TEXAS PUBLIC RADIO

COMBINED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

TEXAS PUBLIC RADIO

FINANCIAL STATEMENTS

Year Ended September 30, 2016

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Independent Auditor's Report

SAGEBIEL RAVENBURG & SCHUH, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Texas Public Radio
San Antonio, Texas

We have audited the accompanying combined financial statements of Texas Public Radio (a nonprofit corporation), which comprise the combined statements of financial position as of September 30, 2016 and 2015, the related combined statements of activities and functional expenses for the year ended September 30, 2016, the combined statements of cash flows for the years ended September 30, 2016 and 2015, 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 the combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Texas Public Radio as of September 30, 2016 and 2015, and the changes in its net assets for the year ended September 30, 2016, and its cash flows for the years ended September 30, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Texas Public Radio's 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sagebiel, Ravenburg & Schuh, P.C.

San Antonio, Texas
December 20, 2016

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TEXAS PUBLIC RADIO

COMBINED STATEMENT OF FINANCIAL POSITION

September 30, 2016 and 2015

ASSETS	2016	2015
Current assets:		
Cash	$ 1,027,025	$ 926,992
Receivables:		
Accounts receivable	1,743	1,230
Promises to give (net of allowance for uncollectible pledges of $20,059 in 2016 and $53,188 in 2015)	159,904	159,563
Underwriting	334,331	384,372
Total receivables	495,978	545,165
Prepaid expenses	445,119	467,761
Total current assets	1,968,122	1,939,918
Property and equipment:		
Broadcasting and other equipment	2,162,014	1,890,396
Leasehold improvements	75,275	72,836
	2,237,289	1,963,232
Less accumulated depreciation	(1,294,233)	(1,155,514)
Net property and equipment	943,056	807,718
Other assets:		
Cash and investments restricted for endowment	286,730	271,834
	286,730	271,834
Total assets	$ 3,197,908	$ 3,019,470
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 55,507	$ 29,533
Accrued liabilities	120,995	108,232
Deferred revenues	246,048	271,938
Total current liabilities	422,550	409,703
Net assets:		
Unrestricted:		
Undesignated	1,155,327	1,225,950
Fixed assets	943,056	807,718
Board-designated	4,817	-
	2,103,200	2,033,668
Temporarily restricted	390,245	304,265
Permanently restricted	281,913	271,834
Total net assets	2,775,358	2,609,767
Total liabilities and net assets	$ 3,197,908	$ 3,019,470

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

TEXAS PUBLIC RADIO

COMBINED STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

(With Comparative Totals For Year Ended September 30, 2015)

	Unrestricted					Total	
	Operations	Fixed Assets	Board-Designated	Temporarily Restricted	Permanently Restricted	2016	2015
Support and revenues:							
Special events:							
Gross revenue	$ 155,728	$ -	$ -	$ -	$ -	$ 155,728	$ 152,754
Less direct expenses	(28,422)	-	-	-	-	(28,422)	(29,609)
Net special events support	127,306	-	-	-	-	127,306	123,145
Program underwriting contracts	1,812,108	-	-	-	-	1,812,108	1,549,601
Grants	456,789	-	-	230,139	-	686,928	466,231
Contributions:							
Cash	121,703	-	-	-	3,018	124,721	136,880
Non-cash services	-	-	-	-	-	-	41,718
Memberships	1,810,810	-	-	159,904	-	1,970,714	1,910,757
Investment income	4,953	-	-	-	(5,616)	(663)	27,772
Miscellaneous	6,752	-	-	-	-	6,752	2,537
	4,340,421	-	-	390,043	(2,598)	4,727,866	4,258,641
Net assets released from restrictions	306,963	-	-	(304,063)	(2,900)	-	-
Total support and revenue	4,647,384	-	-	85,980	(5,498)	4,727,866	4,258,641
Expenses:							
Program services:							
Broadcasting	2,329,490	126,269	-	-	-	2,455,759	2,376,801
Marketing	979,160	9,950	-	-	-	989,110	838,250
Total program services	3,308,650	136,219	-	-	-	3,444,869	3,215,051
Supporting services:							
Administrative	343,245	3,430	-	-	-	346,675	289,510
Development	781,162	5,146	-	-	-	786,308	647,800
Total supporting services	1,124,407	8,576	-	-	-	1,132,983	937,310
Total expenses	4,433,057	144,795	-	-	-	4,577,852	4,152,361
Change in net assets before unrealized gains (losses)	214,327	(144,795)	-	85,980	(5,498)	150,014	106,280
Unrealized gain (loss) on investments	-	-	-	-	15,577	15,577	(34,239)
Change in net assets	214,327	(144,795)	-	85,980	10,079	165,591	72,041
Net assets at beginning of year	1,225,950	807,718	-	304,265	271,834	2,609,767	2,537,726
Net interfund transfers	(284,950)	280,133	4,817	-	-	-	-
Net assets at end of year	$ 1,155,327	$ 943,056	$ 4,817	$ 390,245	$ 281,913	$ 2,775,358	$ 2,609,767

