundation has two categories of unrestricted net assets:

Undesignated – Consists of assets, liabilities, revenues, and expenses available for current programs and administration.

Board Designated – Net assets set aside by the Board of Trustees (the Board) for specific purposes.

Temporarily restricted - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of 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.

The Foundation had no permanently restricted net assets at August 31, 2017 or 2016.

Cash and cash equivalents:

Cash and cash equivalents consist principally of cash held in checking accounts and the Foundation's money market account. Cash included with investment accounts are grouped with investments. Cash balances may exceed federally insured limits.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and summary of significant accounting policies (continued):

Receivables:

Pledges receivable that are expected to be collected within one year are recorded as current assets at net realizable value. Pledges receivable that are expected to be collected over a period longer than one year are recorded as non-current assets at fair value, and fair value is measured as the present value of their future cash flows. No present value discount on long-term pledges receivable has been recorded as management believes the discount is immaterial to the financial statements as a whole. Conditional promises to give are not included as support until the conditions are substantially met.

Management reviews the collectability of receivables on a periodic basis, determines the amount estimated to be uncollectible, and establishes an allowance. The Foundation charges off receivables against the allowance when management determines that a receivable is not collectible.

Investments and fair value measurements:

Investments consist of various mutual funds and certain money market accounts that can also be classified as investments because the accounts are held in investment accounts. Investments are reported at their fair value using Level 1 inputs (based on quoted prices in active markets for identical assets) in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There have been no changes in valuation techniques used during the years ended August 31, 2017 and 2016.

Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded as the change in the fair value of investments. Investment income, which includes interest, dividends, and realized and unrealized gains and losses is recognized in the statements of activities.

Equipment:

Equipment is stated at cost for purchased assets or estimated fair value at the date of receipt for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of 5 years. The Foundation capitalizes purchases of equipment that cost over \$5,000.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and summary of significant accounting policies (continued):

Revenue recognition:

Revenue is recognized when the grant requirements are met and collectability is reasonably assured. Contributions are recorded at fair value as cash or receivables and as revenues in the period received, in accordance with donor-imposed restrictions.

Grants to the District:

Grants made to the District are reported as expenses in the year the grant commitments are made. Amounts awarded but not yet paid are reported as grants payable on the statements of financial position.

Functional expenses:

The accompanying statements of functional expenses include all direct costs of each program or supporting service. Costs that benefit more than one activity are allocated based on an analysis of personnel time and space utilized for the related activities.

Income taxes:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. The Foundation evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred by the Foundation and the amount can be reasonably estimated.

Advertising and promotion:

The Foundation expenses the costs of advertising and promotion as incurred. Advertising and promotion expense was \$21,154 and \$35,146 for the years ended August 31, 2017 and 2016, respectively.

Use of 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 amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Organization and summary of significant accounting policies (continued):

Reclassifications:

Certain balances from the prior period have been reclassified to conform to the current period presentation.

Subsequent events:

The Foundation has evaluated subsequent events through January 24, 2018, the date which the financial statements were available to be issued.

2. Pledges receivable:

Pledges receivable are summarized in the statements of financial position as follows as of August 31:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 168,489	\$ 51,292
Receivable in one to five years	<u>43,549</u>	<u>20,140</u>
	212,038	71,432
Less allowance for doubtful accounts	<u>(7,797)</u>	<u>(2,492)</u>
	<u>\$ 204,241</u>	<u>\$ 68,940</u>

These amounts are recorded in the statements of financial position as follows as of August 31:

	<u>2017</u>	<u>2016</u>
Current portion of pledges receivable	\$ 160,692	\$ 48,800
Long-term portion of pledges receivable	<u>43,549</u>	<u>20,140</u>
	<u>\$ 204,241</u>	<u>\$ 68,940</u>

At August 31, 2017, 29% of pledges receivable were due from two donors. At August 31, 2016, 22% of pledges receivable were due from one donor.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. In-kind contributions:

Donated materials are reported as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Members of the Foundation's Board and numerous other individuals provide substantial amount of volunteer time and some materials of indeterminable value in support of the Foundation's events and programs. These donations do not meet the accounting rules for recognition in the financial statements.

