JOHNSON LAMBERT LLP

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2015 and 2014
with Report of Independent Auditors

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2015 and 2014

Contents

Report of Independent Auditors

Board of Directors
Prevent Child Abuse America
Chicago, Illinois

We have audited the accompanying financial statements of Prevent Child Abuse America which comprise the statements of financial position as of December 31, 2015 and 2014 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Child Abuse America as of December 31, 2015 and 2014 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.

Johnson Lambert LLP

Arlington Heights, Illinois
April 5, 2016

Prevent Child Abuse America

Statements of Financial Position

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 985,715	$ 641,217
Accounts receivable, net	356,953	332,077
Deposit and prepaid expenses	32,602	31,255
Endowment investments	3,625,937	3,596,849
Unrestricted investments	2,424	1,593
Furniture and equipment, net	35,845	53,317
Total assets	$ 5,039,476	$ 4,656,308
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	$ 116,147	$ 107,048
Deferred revenue	64,742	108,821
Capital lease obligation	-	16,606
Total liabilities	180,889	232,475
Net assets		
Unrestricted net assets	1,130,796	739,947
Temporarily restricted net assets	727,791	683,886
Permanently restricted net assets	3,000,000	3,000,000
Total net assets	4,858,587	4,423,833
Total liabilities and net assets	$ 5,039,476	$ 4,656,308

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Activities

Years ended December 31, 2015 and 2014

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Public support and other revenue								
Public support - contributions								
Individuals - workplace campaign	$ 68,310	$ 68,609	$ -	$ -	$ -	$ -	$ 68,310	$ 68,609
Individuals and family foundations	336,828	268,148	23,613	85,000	-	-	360,441	353,148
Associations and corporations	896,577	616,867	164,500	-	-	-	1,061,077	616,867
Programs and conferences	3,174,168	2,831,426	-	-	-	-	3,174,168	2,831,426
Special events and pinwheels, net of direct benefit to donors of $21,247 in 2015 and $15,222 in 2014	265,210	340,356	-	-	-	-	265,210	340,356
Total public support	4,741,093	4,125,406	188,113	85,000	-	-	4,929,206	4,210,406
Other revenue:								
Royalty income	66,689	70,921	-	-	-	-	66,689	70,921
Investment return designated for current operations	2,629	26,230	-	-	-	-	2,629	26,230
Other	1,277	3,873	-	-	-	-	1,277	3,873
Total other revenue and support	70,595	101,024	-	-	-	-	70,595	101,024
Net assets released from restrictions	173,296	287,788	(173,296)	(287,788)	-	-	-	-
Total public support and other revenue	4,984,984	4,514,218	14,817	(202,788)	-	-	4,999,801	4,311,430
Expenses								
Program services	4,249,370	3,663,863	-	-	-	-	4,249,370	3,663,863
Supporting services	344,765	224,884	-	-	-	-	344,765	224,884
Total expenses	4,594,135	3,888,747	-	-	-	-	4,594,135	3,888,747
Change in net assets from operations	390,849	625,471	14,817	(202,788)	-	-	405,666	422,683
Other changes:								
Investment return in excess of amounts designated for current operations	-	-	29,088	253,281	-	-	29,088	253,281
Change in net assets	390,849	625,471	43,905	50,493	-	-	434,754	675,964
Net assets, beginning of period	739,947	114,476	683,886	633,393	3,000,000	3,000,000	4,423,833	3,747,869
Net assets, end of period	$ 1,130,796	$ 739,947	$ 727,791	$ 683,886	$ 3,000,000	$ 3,000,000	$ 4,858,587	$ 4,423,833