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

TEXAS PUBLIC RADIO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2016

(With Comparative Totals For Year Ended September 30, 2015)

	Program Services			Management and General			Total Expenses	
	Broadcasting	Marketing	Total	Administrative	Development	Total	2016	2015
Salaries	$ 973,019	$ 685,538	$ 1,658,557	$ 221,133	$ 334,778	$ 555,911	$ 2,214,468	$ 1,989,787
Payroll taxes	79,301	55,879	135,180	18,021	27,260	45,281	180,461	166,239
Payroll benefits	102,592	72,279	174,871	23,309	34,963	58,272	233,143	179,441
Total salaries and related expenses	1,154,912	813,696	1,968,608	262,463	397,001	659,464	2,628,072	2,335,467
Advertising	-	14,789	14,789	-	1,610	1,610	16,399	20,873
Associated Press fees	5,300	-	5,300	-	-	-	5,300	4,700
Audience research	14,190	-	14,190	-	14,190	14,190	28,380	27,764
Bad debt expense	-	-	-	-	3,609	3,609	3,609	-
Bank charges	-	29	29	187	72,048	72,235	72,264	67,258
Contract labor	49,610	4,455	54,065	13,512	1,350	14,862	68,927	63,445
Equipment rental and maintenance	9,777	3,574	13,351	3,672	11,096	14,768	28,119	25,903
Facilities	-	3,265	3,265	3,448	4,034	7,482	10,747	3,486
Food expense	840	2,573	3,413	2,710	16,718	19,428	22,841	27,263
Honorarium fees and prizes	-	7,424	7,424	-	1,552	1,552	8,976	-
Investment fees	-	-	-	2,900	-	2,900	2,900	3,325
Insurance - liability	15,451	10,886	26,337	3,511	5,268	8,779	35,116	27,052
Internet expense	21,287	243	21,530	-	6,241	6,241	27,771	20,599
Mailing acquisition/renewal	-	-	-	-	17,517	17,517	17,517	11,473
Membership premiums	-	24,040	24,040	-	16,232	16,232	40,272	73,250
Memberships	-	-	-	-	3,732	3,732	3,732	4,149
Miscellaneous	9,147	785	9,932	6,765	839	7,604	17,536	28,757
Noncash contributed services	-	-	-	-	-	-	-	41,718
Office expenses	3,780	5,287	9,067	3,870	6,078	9,948	19,015	19,815
Postage and shipping	33	1,240	1,273	1,090	14,045	15,135	16,408	20,561
Printing	95	109	204	37	692	729	933	5,864
Production costs	4,242	-	4,242	-	-	-	4,242	19,014
Professional fees	49,538	10,614	60,152	1,989	116,081	118,070	178,222	60,905
Program fees	660,990	-	660,990	-	-	-	660,990	652,586
Promotional	-	-	-	-	2,453	2,453	2,453	1,100
Recruiting	4,907	-	4,907	448	7,788	8,236	13,143	7,393
Rent	90,441	63,720	154,161	20,554	30,832	51,386	205,547	197,646
Replacement parts and supplies	8,300	34	8,334	12	17	29	8,363	6,507
Satellite interconnect fee	8,953	-	8,953	-	-	-	8,953	8,683
Staff development	5,511	3,089	8,600	7,379	12,063	19,442	28,042	19,625
Telephone	14,740	1,964	16,704	634	950	1,584	18,288	13,880
Tower lease	127,261	-	127,261	-	-	-	127,261	120,185
Trade affiliation fees	1,696	1,252	2,948	4,802	6,430	11,232	14,180	10,909
Travel	12,837	6,092	18,929	3,262	10,696	13,958	32,887	20,728
Utilities	55,652	-	55,652	-	-	-	55,652	59,911
Total expenses before depreciation	2,329,490	979,160	3,308,650	343,245	781,162	1,124,407	4,433,057	4,031,794
Depreciation	126,269	9,950	136,219	3,430	5,146	8,576	144,795	120,567
Total expenses	$ 2,455,759	$ 989,110	$ 3,444,869	$ 346,675	$ 786,308	$ 1,132,983	$ 4,577,852	$ 4,152,361