The District, a related party, provides certain goods and services to the Foundation for continued support of educational programs under an agreement that may be terminated by either party upon a 60-day written notice. For 2017 and 2016, such items included rent-free office space and meeting rooms, and the salary of the Business Manager. The Foundation estimated that the value of this support was \$131,795 and \$116,826 for the years ended August 31, 2017 and 2016, respectively. The rent and salary are included in in-kind contributions on the statements of activities. Donated salaries and wages are included with salaries on the statements of functional expenses, while other in-kinds are included with in-kind donations. For the years ended August 31, 2017 and 2016, other in-kind donations totaled \$97,430 and \$46,944, respectively.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Temporarily restricted net assets:

Temporarily restricted net assets consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
VOICE	\$ 59,371	\$ 50,000
TEALS	32,979	31,523
Capacity Building	24,964	29,055
Nguyen Legacy Gift	22,056	
Healthy Youth Initiative	20,585	
Dedicated Fine Arts	20,000	
PSE - First Responder Backpacks	5,000	
Teacher Recruitment (Shelter)	5,000	
National Board Certification	3,000	
Testing Scholarships	2,000	
Boeing Teaching Channel Science	828	
Port Blakely	496	8,468
Gibson EK		2,600
Emergency Supplies		1,768
Scratch Code Club		1,741
Pre-K		1,421
	<u><u>\$ 196,279</u></u>	<u><u>\$ 126,576</u></u>

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Endowment investments:

The Foundation's endowment consists of one fund designated by the Board to function as an endowment (quasi-endowment) established for the purpose of providing funding support in perpetuity for the operational costs of the Foundation or as determined by the Board. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Foundation operates in accordance with the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation's Board has reviewed UPMIFA and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve the quasi-endowment funds on a long term basis. The endowment is managed by the Foundation's Finance Committee. The Finance Committee's primary responsibility with regard to the endowment is to monitor the allocation and execute the rebalancing of the investment funds in accordance with the Foundation's investment policy.

Changes to board-designated net assets for the years ended August 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Board-designated net assets, beginning of year	\$ 727,041	\$ 496,645
Contributions	49,650	175,000
Interest and dividends	15,860	11,619
Realized and unrealized gains	<u>81,647</u>	<u>43,777</u>
Board-designated net assets, end of year	<u>\$ 874,198</u>	<u>\$ 727,041</u>

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Endowment investments (continued):

Return objectives and risk parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the first priority is to preserve the endowment's asset size to provide, at a minimum, the same level of support in real dollars to future generations. The secondary long-term goal is to modestly grow the asset size of the investment portfolio by realizing a real rate of return after any administrative and management expenses.

Strategies employed for achieving objectives:

The Foundation's investment philosophy is based on a total return concept, which includes the sum of dividend and interest income, along with any realized or unrealized capital appreciation or loss after all transaction costs. The Finance Committee will periodically review the appropriate investment goal for the annual total return of assets.

The endowment generally will have sufficient marketability to be readily liquidated in the open market. The endowment will hold well-diversified mutual funds or exchange traded funds. Individual securities will not be purchased and any individual securities donated will be liquidated and invested according to the investment policy. The funds shall be invested at the discretion of the Finance Committee subject to the following:

- The Foundation's investment objective is to realize capital appreciation consistent with safety of principal. Philosophically, the Board believes long-term results will be determined largely by asset mix.
- Investments in fixed income may consist of investment grade securities and may include preferred stock funds. A minimum of 80% of the fixed income portfolio will be rated "A" or better by Moody's and/or Standard and Poor's. A maximum of 5% of endowment fund assets may include less than investment grade bond funds.

ISSAQUAH SCHOOLS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Endowment investments (continued):

Spending policy and how the investment objectives relate to spending policy:

The Foundation has a policy of appropriating for distribution each year market value based on the average of the last three fiscal year-end market values of the endowment fund assets preceding each year's distributions. It is recommended that at such time distributions are made, no more than 5% of this three-year average value is ever distributed in any given year as to help ensure the long-term viability of the entire fund.

The investment policy will apply and accommodate short-term market volatility and market cycles that are inherent in long-term investing. The long-term time horizon will enable the Finance Committee to focus on long-term historical total returns of various asset categories and place nominal value on cash and other short-term investments.