JOHNSON LAMBERT LLP

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2016 and 2015
with Report of Independent Auditors

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2016 and 2015

Contents

JOHNSON LAMBERT LLP

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, 2016 and 2015 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2016 and 2015 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 7, 2017

Prevent Child Abuse America

Statements of Financial Position

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 1,885,200	$ 985,715
Accounts receivable, net	402,491	356,953
Deposit and prepaid expenses	16,913	32,602
Endowment investments	3,905,592	3,625,937
Unrestricted investments	9,400	2,424
Furniture and equipment, net	23,444	35,845
Total assets	$ 6,243,040	$ 5,039,476
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	$ 72,478	$ 116,147
Accrued bonus	17,120	-
Deferred revenue	94,680	64,742
Total liabilities	184,278	180,889
Net assets		
Unrestricted net assets	2,050,252	1,130,796
Temporarily restricted net assets	1,008,510	727,791
Permanently restricted net assets	3,000,000	3,000,000
Total net assets	6,058,762	4,858,587
Total liabilities and net assets	$ 6,243,040	$ 5,039,476

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Activities

Years ended December 31, 2016 and 2015

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Public support and other revenue								
Public support - contributions								
Individuals - workplace campaign	$ 66,225	$ 68,310	$ -	$ -	$ -	$ -	$ 66,225	$ 68,310
Individuals and family foundations	491,406	311,039	3,100	23,613	-	-	494,506	334,652
Associations and corporations	1,066,626	922,366	168,096	164,500	-	-	1,234,722	1,086,866
Programs and conferences	3,378,253	3,174,168	-	-	-	-	3,378,253	3,174,168
Special events and pinwheels, net of direct benefit to donors of $12,989 in 2016 and $21,247 in 2015	282,084	265,210	-	-	-	-	282,084	265,210
Total public support	5,284,594	4,741,093	171,196	188,113	-	-	5,455,790	4,929,206
Other revenue:								
Royalty income	75,996	66,689	-	-	-	-	75,996	66,689
Investment return designated for current operations	-	2,629	-	-	-	-	-	2,629
Investment return designated for endowments	(764)		-	-	-	-	(764)	-
Other	4,662	1,277	-	-	-	-	4,662	1,277
Total other revenue and support	79,894	70,595	-	-	-	-	79,894	70,595
Net assets released from restrictions	170,132	173,296	(170,132)	(173,296)	-	-	-	-
Total public support and other revenue	5,534,620	4,984,984	1,064	14,817	-	-	5,535,684	4,999,801
Expenses								
Program services	4,350,641	4,249,370	-	-	-	-	4,350,641	4,249,370
Supporting services	264,523	344,765	-	-	-	-	264,523	344,765
Total expenses	4,615,164	4,594,135	-	-	-	-	4,615,164	4,594,135
Change in net assets from operations	919,456	390,849	1,064	14,817	-	-	920,520	405,666
Other changes:								
Investment return in excess of amounts designated for current operations	-	-	279,655	29,088	-	-	279,655	29,088
Change in net assets	919,456	390,849	280,719	43,905	-	-	1,200,175	434,754
Net assets, beginning of period	1,130,796	739,947	727,791	683,886	3,000,000	3,000,000	4,858,587	4,423,833
Net assets, end of period	$ 2,050,252	$ 1,130,796	$ 1,008,510	$ 727,791	$ 3,000,000	$ 3,000,000	$ 6,058,762	$ 4,858,587

