MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

FINANCIAL REPORT

December 31, 2018

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Muhammad Ali Museum and Education Center, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Muhammad Ali Museum and Education Center, Inc. which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Certified Public Accountants and Advisors
642 South Fourth Street, Suite 300 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589-1680 www.jnmcpa.com

Opinion

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

Jones, Nale & Mattingly PLC

Louisville, Kentucky
April 18, 2019

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 137,028	$ 472,775
Contributions receivable, net (Notes 3, 9, 12 and 13)	1,671,806	1,893,066
Inventory	95,386	81,812
Prepaid expenses and other assets	24,471	36,076
Other investments (Note 14)	835,696	385,239
Endowment investments (Note 10 and 14)	1,538,814	1,601,744
Restricted cash	98,388	- -
Property and equipment, net (Note 4)	30,772,021	31,146,028
Total assets	$ 35,173,610	$ 35,616,740
LIABILITIES		
Note payable (Note 8)	$ 803,000	$ 978,000
Accounts payable	329,050	129,633
Accrued expenses	177,258	191,346
Lease payable (Note 5)	11,705	31,070
Deferred revenue	89,095	65,288
Line of credit (Note 7)	200,000	- -
Total liabilities	1,610,108	1,395,337
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment, net	29,969,021	30,168,028
Available for operations	285,473	558,565
Total without donor restrictions	30,254,494	30,726,593
With donor restrictions (Note 9 and 10)	3,309,008	3,494,810
Total net assets	33,563,502	34,221,403
Total liabilities and net assets	$ 35,173,610	$ 35,616,740

The Notes to Financial Statements are an integral part of these statements.

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	December 31, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Revenues and support:			
Contributions and grants (Note 12)	$ 2,994,212	$ 389,965	$ 3,384,177
Admissions and memberships	687,513	- -	687,513
Sales - gift shop	507,590	- -	507,590
Event space rental revenue	540,508	- -	540,508
Promotional events income, net of expenses of $333,349 in 2018 and $351,637 in 2017	59,341	- -	59,341
Investment gain (loss), net of fees of $16,245 in 2018 and $11,134 in 2017	17,735	(98,486)	(80,751)
Interest and dividend income	- -	35,556	35,556
Total revenues and support	4,806,899	327,035	5,133,934
Expenses:			
Program services	4,847,812	- -	4,847,812
Management and general	428,676	- -	428,676
Fundraising	515,347	- -	515,347
Total expenses	5,791,835	- -	5,791,835
Increase (decrease) in net assets before release of restrictions	(984,936)	327,035	(657,901)
Net assets released from restrictions	512,837	(512,837)	- -
Increase (decrease) in net assets	(472,099)	(185,802)	(657,901)
Net Assets at Beginning of Year	30,726,593	3,494,810	34,221,403
Net Assets at End of Year	$ 30,254,494	$ 3,309,008	$ 33,563,502

The Notes to Financial Statements are an integral part of these statements.

	December 31, 2017		
	Without Donor Restriction	With Donor Restriction	Total
	$ 3,566,972	$ 769,405	$ 4,336,377
	666,896	- -	666,896
	563,415	- -	563,415
	560,729	- -	560,729
	41,338	- -	41,338
	15,693	186,173	201,866
	- -	27,318	27,318
	5,415,043	982,896	6,397,939
	4,564,756	- -	4,564,756
	479,642	- -	479,642
	887,962	10,389	898,351
	5,932,360	10,389	5,942,749
	(517,317)	972,507	455,190
	1,116,878	(1,116,878)	- -
	599,561	(144,371)	455,190
	30,127,032	3,639,181	33,766,213
	$ 30,726,593	$ 3,494,810	$ 34,221,403

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	December 31, 2018			
	Program Services	Management and General	Fundraising	Total
Cost of sales - gift shop	$ 211,771	$ - -	$ - -	$ 211,771
Salaries	1,479,348	178,022	337,727	1,995,097
Employee benefits and taxes	329,777	39,685	75,286	444,748
Office expense	439,015	40,355	31,463	510,833
Postage and shipping	8,410	2,362	4,745	15,517
Printing	17,506	899	8,474	26,879
Insurance	78,079	5,926	658	84,663
Professional services	314,135	19,350	27,572	361,057
Public relations	12,357	- -	- -	12,357
Travel	49,887	- -	4,419	54,306
Marketing and promotion	88,443	- -	6,580	95,023
Seminars and conferences	54,275	8,746	3,608	66,629
Depreciation	1,276,455	96,874	10,764	1,384,093
Utilities	265,539	20,152	2,239	287,930
Building, supplies, and maintenance	183,763	13,946	1,550	199,259
Exhibit maintenance, materials, and services	7,973	- -	- -	7,973
Bad debt expense	- -	- -	- -	- -
Interest expense	31,079	2,359	262	33,700
Total functional expenses	$ 4,847,812	$ 428,676	$ 515,347	$ 5,791,835

The Notes to Financial Statements are an integral part of these statements.

