

FATHER WASSON LEGACY ENDOWMENT, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018



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**FATHER WASSON LEGACY ENDOWMENT, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Father Wasson Legacy Endowment, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of the Father Wasson Legacy Endowment, Inc. as of December 31, 2019 and 2018, which comprise the statements of financial position and the related statements of activities 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.

Auditors' 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 we plan and perform the audits 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Father Wasson Legacy Endowment, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Father Wasson Legacy Endowment, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
October 30, 2020

FATHER WASSON LEGACY ENDOWMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 807,886	\$ 883,211
Investments	15,796,598	12,873,067
Due from NPH USA	37,299	90,240
Total Assets	\$ 16,641,783	\$ 13,846,518
NET ASSETS		
With Donor Restrictions	\$ 16,641,783	\$ 13,846,518
Total Net Assets	\$ 16,641,783	\$ 13,846,518

See accompanying Notes to Financial Statements.

FATHER WASSON LEGACY ENDOWMENT, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ -	\$ 250,346	\$ 250,346	\$ -	\$ 203,690	\$ 203,690
Investment Income:						
Interest and Dividends, Net of Fees	-	241,493	241,493	-	219,601	219,601
Realized Gain	-	441,028	441,028	-	230,442	230,442
Unrealized Gain (Loss)	-	2,608,692	2,608,692	-	(1,261,123)	(1,261,123)
Net Assets Released from Donor Restrictions	746,294	(746,294)	-	739,712	(739,712)	-
Total Revenue	<u>746,294</u>	<u>2,795,265</u>	<u>3,541,559</u>	<u>739,712</u>	<u>(1,347,102)</u>	<u>(607,390)</u>
EXPENSES						
Program:						
Distributions	715,000	-	715,000	710,000	-	710,000
General and Administrative:						
Professional Fees	22,172	-	22,172	21,178	-	21,178
Foreign Taxes	9,122	-	9,122	8,534	-	8,534
Total Expenses	<u>746,294</u>	<u>-</u>	<u>746,294</u>	<u>739,712</u>	<u>-</u>	<u>739,712</u>
CHANGE IN NET ASSETS	-	2,795,265	2,795,265	-	(1,347,102)	(1,347,102)
Net Assets - Beginning of Year	<u>-</u>	<u>13,846,518</u>	<u>13,846,518</u>	<u>-</u>	<u>15,193,620</u>	<u>15,193,620</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ 16,641,783</u>	<u>\$ 16,641,783</u>	<u>\$ -</u>	<u>\$ 13,846,518</u>	<u>\$ 13,846,518</u>

See accompanying Notes to Financial Statements.

FATHER WASSON LEGACY ENDOWMENT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,795,265	\$ (1,347,102)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Realized Gain on Investments	(441,028)	(230,442)
Unrealized (Gain) Loss on Investments	(2,608,692)	1,261,123
Contributions Restricted to Endowment	(250,346)	(203,690)
(Increase) Decrease in:		
Accounts Receivable	52,941	(84,840)
Net Cash Used by Operating Activities	(451,860)	(604,951)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	1,826,703	1,802,809
Purchases of Investments	(1,700,514)	(1,623,879)
Net Cash Provided by Investing Activities	126,189	178,930
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted to Endowment	250,346	203,690
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,325)	(222,331)
Cash and Cash Equivalents - Beginning of Year	883,211	1,105,542
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 807,886	\$ 883,211

See accompanying Notes to Financial Statements.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Father Wasson Legacy Endowment, Inc. (FWLEI) is a nonprofit endowment described in Section 501(c)(3) of the Internal Revenue Code (IRC). FWLEI is organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of NPH USA, Inc., an Illinois nonprofit corporation (the Sole Member), which provides financial assistance to the Nuestros Pequeños Hermanos International, A.C. (NPHI) orphanages founded in 1954 by Fr. William Bryce Wasson (1924-2006). The Sole Member has both an economic and legal interest in FWLEI.