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2016

	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	$ 183,749	$ 37,645	$ 1,510,153	$ 73,866	$ 145,866	$ 1,951,279	$ 32,317	$ 77,799	$ 110,116	$ 2,061,395
Benefits	18,011	3,686	149,485	7,008	13,770	191,960	3,129	7,647	10,776	202,736
Payroll taxes	14,030	2,827	114,202	5,371	10,784	147,214	2,348	5,782	8,130	155,344
Other	508	102	4,191	195	393	5,389	85	214	299	5,688
Accounting, auditing, legal and consulting	61,210	4,107	245,954	21,388	20,932	353,591	3,307	19,026	22,333	375,924
Other services	2,926	435	17,193	689	10,815	32,058	408	2,645	3,053	35,111
Occupancy	7,791	1,574	64,102	2,985	5,888	82,340	1,266	3,112	4,378	86,718
Telephone	2,182	2,281	17,622	1,490	2,268	25,843	338	573	911	26,754
National conference	-	359	307,872	-	1,370	309,601	-	-	-	309,601
Office expenses and supplies	5,396	1,063	60,410	4,494	4,836	76,199	1,387	19,733	21,120	97,319
Printing and material development	3,902	90	7,818	560	321	12,691	228	3,197	3,425	16,116
Travel and HFA expense	13,210	2,133	998,151	12,117	76,451	1,102,062	1,859	9,757	11,616	1,113,678
Special events and pinwheels	47,188	-	-	-	-	47,188	-	58,190	58,190	105,378
Bad debt expense	-	-	-	-	-	-	-	9,850	9,850	9,850
Depreciation	479	114	11,531	203	899	13,226	90	236	326	13,552
Total expenses	$ 360,582	$ 56,416	$ 3,508,684	$ 130,366	$ 294,593	$ 4,350,641	$ 46,762	$ 217,761	$ 264,523	$ 4,615,164

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

Statements of Cash Flows

	Years ended December 31, 2016	2015
Cash flows from operating activities		
Change in net assets	$ 1,200,175	$ 434,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,552	21,287
Change in market value of investments	(204,422)	44,997
Allowance for doubtful accounts	(6,065)	2,878
Changes in assets and liabilities:		
Accounts receivable	(39,473)	(27,754)
Other assets	15,688	(1,347)
Accounts payable	(43,669)	9,099
Accrued bonus	17,120	-
Deferred revenue	29,938	(44,079)
Net cash provided by operating activities	982,844	439,835
Cash flows from investing activities		
Proceeds from sales of investments	138,378	254,836
Purchase of investments	(220,586)	(329,752)
Purchase of fixed assets	(1,151)	(3,815)
Net cash used in investing activities	(83,359)	(78,731)
Cash flows from financing activities		
Principal payments on lease obligations	-	(16,606)
Net cash used in financing activities	-	(16,606)
Net change in cash and cash equivalents	899,485	344,498
Cash and cash equivalents, beginning of year	985,715	641,217
Cash and cash equivalents, end of year	$ 1,885,200	$ 985,715
Supplemental disclosures of cash flow information		
Interest paid	$ -	$ 712

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 7, 2017, 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.

On March 13, 2017, Prevent Child Abuse America entered into an agreement with Great Kids, Inc. to purchase the copyrights to two curricula used by Healthy Families America. The purchase price of the copyrights is $242,500 and is to be paid in full by April 13, 2017. Prevent Child Abuse America has sufficient cash reserves on hand for this purchase and will not be entering into any indebtedness for the purchase. The two organizations also amended the original

Note B - Summary of Significant Accounting Policies (Continued)

Subsequent Events (continued)
license agreement for other curricula used by Healthy Families America, reducing the licensing fee to reflect the copyright purchase.

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. For the years ended December 31, 2016 and 2015, Prevent Child Abuse America recorded $9,850 and $22,977, 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

Note B - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment (continued)
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 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

Note B - Summary of Significant Accounting Policies (Continued)

Investments (Continued)
investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statement of financial position.