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2015

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 254,170	$ 19,551	$ 1,349,055	$ 97,758	$ 136,861	$ 1,857,395	$ 19,551	$ 78,206	$ 97,757	$ 1,955,152
Benefits	14,522	2,624	128,382	8,124	15,201	168,853	3,518	6,552	10,070	178,923
Payroll taxes	20,906	1,608	110,860	8,040	11,256	152,670	1,608	6,432	8,040	160,710
Other	530	72	3,837	254	383	5,076	90	205	295	5,371
Accounting, auditing, legal and consulting	96,469	2,838	221,964	16,238	31,693	369,202	2,504	48,889	51,393	420,595
Other services	4,552	1,144	12,996	810	7,262	26,764	304	3,051	3,355	30,119
Occupancy	8,328	1,126	60,461	4,020	6,051	79,986	1,463	3,233	4,696	84,682
Telephone	2,026	1,010	19,685	1,922	3,038	27,681	326	628	954	28,635
National conference	-	-	15,026	-	-	15,026	-	-	-	15,026
Office expenses and supplies	6,855	1,143	52,206	10,542	8,255	79,001	3,521	15,079	18,600	97,601
Printing and material development	7,180	182	9,468	1,224	912	18,966	187	1,725	1,912	20,878
Travel and HFA expense	23,472	1,191	1,271,948	3,173	55,791	1,355,575	19,530	7,037	26,567	1,382,142
Special events and pinwheels	36,669	-	3,013	92	9,261	49,035	-	120,290	120,290	169,325
Bad debt expense	-	-	22,977	-	-	22,977	-	-	-	22,977
Interest	70	9	509	34	51	673	12	27	39	712
Depreciation	1,428	193	16,742	689	1,438	20,490	243	554	797	21,287
Total expenses	$ 477,177	$ 32,691	$ 3,299,129	$ 152,920	$ 287,453	$ 4,249,370	$ 52,857	$ 291,908	$ 344,765	$ 4,594,135

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2014

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 219,370	$ 16,283	$ 1,104,278	$ 81,479	$ 128,543	$ 1,549,953	$ 16,315	$ 65,196	$ 81,511	$ 1,631,464
Benefits	19,452	1,472	97,502	7,215	11,484	137,125	1,275	5,911	7,186	144,311
Payroll taxes	17,817	1,381	88,995	6,595	10,564	125,352	1,258	5,416	6,674	132,026
Other	1,323	195	6,615	484	781	9,398	134	403	537	9,935
Accounting, auditing, legal and consulting	104,327	3,809	184,518	16,812	53,358	362,824	3,558	7,837	11,395	374,219
Other services	6,346	598	41,117	2,413	4,755	55,229	487	1,908	2,395	57,624
Occupancy	11,446	850	57,423	4,248	6,749	80,716	831	3,417	4,248	84,964
Telephone	3,708	276	18,741	2,023	2,162	26,910	946	1,106	2,052	28,962
National conference	278	-	218,936	-	59	219,273	60	-	60	219,333
Office expenses and supplies	3,765	482	14,801	8,556	2,701	30,305	1,502	5,289	6,791	37,096
Printing and material development	14,011	6	964	136	56	15,173	178	613	791	15,964
Travel and HFA expense	29,645	484	889,514	11,766	36,534	967,943	8,513	4,442	12,955	980,898
Special events and pinwheels	63,500	-	-	-	-	63,500	-	87,258	87,258	150,758
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Interest	555	35	2,786	206	327	3,909	41	165	206	4,115
Depreciation	2,260	165	11,622	826	1,380	16,253	164	661	825	17,078
Total expenses	$ 497,803	$ 26,036	$ 2,737,812	$ 142,759	$ 259,453	$ 3,663,863	$ 35,262	$ 189,622	$ 224,884	$ 3,888,747

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Cash Flows

	Years ended December 31, 2015	2014
Cash flows from operating activities		
Change in net assets	$ 434,754	$ 675,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,287	17,078
Change in market value of investments	44,997	(215,263)
Allowance for doubtful accounts	2,878	(6,204)
Changes in assets and liabilities:		
Accounts receivable	(27,754)	(19,454)
Other assets	(1,347)	24,523
Accounts payable	9,099	19,562
Deferred revenue	(44,079)	(23,991)
Net cash provided by operating activities	439,835	472,215
Cash flows from investing activities		
Proceeds from sales of investments	254,836	1,454,666
Purchase of investments	(329,752)	(1,494,276)
Purchase of fixed assets	(3,815)	(46,886)
Net cash used in investing activities	(78,731)	(86,496)
Cash flows from financing activities		
Principal payments on lease obligations	(16,606)	(25,772)
Net cash used in financing activities	(16,606)	(25,772)
Net change in cash and cash equivalents	344,498	359,947
Cash and cash equivalents, beginning of year	641,217	281,270
Cash and cash equivalents, end of year	$ 985,715	$ 641,217
Supplemental disclosures of cash flow information		
Interest paid	$ 712	$ 4,115

See accompanying notes to the financial statements.