The main goals of NPHI are to provide orphaned and abandoned children with food, clothing, shelter, health care, and education in a Christian family environment. The children of NPHI are cared for using the guiding principles of Father Wasson of unconditional acceptance, love, sharing, work, and responsibility. Since its inception, NPHI has been home to more than 15,000 children. Today, more than 3,300 children and young adults live at the NPHI orphanages in Mexico, Honduras, Haiti, Nicaragua, Guatemala, the Dominican Republic, El Salvador, Bolivia, and Peru.

FWLEI's board of directors (the board) is comprised of persons from the geographic regions of the United States where most of the Sole Member's funds are raised. They are elected by the board of the Sole Member. Three additional directors-at-large are elected by FWLEI's board. FWLEI's board also includes the CEO of the Sole Member and the CEO (or the delegate) of NPHI, a Mexican corporation that oversees the operations of all the NPHI orphanages.

FWLEI operates as a single program by raising, maintaining, and distributing the endowment funds. The operations of the FWLEI and all expenses relate to that program.

Financial Statement Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America for nonprofit organizations. Accounting principles generally accepted in the United States of America requires FWLEI to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions defined as follows:

Net Assets Without Donor Restrictions – Those resources over which the board of directors (the board) has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

FWLEI considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

FWLEI carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Due from NPH USA

Due from NPH USA represents amounts due from related party, NPH USA, Inc. and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2019 and 2018, no allowance was warranted. All receivables are due within one year.

Contributions and Pledges Receivable

Contributions are recognized when the donor makes a pledge to FWLEI that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

FWLEI uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. At December 31, 2019 and 2018, there were no outstanding pledges and no allowance was warranted.

Fair Value Measurements

FWLEI follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, FWLEI has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as the U.S. Treasury, and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Level 1 includes various mutual funds, collective funds, and exchange traded funds.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, gold futures, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. There were no Level 3 securities for the years ended December 31, 2019 and 2018.

Concentrations

Contributions to FWLEI are concentrated to a limited number of donors. For the years ended December 31, 2019 and 2018, approximately 72% and 88% of contributions were from one donor, respectively.

Functional Expenses

The costs of providing the various programs and supporting activities of FWLEI have been summarized on a functional basis in the statements of activities. There are no expenses that are subject to or require allocation among FWLEI's various activities.

Income Tax Status

FWLEI is a nonprofit endowment exempt from paying corporate federal income tax under Section 501(c)(3) of the IRC. It has been classified as an endowment that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

FWLEI has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2019 and 2018.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

As part of FWLEI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other commitments come due. Financial assets available as of December 31 to meet cash needs for support of the mission of its Sole Member and for general expenditures are as follows:

	2019	2018
Cash and Cash Equivalents	\$ 807,886	\$ 883,211
Investments Not Subject to Perpetual Donor Restrictions Totaling \$11,640,116 for 2019 and \$11,389,770 for 2018	4,156,482	1,483,297
Due from NPH USA	37,299	90,240
Total Financial Assets Available to Meet Cash Needs for Member Support and General Expenditures Within One Year	\$ 5,001,667	\$ 2,456,748

Adoption of New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

FWLEI's financial statements do not reflect any revenue streams that fall under the guidance of ASC 606. Consequently, there was no impact on its financial statements or historical revenues being reported.

Accounting Guidance for Contributions Received and Made

Additionally in June 2018, the FASB issued ASU 2018-08, Accounting Guidance for Contributions Received and Made. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of this standard had no impact on FWLEI's financial statements.

**FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, FWLEI has evaluated events and transactions for potential recognition and disclosure through October 30, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to FWLEI, COVID-19 may impact various parts of its 2020 operations and financial results, including the receipt of contributions and collections on outstanding receivables. Investment markets have experienced significant fluctuations since December 31, 2019. Management believes FWLEI is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events will occur subsequent to year-end and are still developing.