December 31, 2017			
Program Services	Management and General	Fundraising	Total
$ 231,342	$ - -	$ - -	$ 231,342
1,239,559	218,880	598,901	2,057,340
254,962	45,021	123,187	423,170
516,739	47,183	81,477	645,399
9,058	2,655	5,840	17,553
47,171	69	15,488	62,728
71,253	5,408	601	77,262
297,555	20,528	16,630	334,713
16,083	- -	- -	16,083
70,246	- -	14,884	85,130
70,513	- -	12,864	83,377
36,163	11,266	3,799	51,228
1,253,893	95,161	10,573	1,359,627
257,965	19,578	2,175	279,718
151,478	11,496	1,277	164,251
9,185	- -	- -	9,185
- -	- -	10,389	10,389
31,591	2,397	266	34,254
$ 4,564,756	$ 479,642	$ 898,351	$ 5,942,749

MUHAMMAD ALI MUSEUM AND EDUCATION CENTER, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (657,901)	$ 455,190
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,384,093	1,359,627
Net realized and unrealized (gains) losses on investments	80,751	(201,866)
Increase in discount on contributions receivable	54,744	57,405
Contributed property and equipment	(267,600)	(1,123,000)
Change in assets and liabilities, net of the effects of investing and financing activities:		
Contributions receivable	166,516	(121,421)
Inventory	(13,574)	(17,145)
Prepaid expenses and other assets	11,605	(19,899)
Accounts payable	199,417	(107,551)
Accrued expenses	(14,088)	46,095
Deferred revenue	23,807	270
Net cash provided by operating activities	967,770	327,705
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(512,280)	(482,628)
Sale of investments	44,002	265,466
Purchase of property and equipment	(742,486)	(272,201)
Net cash (used in) investing activities	(1,210,764)	(489,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease	(19,365)	(18,515)
Principal payments on note payable	(175,000)	(175,000)
Proceeds from line of credit	200,000	- -
Net cash provided by (used in) financing activities	5,635	(193,515)
Net (decrease) in cash	(237,359)	(355,173)
Cash:		
Beginning of year	472,775	827,948
End of year	$ 235,416	$ 472,775
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 33,700	$ 34,254
NONCASH INVESTING AND FINANCING ACTIVITIES		
Contributed property and equipment	$ 267,600	$ 1,123,000

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business

Muhammad Ali Museum and Education Center, Inc. (the Organization) exists to build and operate an education center to preserve and share the legacy and ideals of Muhammad Ali, to promote respect, hope and understanding, and to inspire adults and children everywhere to be as great as they can be.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held in managed accounts have been recorded as investments.

The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed coverage provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investments are recorded at fair value at the date of gift. Fair value is determined by quoted market prices of identical or similar investments. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

The investments are in various money market and mutual funds, bonds and common stocks. These investments are subject to the risks common to financial markets, including interest rate risk, credit risk, and overall market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position.

Accounts receivable

Accounts receivable consist primarily of amounts due from events held at the Museum. An allowance for doubtful accounts is not considered necessary because probable uncollectible amounts are immaterial.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions receivable

Unconditional promises to give are reported in the statement of financial position as contributions receivable and in the statement of activities as increases in the appropriate net asset category, based on donor or time restrictions, if any. Contributions due after one year are recorded after discounting to the present value of the future cash flows.

Allowance for uncollectible contributions

The Organization provides an allowance for uncollectible contributions based upon the anticipated collectibility of each specific pledge. In evaluating the collectibility of contributions receivable, the Organization considers a number of factors, including historical loss rates, the age of the accounts, changes in collection patterns, and general economic provisions. Changes in the estimates are charged or credited to the changes in net assets in the period of change. Contributions are considered past due based upon the terms of the donor agreement. No allowance was recorded at December 31, 2018 and 2017, as management determined that all pledges were collectible.

Inventory

Inventory consists primarily of gift shop merchandise and prints, and is stated at the lower of cost or net realizable value.

Property, equipment and depreciation

The Organization capitalizes, at cost, all expenditures for property and equipment in excess of $2,000. Contributed property and equipment is recorded at fair value at the date of donation. Property and equipment are depreciated on the straight-line method over estimated useful lives ranging from 3 to 40 years. Museum exhibits including artwork and collections are capitalized and are being depreciated, except for the artwork (see Note 4).

Deferred revenue

Deferred revenue represents amounts paid in advance for events to be held at the museum at a later date. These amounts will be recognized as revenue when the event is held.