Note A - Nature of Activities

Prevent Child Abuse America is an organization established for the purpose of building a nationwide commitment to prevent child abuse in all its forms. Prevent Child Abuse America is supported primarily by contributions and grants from corporations, foundations and individuals and from fees for services.

Note B - Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, net assets of Prevent Child Abuse America and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Prevent Child Abuse America and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Prevent Child Abuse America. Generally, the donors of these assets permit Prevent Child Abuse America to use all or part of the income earned on these investments for general operations.

Subsequent Events
Prevent Child Abuse America has performed an evaluation of subsequent events through April 5, 2016, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Note B - Summary of Significant Accounting Policies (Continued)

Contributions
Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using adjusted risk-free interest rates applicable to the years in which the promises were received.

Prevent Child Abuse America uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Cash Equivalents
Prevent Child Abuse America considers cash deposited in banks and money market fund investments to be cash equivalents, with the exception of the cash that is included in the investment portfolio. That cash is designated for long-term investment purposes.

Accounts Receivable
Accounts receivable include amounts related to training fees, publications and other services and are reflected on the statement of financial position net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience with the customer. Management will record adjustments as necessary, which are reflected in the statement of activities. At December 31, 2015 and 2014 Prevent Child Abuse America recorded $22,977 and $0, respectively as bad debt expense.

Furniture and Equipment
Furniture and equipment are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Prevent Child Abuse America reports expirations of donor restrictions when the donated or acquired assets are placed in service as

Note B - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment (continued)
instructed by the donor. Prevent Child Abuse America reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Prevent Child Abuse America depreciates furniture, fixtures and office equipment over their estimated useful lives, typically 5 years, using the straight-line method.

Contributed Services and Materials
Donated services and materials are reported as contribution revenue and as assets and expenses only if the services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at their fair value.

Functional Allocation of Expenses
Prevent Child Abuse America allocates its expenses to the separate functional categories of program services and supporting services based on the number of employees associated with the conduct of each function. The costs that have been allocated include rent, utilities, payroll, payroll related costs, printing, computer service, office supplies, telephone, accounting, auditing, equipment rental, postage and insurance.

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

Investments
Prevent Child Abuse America carries investments at fair value and reports gains and losses in the statement of activities. The fair value of investments are based on quoted market prices at the reporting date.

Prevent Child Abuse America invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statement of financial position.

Note B - Summary of Significant Accounting Policies (Continued)

Investments (Continued)
The Board of Directors designates a portion of Prevent Child Abuse America's total investment return for support of current operations in accordance with the Board's investment policy.

Deferred Revenue
Deferred revenue consists of conference registration, training and affiliation fees paid in advance. Conference registration and training fees are recorded when the conference or training occurs and affiliation revenues are recorded in the year in which they relate.

Concentration of Credit Risk
Throughout the year, Prevent Child Abuse America may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Income Taxes
Prevent Child Abuse America is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that Prevent Child Abuse America has properly maintained its exempt status.

Note C - Accounts Receivable

Accounts receivable at December 31, 2015 and 2014 consist of the following:

	2015	2014
Grants and pledges receivable expected to be collected in less than one year	$ 63,127	$ 18,240
Healthy Families America	272,488	268,967
Other receivables	34,838	55,493
Less allowance for uncollectible accounts	(13,500)	(10,623)
Accounts receivable, net	$ 356,953	$ 332,077

Note D - Permanently Restricted Net Assets

The permanently restricted net assets are endowments consisting of:

- A $1,000,000 grant from the Pesch Family Foundation, and the related $1,000,000 matching funds, which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as temporarily restricted net assets until they are appropriated by the Board of Directors.