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

TEXAS PUBLIC RADIO

COMBINED STATEMENT OF CASH FLOWS

Years Ended September 30, 2016 and 2015

	2016	2015
Cash flow from operating activities:		
Change in net assets	$ 165,591	$ 72,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	144,795	120,567
Gain on disposal of property and equipment	(2,570)	-
Unrealized (gain) loss on investments	(15,577)	34,239
Change in:		
Receivables	49,187	(35,901)
Prepaid expenses	22,642	(23,471)
Accounts payable	25,974	(65,998)
Accrued liabilities	12,763	28,205
Deferred revenues	(25,890)	36,796
Net cash provided by operating activities	376,915	166,478
Cash flows from investing activities:		
Net change in restricted cash and investments	681	(24,084)
Net change in cash designated for capital campaign	-	10,457
Purchase of property and equipment	(306,226)	(45,278)
Proceeds from disposal of property and equipment	28,663	-
Net cash used by investing activities	(276,882)	(58,905)
Net increase in cash	100,033	107,573
Cash at beginning of year	926,992	819,419
Cash at end of year	$ 1,027,025	$ 926,992

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

1 NATURE OF ORGANIZATION

Texas Public Radio (TPR) is a not-for-profit corporation whose purpose is to broadcast programs for informational, educational and entertainment purposes. The corporation was formed by the merger of Classical Broadcasting Society of San Antonio (KPAC) and San Antonio Community Radio Corporation (KSTX). In 1998 TPR expanded its services by activating a station (KTXI) to better serve listeners in the Texas Hill Country. In January 2013, TPR began broadcasting to Snyder, Big Spring and Sweetwater by adding station KTPR. KVHL was added in October 2013 to serve listeners in Llano and the Highland Lakes region. In 2016, TPR activated KTPD in Del Rio and acquired KCTI in Gonzales. The majority of underwriters and members who substantially support Texas Public Radio are located in the San Antonio and Texas Hill Country area.

Texas Public Radio Foundation (Foundation) was incorporated in September 2001. Its purpose is to receive, invest and distribute the charitable gifts that constitute the endowment of TPR and shall support educational public broadcasting and other educational activities of TPR for South Texas.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of TPR have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. TPR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The combined financial statements include the accounts of Texas Public Radio and its affiliate Texas Public Radio Foundation. TPR and the Foundation operate with the same officers and directors, and office facilities and staff are mutually shared. Accordingly, the financial statements have been combined. All intercompany accounts are eliminated in the combination.

Comparative Financial Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with TPR's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Donated Services

Noncash donations of services are recorded as contributed at their estimated fair values at the date of donation.

Income Taxes

TPR is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Restricted and Unrestricted Revenue and Support

TPR reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 restrictions.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenues

Deferred revenues are amounts representing contracts for business support for future periods that are carried as deferred revenues until the period in which they are considered earned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of monies on hand and on deposit in checking, savings and money market accounts. Cash that is restricted or designated in some manner is classified separately.

Investments

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in the case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market price of the various investments held.