Net assets

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Net assets (continued)

Net assets without donor restrictions include the following:

Invested in property and equipment, net: These net assets represent cumulative resources expended for property and equipment, less the accumulated depreciation recorded and debt owed on the property and equipment.

Available for operations: These net assets represent the portion of expendable funds available for support in the operation of the Organization or needed to continue to support the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions

The Organization reports gifts of cash and other assets as 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization treats contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Donated goods and services

Donated goods are shown as gifts and valued at their estimated fair value at the date of receipt. Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

Functional allocation of expenses

The costs associated with program services, management and general, and fundraising activities have been presented on a functional basis in the statements of functional expenses and summarized in the statements of activities. Accordingly, certain costs have been allocated to the three functional classifications by management, including salaries and benefits based on time and effort, and insurance, depreciation, utilities, maintenance, and interest based on square footage.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Advertising costs

The Organization expenses advertising costs as incurred. Advertising expenses totaled $95,023 and $83,377 for the years ended December 31, 2018 and 2017, respectively.

Income taxes

The Organization qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made in these statements.

The Organization's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigations processes, based on the technical merits. The Organization has no uncertain tax positions resulting in an accrual of a tax expense or benefit.

The Organization's Federal Return of Organization Exempt from Income Tax is subject to examination by the taxing authorities until the expiration of the related statute of limitations on the return, which is generally three years.

Subsequent events

Subsequent events have been evaluated through April 18, 2019, which is the date that the financial statements were available to be issued.

New accounting pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance includes qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources; and 5) presentation of operating cash flows. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently issued accounting pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Organization's contracts with customers. This standard will be effective for the year ending December 31, 2019.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for the year ending December 31, 2020.

Management is currently in the process of evaluating the impact of the adoption of these ASUs on the Organization's financial statements.

Reclassifications

Certain amounts presented in the 2017 financial statements have been reclassified to conform to the 2018 presentations.

Note 2. Availability and Liquidity

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

	2018	2017
Financial assets at year end:		
Cash	$ 235,416	472,775
Contributions receivable	1,671,806	1,893,066
Investments	2,374,510	1,986,983
Total financial assets	4,281,732	4,352,824
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,309,008	3,494,810
Less net assets with purpose or time restrictions to be met in less than a year	(729,384)	(552,500)
	2,579,624	2,942,310
	$ 1,702,108	$ 1,410,514

As of December 31, 2018, the Organization has $288,814 in endowment investments available for general expenditure. As part of its liquidity plan, the Organization invests excess cash in short-term investments, including money market accounts. The Organization also has a $500,000 line of credit to meet cash flow needs, with $300,000 available as of December 31, 2018.

Note 3. Contributions Receivable

Contributions receivable consist of the following as of December 31:

	2018	2017
Amounts due within:		
One year or less	$ 630,996	$ 552,500
One to five years	1,150,000	1,254,500
More than five years	- -	250,000
	1,780,996	2,057,000
Less discounts to net present value	(109,190)	(163,934)
Total contributions receivable	$ 1,671,806	$ 1,893,066

Discounts applied to contributions receivable are computed using risk-free interest rates, ranging from 1.47% to 4.63%, depending on the year in which the promises were received. Amortization of the discounts is recorded through contribution revenue.

Contributions receivable were written off in the amounts of zero and $10,389 for the years ended December 31, 2018 and 2017, respectively.

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Building	$ 37,876,480	$ 37,360,962
Museum exhibits	14,020,934	13,750,334
Office equipment	261,205	253,585
Computers and software	1,371,479	1,337,504
Leasehold improvements	12,657	12,657
Furniture, fixtures, and other	1,265,405	1,083,032
	54,808,160	53,798,074
Less accumulated depreciation	(24,036,139)	(22,652,046)
	$ 30,772,021	$ 31,146,028

Note 5. Lease Payable

The Organization (lessee) has a capital lease agreement with The Leasing Group, LLC (lessor) for certain equipment. The 60 month lease provides that the lessee make 60 monthly payments of $1,697, plus applicable taxes, with the first and last payments paid at the commencement of the lease. The asset under the capital lease is recorded at $91,041, the fair value of the asset, and amortized over the asset's estimated useful life. Amortization in the amount of $16,388 is included in depreciation expense for the years ended December 31, 2018 and 2017. A liability representing the present value of the remaining payments due has also been recorded.

Note 5. Lease Payable (Continued)

The following lease payments are required for the year ending December 31:

2019	$	11,881
Amount representing interest		(176)
Present value of lease payments due	$	11,705

Note 6. Operating Lease

The Organization's building and facilities are located on land leased from the Parking Authority of River City, Inc., an agency of Louisville Metro Government, for $1 per year paid in advance. The lease expires on January 15, 2101.