- A $500,000 grant from the W. Clement Stone 1990 Revocable Trust which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as temporarily restricted net assets until they are appropriated by the Board of Directors.

- A $500,000 grant from the Independent Order of Foresters which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended to support Healthy Families America and the Chapter network with approval of the Foresters. Until designated for operations by the Board of Directors, investment income from this grant is classified as temporarily restricted for these purposes.

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2015	2014
Advocacy and Education	$ 25,116	$ 35,642
Child Sexual Abuse Prevention	16,840	5,000
Domestic Violence Prevention	11,150	-
Doris Duke-Crisis Grant	4,250	25,395
Peer-to-Peer Abuse (Bullying) Prevention	38,498	21,000
Social Norming Regarding Child Abuse	6,000	-
Endowment earnings (Note L)	625,937	596,849
Total	$ 727,791	$ 683,886

Note E - Temporarily Restricted Net Assets (Continued)

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Amounts released from restriction at December 31 were as follows:

	2015	2014
Adverse Childhood Experiences	$ 17,500	$ -
Advocacy and Education	26,398	19,627
Child Sexual Abuse Prevention	18,660	-
Communities Take Action for Kids	-	12,205
Domestic Violence Prevention	12,351	-
Doris Duke-Crisis Grant	21,145	205,418
Healthy Families America	740	31,538
Peer-to-Peer Abuse (Bullying) Prevention	62,502	19,000
Social Norming Regarding Child Abuse	14,000	-
Total	$ 173,296	$ 287,788

Note F - Investments and Fair Value Measurement

The components of Prevent Child Abuse America's investments consist of the following at December 31:

	2015	2014
Money market funds	$ 106,185	$ 70,543
Equity mutual funds	92,460	1,792,385
Fixed-income mutual funds	1,340,233	1,361,079
Equity securities	2,089,483	374,435
Total	$ 3,628,361	$ 3,598,442

The following schedule summarizes the investment return and its classification in the statement of activities as of December 31:

	2015	2014
Dividends and interest, net of investment fees of $8,290 and $9,925 respectively	$ 76,714	$ 64,248
Change in market value	(44,997)	215,263
Total return on investments	31,717	279,511
Investment return designated for current operations	(2,629)	(26,230)
Investment return in excess of amounts designated for current operations	$ 29,088	$ 253,281

Note F - Investments and Fair Value Measurement (Continued)

In accordance with GAAP, Prevent Child Abuse America prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy and those investments included in each are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that Prevent Child Abuse America has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for substantially the entire period for the asset or liability and market-corroborated inputs.

Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

At December 31, 2015 and 2014, Prevent Child Abuse America's investments in mutual funds and equity securities are measured at fair value based on quoted market prices for actively traded securities (Level 1).

Note G - Furniture and Equipment

Furniture and equipment at December 31 consists of:

	2015	2014
Furniture and other furnishings	$ 91,030	$ 114,864
Equipment	63,281	122,082
	154,311	236,946
Less accumulated depreciation	118,466	183,629
	$ 35,845	$ 53,317

Depreciation expense was $21,287 and $17,078 for the years ended December 31, 2015 and 2014, respectively.

Prevent Child Abuse America leased certain equipment under terms of capital leases. The economic substance of the leases was that Prevent Child Abuse America financed the acquisition of the assets through the lease and, accordingly, the related assets and liabilities were recorded in the statement of financial position. During 2010, Prevent Child Abuse America entered into a new leasing agreement which expired in 2015. As part of the leasing agreement, Prevent Child Abuse America also obtained a loan from the leasing company in the amount of $46,853. The loan had the same terms as the equipment lease.

Note G - Furniture and Equipment (Continued)

As of December 31, 2015, there are no future minimum lease and loan payments required under the agreement.

Note H - In-Kind Contributions

Prevent Child Abuse America receives contributed services. These donated services had a fair value of $28,255 and $24,386 in 2015 and 2014, respectively, and is recorded as corporations, foundation and association revenue in the statements of activities.

Note I - Related Party Transactions

Prevent Child Abuse America received $922,951 and $603,909 in 2015 and 2014, respectively, of support from Prevent Child Abuse America's Board of Directors and corporations that employ members of Prevent Child Abuse America's Board of Directors.