FWLEI approved a \$760,000 contribution payment subsequent to the year ended December 31, 2019 to NPH USA, Inc. for support related to the organization's exempt purpose.

NOTE 2 INVESTMENTS

Investments are composed of the following at December 31:

	<u>2019</u>	<u>2018</u>
Common Stock	\$ 11,936,128	\$ 9,655,417
U.S. Treasury Notes	1,474,795	1,561,209
Exchange-Traded Funds:		
Fixed Income	1,117,588	908,075
Mutual Funds	1,268,087	748,366
Total	<u>\$ 15,796,598</u>	<u>\$ 12,873,067</u>

Investment management fees incurred during the years ended December 31, 2019 and 2018 totaled \$102,383 and \$103,963, respectively.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 FAIR VALUE MEASUREMENTS

FWLEI uses fair value measurements to record fair value adjustments to certain assets and liabilities, and to determine fair value disclosures. For additional information on how FWLEI values assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies, Fair Value Measurements.

Assets measured at fair value on a recurring basis consist of the following at December 31:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 11,936,128	\$ -	\$ -	\$ 11,936,128
U.S. Treasury Notes	1,474,795	-	-	1,474,795
Exchange Traded Funds:				
Fixed Income	760,338	357,250	-	1,117,588
Mutual Funds	1,268,087	-	-	1,268,087
Total Assets at Fair Value	<u>\$ 15,439,348</u>	<u>\$ 357,250</u>	<u>\$ -</u>	<u>\$ 15,796,598</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 9,655,417	\$ -	\$ -	\$ 9,655,417
U.S. Treasury Notes	1,561,209	-	-	1,561,209
Exchange Traded Funds:				
Fixed Income	726,200	181,875	-	908,075
Mutual Funds	748,366	-	-	748,366
Total Assets at Fair Value	<u>\$ 12,691,192</u>	<u>\$ 181,875</u>	<u>\$ -</u>	<u>\$ 12,873,067</u>

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available at December 31, 2019 and 2018 for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Endowments:		
Subject to Appropriation and Expenditure When a Specified Event Occurs	\$ 5,001,667	\$ 2,456,748
Subject to Endowment Distribution Policy and Appropriation:		
General Fund	11,529,445	11,279,509
Medical Fund	44,535	44,535
Education Fund	44,535	44,535
Hightower/Kloos Legacy Fund	21,601	21,191
Total Net Assets With Donor Restrictions	<u>\$ 16,641,783</u>	<u>\$ 13,846,518</u>

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment net assets with permanent donor restrictions consist of contributions received by FWLEI and raised by its Sole Member. The contributions are to be invested and held indefinitely, with the income from FWLEI expendable to support the NPH orphanages and pay FWLEI expenses. At the time of their gifts, donors are given the opportunity to designate that FWLEI may expend the principal in the event of a major, natural disaster. As of December 31, 2019 and 2018, donors have designated \$6,912,601 and \$6,732,601, respectively, to be used in the event of a natural disaster, as further defined in FWLEI's policies. Unappropriated endowment earnings are from the Medical, Education, Hightower/Kloos, and general endowment funds.

NOTE 5 ENDOWMENT

The endowment fund consists of four individual funds and reflects the donor-imposed restriction that the original gifts are maintained and income be used to support operations and for annual distributions to NPH USA, Inc. for the exclusive benefit of NPHI. In addition, and consistent with donor wishes, funds may be distributed to one or more NPHI family homes in the event of extensive destruction of property or life as a result of a major, natural, devastating disaster. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

FWLEI has interpreted the state of Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, FWLEI retains in perpetuity: (a) the original value of gifts donated to the endowment, plus (b) the original value of the subsequent gifts to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment amounts not retained in perpetuity are subject to appropriation for expenditure by FWLEI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, FWLEI considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund.
- The purposes of FWLEI and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of FWLEI.
- The investment policies of FWLEI.