Note 7. Line of Credit

The Organization entered into a $500,000 line of credit agreement on November 13, 2017 with PNC Bank secured by certain assets of the Organization. The line of credit matures on November 13, 2019 and bears interest equal to 2.5% in excess of the one-month London InterBank Offered Rate (2.52% at December 31, 2018). The Organization is required to make monthly payments of interest only on any unpaid principal balance. The line of credit had a balance of $200,000 and zero as of December 31, 2018 and 2017, respectively.

Note 8. Note Payable

The Organization has a note payable, as amended on March 15, 2016, to JP Morgan Chase Bank that matures on March 15, 2020, with a fixed interest rate of 2.75%. Principal is repaid annually by the Organization with the following minimum payments required for the year ending December 31:

2019	$	- -
2020		803,000
Total	$	803,000

In connection with the note payable, the Organization has agreed to comply with various financial and non-financial covenants. A board member has issued a personal guarantee of $803,000. The bank has the option at its sole discretion to require the loan to be repaid in full upon the occurrence of any adverse material change in the financial condition of the Organization. The Organization paid principal on the note of $175,000 for the years ended December 31, 2018 and 2017.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2018	2017
Contributions receivable	$ 1,671,806	$ 1,893,066
Restricted cash	98,388	- -
Endowment investments	1,538,814	1,601,744
	$ 3,309,008	$ 3,494,810

Note 10. Net Asset Endowment

The Organization's endowment fund consists of one fund established for a variety of purposes. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with the endowment fund are classified and reported based on the existence of donor-imposed restrictions and classified as net assets with donor restrictions in the financial statements.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as prescribed by Kentucky Revised Statutes Section 273.600 through 273.645, as requiring the preservation of spending power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment, and any resulting investment returns until 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 funds; (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; and (7) the investment and spending policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration which is $1,250,000. There were no such deficiencies as of December 31, 2018 and 2017.

Note 10. Net Asset Endowment (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a minimal level of investment risk.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization invests in certificates of deposit, money market funds, stocks, bonds and mutual funds. Any income earned is appropriated for spending in the same period earned and classified as unrestricted in accordance with the intent of the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

The changes in endowment net assets with donor restrictions for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Endowment net assets, beginning of year	$ 1,601,744	$ 1,388,253
Investment income (loss)	(62,930)	213,491
Endowment net assets, end of year	$ 1,538,814	$ 1,601,744

Note 11. Retirement Plan

The Organization has a 401(k) plan covering substantially all eligible employees, as defined in the plan. The Organization matches 100% of employees' contributions for the first 3% of their salaries and 50% of the next 2% of their salaries. Employer contributions were $52,269 and $53,825 for the years ended December 31, 2018 and 2017, respectively.

Note 12. Concentrations

Contribution revenue under control of a single donor was $2,045,746 and $1,840,235 for the years ended December 31, 2018 and 2017, respectively. In addition, undiscounted contributions receivable under control of the same donor totaled $1,250,000 and $1,500,000 at December 31, 2018 and 2017, respectively.

Note 13. Capital Campaign

The Organization has two previous capital campaigns from which they continue to collect payments, the Tribute Campaign which began in 2016 and the Ali in All of Us initiative which began in 2017. These campaigns raised $2,344,958 and $2,184,823 as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, restricted undiscounted contributions receivable related to these campaigns totaled $447,000 and $548,000, respectively. Costs associated with these campaigns are expensed as incurred.

Note 14. Fair Value of Financial Instruments

U.S. GAAP provides a framework for fair value measurements. Fair value is defined as 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. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices of identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflect an organization's own assumptions of market participant valuation (Level 3).

The following methods and assumptions were used by the Organization in estimating the fair value disclosures of financial instruments:

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature of these investments.

Mutual funds and corporate stocks are valued at fair value based on quoted market prices for identical securities in active markets that the Organization has the ability to access at the measurement date.

Corporate bonds are valued at fair value based on quoted market prices for similar securities in active markets that the Organization has the ability to access at the measurement date.

Note 14. Fair Value of Financial Instruments (Continued)

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Balance at December 31, 2018	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	$ 955,751	$ 955,751	$ - -	$ - -
Mutual funds	137,610	137,610	- -	- -
Corporate stocks	961,094	961,094	- -	- -
Corporate bonds	320,055	- -	320,055	- -
	$ 2,374,510	$ 2,054,455	$ 320,055	$ - -

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Balance at December 31, 2017	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	$ 447,962	$ 447,962	$ - -	$ - -
Mutual funds	178,518	178,518	- -	- -
Corporate stocks	1,007,149	1,007,149	- -	- -
Corporate bonds	353,354	- -	353,354	- -
	$ 1,986,983	$ 1,633,629	$ 353,354	$ - -