Property and Equipment

TPR capitalizes all expenditures for property and equipment in excess of $500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Depreciation is computed using the straight-line method over their estimated useful lives.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of TPR.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

TPR's management has evaluated subsequent events through December 20, 2016, the date which the financial statements were available for issue.

3 RECEIVABLES AND CREDIT RISK CONCENTRATION

TPR maintains cash balances at seven financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2016, TPR’s cash balances were fully insured with federal depository insurance.

Management analyzes the aging of accounts receivable on a quarterly basis. Accounts receivable are considered delinquent when they are over 90 days old. Payment trends by delinquent accounts are considered by management when estimating the allowance for doubtful accounts. At September 30, 2016 and 2015, management estimated the allowance for doubtful accounts to be $20,059 and $53,188 for those years, respectively. Accounts determined to be uncollectible by management are initially charged to the allowance for doubtful accounts.

4 INVESTMENTS

TPR owned the following investments at September 30, 2016 and 2015:

	2016		2015	
	Cost	Market	Cost	Market
Restricted for Endowment:				
Cash and equivalents	$ 29,283	$ 29,283	$ 45,305	$ 45,305
Equities	39,792	41,760	5,205	4,293
Mutual funds	216,328	215,687	238,450	222,236
	$ 285,403	$ 286,730	$ 288,960	$ 271,834

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). At September 30, 2016 and 2015, TPR's investments were reported at fair value using a Level 1 measure.

5 PROGRAM UNDERWRITING CONTRACTS

Program underwriting contracts revenue consisted of the following:

	2016	2015
Business memberships	$ 366,901	$ 347,675
Underwriting contracts	1,445,207	1,201,926
	$ 1,812,108	$ 1,549,601

6 PROPERTY AND EQUIPMENT

Property and equipment of TPR consisted of the following:

	2016	2015
Land	$ 16,000	$ -
Broadcast equipment	1,849,376	1,617,500
Library	30,241	30,241
Furniture, fixtures and equipment	266,397	242,655
Leasehold improvements	75,275	72,836
	2,237,289	1,963,232
Less accumulated depreciation	(1,294,233)	(1,155,514)
Net property and equipment	$ 943,056	$ 807,718

During the year 2005, equipment in the amount of $50,386 (digital studio to transmitter link equipment) was acquired under National Telecommunications and Information Administration Grant No. 48-01-N04061. The equipment is under a lien and the term of this priority lien extends for a period of ten years from September 30, 2005, during which time the Federal Government retains a priority reversionary interest in the equipment.

During the year 2007, equipment in the amount of $169,145 (digital studio equipment and furnishings) was acquired under National Telecommunications and Information Administration Grant No. 48-01-N06029. The equipment is under a lien and the term of this priority lien extends for a period of ten years from September 30, 2007, during which time the Federal Government retains a priority reversionary interest in the equipment.

7 REVOLVING LINE OF CREDIT

Texas Public Radio has a $100,000 revolving line of credit with a financial institution, which matures on August 1, 2017. Advances on the unsecured line of credit bear interest at the Bank's floating prime rate of 3.25%. At September 30, 2016, TPR had a $-0- balance, with an available amount on the line of credit of $100,000.

8 LEASES

TPR leases its facilities and offices under several operating leases expiring at various dates through December 2021. The following are future minimum rental payments under these leases:

Year Ending September 30,	Amount
2017	331,401
2018	339,187
2019	259,359
2020	365,630
2021	265,824
Thereafter	65,774
	$ 1,627,175

TPR leases its office equipment under one operating lease that expires in November 2018. The following are future minimum rental payments under these leases:

Year Ending September 30,	Amount
2017	5,467
2018	911
	$ 6,378

Total rent payments on these leases for the years ended September 30, 2016 and 2015 were $338,479 and $324,221, respectively.

9 RETIREMENT PLAN

TPR has established a Simple IRA retirement plan under which TPR will contribute to any eligible employee's IRA plan, a total of 2% of their annual salary. An eligible employee is an employee who earned at least $5,000 per year, including part-time employees. The total retirement contributions for the years ended September 30, 2016 and 2015 were $30,370 and $36,900, respectively.