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, 2016 and 2015 consist of the following:

	2016	2015
Grant and pledges receivable expected to be collected in less than one year	$ 95,836	$ 63,127
Healthy Families America	237,307	272,488
Other receivables	76,783	34,838
Less allowance for uncollectible accounts	(7,435)	(13,500)
Accounts receivables, net	$ 402,491	$ 356,953

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:

	2016	2015
Adverse Childhood Experiences	$ 2,500	$ -
Advocacy and Education	36,380	25,116
Child Sexual Abuse Prevention	10,565	16,840
Domestic Violence Prevention	-	11,150
Doris Duke-Crisis Grant	-	4,250
Peer-to-Peer Abuse (Bullying) Prevention	51, 973	38,498
Social Norming Regarding Child Abuse	1,500	6,000
Endowment earnings (Note L)	905,592	625,937
Total	$ 1,008,510	$ 727,791

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:

	2016	2015
Adverse Childhood Experiences	$ 20,000	$ 17,500
Advocacy and Education	16,236	26,398
Chapter Support	3,000	-
Child Sexual Abuse Prevention	11,275	18,660
Domestic Violence Prevention	16,150	12,351
Doris Duke-Crisis Grant	4,250	21,145
Healthy Families America	28,196	740
Peer-to-Peer Abuse (Bullying) Prevention	66,525	62,502
Social Norming Regarding Child Abuse	4,500	14,000
Total	$ 170,132	$ 173,296

Note F - Investments and Fair Value Measurement

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

	2016	2015
Money market funds	$ 107,659	$ 106,185
Equity mutual funds	101,740	92,460
Fixed-income mutual funds	1,415,862	1,340,233
Exchange traded funds - equities	2,289,731	2,089,483
Total	$ 3,914,992	$ 3,628,361

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

	2016	2015
Dividends and interest, net of investment fees of $8,838 and $8,290 respectively	$ 74,469	$ 76,714
Change in market value	204,422	(44,997)
Total return on investments	278,891	31,717
Investment return designated for endowment assets	764	(2,629)
Investment return in excess of amounts designated for current operations	$ 279,655	$ 29,088

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, 2016 and 2015, 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:

	2016	2015
Furniture and other furnishings	$ 91,030	$ 91,030
Equipment	64,432	63,281
	155,462	154,311
Less accumulated depreciation	132,018	118,466
	$ 23,444	$ 35,845

Depreciation expense was $13,552 and $21,287 for the years ended December 31, 2016 and 2015, respectively.

Note H - In-Kind Contributions

Prevent Child Abuse America receives contributed services. These donated services had a fair value of $203,186 and $28,255 in 2016 and 2015, respectively, and is recorded as associations and corporations and individuals and family foundations revenue in the statements of activities.

Note I - Related Party Transactions

Prevent Child Abuse America received $1,123,645 and $922,951 in 2016 and 2015, 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 2016 and 2015 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, 2016 and 2015 was $66,091 and $64,346, respectively. Future minimum base lease payments are as follows:

2017	$ 74,152
2018	12,438
	$ 86,590

Event Contract
During 2016, Prevent Child Abuse America entered into several contracts for future conferences and trainings in 2017. In the event the conferences or trainings are cancelled, Prevent Child Abuse America can be held liable for liquidated damages. In the event of cancellation, the potential liability at December 31, 2016 was $35,546.

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

Note L – Endowments (Continued)

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.

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

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 905,592	$ 3,000,000	$ 3,905,592
Total funds	$ 905,592	$ 3,000,000	$ 3,905,592

	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

Note L – Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2016 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 625,937	$ 3,000,000	$ 3,625,937
Investment return:			
Net investment income	73,305	-	73,305
Net appreciation (realized and unrealized)	204,387	-	204,387
Total investment return	277,692	-	277,692
Appropriation of 2016 revenues for endowment assets	1,963	-	1,963
Endowment net assets, end of year	$ 905,592	$ 3,000,000	$ 3,905,592

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)

All permanently restricted net assets are required to be retained permanently either by explicit donor stipulation or by UMIFA at December 31, 2016 and 2015.

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, 2016 and 2015, 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 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, $1,963 of 2016 current operations was appropriated for endowment assets and $1,665 of endowment earnings in 2015 were appropriated to support current operations. In determining the amount to appropriate, the Board of Directors

Note L – Endowments (Continued)

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.