Note J - Retirement Plan

Prevent Child Abuse America has a defined contribution retirement plan that covers substantially all employees. Prevent Child Abuse America funds the plan through annual contributions based upon a fixed percentage of eligible employees' salaries. The contributions for 2015 and 2014 were suspended.

Note K - Commitments

Office Lease
Prevent Child Abuse America is obligated under terms of a lease which expires February 28, 2018 for office space located in Chicago, Illinois. Under terms of the lease agreement, Prevent Child Abuse America pays monthly base rent of $5,750. The base rent escalates by 4% per annum. Rent expense recorded for the years ended December 31, 2015 and 2014 was $64,346 and $63,124, respectively. Future minimum base lease payments are as follows:

2016	$ 71,300
2017	74,152
2018	12,438
	$ 157,890

Note K - Commitments (Continued)

Event Contract
During 2015, Prevent Child Abuse America entered into a contract for a future conference in 2016. In the event the conference is cancelled, Prevent Child Abuse America can be held liable for liquidated damages. The potential liability at December 31, 2015, in the event of cancellation is $62,409.

Note L - Endowments

Prevent Child Abuse America's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of Prevent Child Abuse America has interpreted the Illinois Uniform Management of Institutional Funds Act (UMIFA) 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, Prevent Child Abuse America classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted, if so restricted by the donor, or unrestricted net assets. In accordance with UMIFA, Prevent Child Abuse America considers the following factors in making a determination of the amount to appropriate for current operations:

(1) The duration and preservation of the fund;
(2) The purposes of the organization and the donor-restricted endowment fund;
(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 policies of the organization.

Note L – Endowments (Continued)

Endowment funds net asset composition by type of fund at December 31 were:

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 625,937	$3,000,000	$3,625,937
Total funds	$ 625,937	$3,000,000	$3,625,937

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 596,849	$3,000,000	$3,596,849
Total funds	596,849	$3,000,000	$3,596,849

Changes in endowment net assets for the year ended December 31, 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 596,849	$3,000,000	$3,596,849
Investment return:			
Net investment income	75,436	-	75,436
Net depreciation (realized and unrealized)	(44,683)	-	(44,683)
Total investment return	30,753	-	30,753
Appropriation of endowment assets for 2015 expenditures	(1,665)	-	(1,665)
Endowment net assets, end of year	$ 625,937	$3,000,000	$3,625,937

Note L – Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2014 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 343,569	$3,000,000	$3,343,569
Investment return:			
Net investment income	64,143	-	64,143
Net appreciation (realized and unrealized)	215,263	-	215,263
Total investment return	279,406	-	279,406
Appropriation of endowment assets for 2014 expenditures	(26,126)	-	(26,126)
Endowment net assets, end of year	$ 596,849	$3,000,000	$3,596,849

All permanently restricted net assets are required to be retained permanently either by explicit donor stipulation or by UMIFA at December 31, 2015 and 2014.

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 UMIFA requires Prevent Child Abuse America to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of December 31, 2015 and 2014, respectively.

Return Objectives and Risk Parameters
Prevent Child Abuse America 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 historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or until as used per donor specifications as well as Board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the rolling three year return of a weighted benchmark including the Standard & Poor's SOD index for domestic equity

Note L – Endowments (Continued)

securities and the Morgan Stanley Capital International Non-U.S. index for international equity investments, while assuming a moderate level of investment risk. Prevent Child Abuse America expects its endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation as measured in the Consumer Price Index by 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Prevent Child Abuse America 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). Prevent Child Abuse America 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Directors annually appropriates a portion of the total return on its investments to current operations. Under Prevent Child Abuse America's policy, $1,665 and $26,126 of endowment earnings in 2015 and 2014, respectively, were appropriated to support current operations. In determining the amount to appropriate, the Board of Directors considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the preservation of the fair value of the original gift held in perpetuity or for a specified term as well as to provide predictable amounts of funds for current operations. The total return on endowment funds are reduced by investment fees incurred related to those funds.