10 FUNDRAISING EXPENSE

Total fundraising expense for the years ended September 30, 2016 and 2015 was $786,308 and $647,800, respectively.

11 TEMPORARILY RESTRICTED NET ASSETS

During 2016 and 2015 TPR received contributions for various specific programs and activities. As of September 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Challenge grants	$ 230,341	$ 44,702
Pledges	159,904	159,563
Capital campaign	-	100,000
	$ 390,245	$ 304,265

12 ENDOWMENT FUNDS

General Information

The Foundation maintains various endowment funds established for specific purposes. These endowments include both donor-restricted endowment contributions and funds designated by the Board of Directors to function as endowments. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was adopted by the State of Texas with an effective date of September 1, 2007. The Foundation formally adopted UPMIFA during the year ended September 30, 2012.

12 ENDOWMENT FUNDS (Continued)

Background

In July, 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA) which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Foundation to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although the Act does not require that a specified amount be set aside as principal, the Act assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed and will spend "income" by making distributions using a reasonable spending rate.

Endowment Investment Objectives

Endowment investments are managed by professional money managers under the direction of the Finance Committee of the Board of Directors of the Foundation. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices while assuming a moderate level of investment risk.

To satisfy this performance objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment "Income" Appropriation (Spending Policy)

During 2011, the Finance Committee began developing and finalizing the Foundation's spending policy. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment return.

The Foundation's goal is to distribute its income as "evenly" as practical on an annual basis in order to facilitate the planning and budgeting objectives, and the setting of the asset allocation and expected return targets of the portfolio. Knowing that the investment rate of return will vary from year to year, and to avoid distributing more investment income in the high return investment years so that adequate funds are available in the low or negative return investment years, a disciplined distribution policy is prudent.

The annual distribution amount will be set as of the end of the previous fiscal year (September 30), and will be calculated based on the average quarterly market value of the fund balances for the preceding three years. It is understood that successive low or negative return years may necessitate utilization of funds from the principal balance of the Endowment's fund in order to meet the annual budget, and that in years when returns exceed expectations the additional earnings will be used to restore principal and to generate "future savings" balances for years of low investment returns.

In accordance with the formal adoption of UPMIFA, the Investment Committee of the Foundation has reviewed its spending policy and takes into consideration the following factors in making a determination to appropriate (spend) or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic and investment market 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 Foundation and
7. The investment policies of the Foundation

12 ENDOWMENT FUNDS (Continued)

Endowment net asset composition by type of fund as of September 30, 2016 and 2015 is as follows:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted endowment funds	$ -	$ -	$ 281,913	$ 281,913
Board-designated endowment funds	4,817	-	-	4,817
Total endowment funds	$ 4,817	$ -	$ 281,913	$ 286,730

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Donor-restricted endowment funds	$ -	$ -	$ 271,834	$ 271,834

Changes in endowment net assets for the years ended of September 30, 2016 and 2015 were as follows:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	$ -	$ -	$ 271,834	$ 271,834
Contributions	-	-	3,018	3,018
Transfers	4,817	-	-	4,817
Investment income	-	-	(5,616)	(5,616)
Net appreciation (depreciation)	-	-	15,577	15,577
Amounts appropriated for expenditure	-	-	(2,900)	(2,900)
Endowment net assets, end of year	$ 4,817	$ -	$ 281,913	$ 286,730

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Endowment net assets, beginning of year	$ -	$ -	$ 281,989	$ 281,989
Contributions	-	-	-	-
Investment income	-	-	27,409	27,409
Net appreciation (depreciation)	-	-	(34,239)	(34,239)
Amounts appropriated for expenditure	-	-	(3,325)	(3,325)
Endowment net assets, end of year	$ -	$ -	$ 271,834	$ 271,834

13 NONCASH COMMODITIES AND SERVICES

During the years ended September 30, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was $-0- and $41,718, respectively. Contributed services not meeting the requirements for recognition in the financial statements and used primarily in connection with fundraising efforts, are as follows:

	2016	2015
Commodities	$ 87,308	$ 87,479
Services	99,483	125,787
	$ 186,791	$ 213,266