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ENDOWMENT (CONTINUED)

Endowment net assets consisted of the following at December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2019</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 16,641,783	\$ 16,641,783
<u>December 31, 2018</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 13,846,518	\$ 13,846,518

Changes in the endowment fund net assets included the following:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>December 31, 2019</u>			
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 13,846,518	\$ 13,846,518
Investment Return:			
Investment Income, Net of Fees of \$102,383	-	241,493	241,493
Net Appreciation (Realized and Unrealized)	-	3,049,720	3,049,720
Total Investment Return	-	3,291,213	3,291,213
Contributions	-	250,346	250,346
Appropriation of Endowment Assets			
for Expenditures	746,294	(746,294)	-
Withdrawals for Current Distributions	(715,000)	-	(715,000)
Operating Expenses	(31,294)	-	(31,294)
Total Release	(746,294)	-	(746,294)
Endowment Net Assets - End of Year	\$ -	\$ 16,641,783	\$ 16,641,783
<u>December 31, 2018</u>			
Endowment Net Assets -			
Beginning of Year	\$ -	\$ 15,193,620	\$ 15,193,620
Investment Return:			
Investment Income, Net of Fees of \$103,963	-	219,601	219,601
Net Depreciation (Realized and Unrealized)	-	(1,030,681)	(1,030,681)
Total Investment Loss	-	(811,080)	(811,080)
Contributions	-	203,690	203,690
Appropriation of Endowment Assets			
for Expenditures	739,712	(739,712)	-
Withdrawals for Current Distributions	(710,000)	-	(710,000)
Operating Expenses	(29,712)	-	(29,712)
Total Release	(739,712)	-	(739,712)
Endowment Net Assets - End of Year	\$ -	\$ 13,846,518	\$ 13,846,518

FATHER WASSON LEGACY ENDOWMENT, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

FWLEI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment fund assets. FWLEI fund assets include those assets of donor-restricted funds that FWLEI must hold in perpetuity. Under this policy, the endowment fund assets are diversified in order to control volatility of returns and invested to obtain future growth to offset inflation while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FWLEI 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).

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

FWLEI has adopted a distribution policy of making an annual distribution of up to 5% of the average aggregate value of all assets of the endowment as of the last day of December of the three previous calendar years (excluding any assets restricted for other donor-designated purposes). Notwithstanding the foregoing, no distribution shall reduce the value of the endowment fund below the original capital contributions increased by the value of all additional capital contributions received during that year (subject to any donor limitations or restrictions). Capital contributions are defined as the original value of the donation (on the date of the donation) and do not include earnings, dividends, unrealized gains or losses, or other changes based on the investment of the endowment fund.

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 requires. At December 31, 2019 and 2018, there were no deficient endowment funds.

NOTE 6 RELATED PARTY TRANSACTIONS

Contribution revenues from members of the board totaled \$91,825 and \$94,076 for the years ended December 31, 2019 and 2018, respectively.

NPH USA, Inc. shares certain management, staff, and office facilities with FWLEI. FWLEI reimburses NPH USA, Inc. for personnel and overhead expenses attributable to FWLEI activities. As of December 31, 2019 and 2018, FWLEI had \$-0- due to NPH USA, Inc. For the years ended December 31, 2019 and 2018, FWLEI had incurred expenses related to these services of \$10,000.

NPH USA, Inc. processes contributions on behalf of FWLEI. As of December 31, 2019 and 2018, FWLEI had \$37,299 and \$90,240, respectively, due from NPH USA, Inc. included as Due from NPH USA in the statements of financial position.

FATHER WASSON LEGACY ENDOWMENT, INC.
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NOTE 7 CONDITIONAL PLEDGES

FWLEI has received pledges from individuals indicating an intention to name FWLEI as the beneficiary in wills, trusts, and life insurance contracts. These pledges are all revocable. Since these pledges do not meet the criteria for revenue recognition, they are not reflected as contributions in the statements of activities.

