

Spaulding for Children

FINANCIAL STATEMENTS


December 31, 2015 and 2014



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spaulding for Children
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Spaulding for Children (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 Spaulding for Children 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.

Car, Riggs & Ingram, L.L.C.

Houston, Texas

May 25, 2016

Spaulding for Children Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 406,161	\$ 248,768
Accounts receivable - Texas Department of Family and Protective Services	279,267	215,321
Accounts receivable - other	12,358	5,079
Pledges receivable	246,943	234,988
Prepaid expenses	14,652	24,643
Investments	321,018	324,399
Total current assets	1,280,399	1,053,198
Property and equipment, net	52,781	41,092
Long-term assets		
Pledges receivable	26,000	-
Total assets	\$ 1,359,180	\$ 1,094,290
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 153,703	\$ 92,379
Deferred revenue	-	13,283
Current portion of long-term debt	5,587	4,656
Total current liabilities	159,290	110,318
Other liabilities		
Deferred rent liability	21,151	-
Long-term debt, net of current portion	6,519	12,106
Total other liabilities	27,670	12,106
Total liabilities	186,960	122,424
Commitment and contingencies		
Net Assets		
Unrestricted	572,429	397,757
Temporarily restricted	368,912	343,230
Permanently restricted	230,879	230,879
Total net assets	1,172,220	971,866
Total liabilities and net assets	\$ 1,359,180	\$ 1,094,290

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

Spaulding for Children Statement of Activities and Changes in Net Assets

For the year ended December 31,

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Fees from Texas Department of Family and Protective Services	\$ 819,428	\$ -	\$ -	\$ 819,428
Federal and state awards	663,696	-	-	663,696
United Way allocation	-	209,032	-	209,032
Contributions and grants	131,800	478,107	-	609,907
Special events, net of direct donor benefit cost of \$28,665	257,764	-	-	257,764
In kind contributions	56,232	-	-	56,232
Program service fees	27,957	-	-	27,957
Investment income	1,170	6,935	-	8,105
Loss on disposal of property and equipment	(20,123)	-	-	(20,123)
Net assets released from restrictions	668,392	(668,392)	-	-
Total revenue and support	2,606,316	25,682	-	2,631,998
Expenses				
Program services				
Core adoption program	516,461	-	-	516,461
Post adoption program	813,567	-	-	813,567
Foster care program	834,503	-	-	834,503
Total program services	2,164,531	-	-	2,164,531
Management and general	149,263	-	-	149,263
Fundraising	117,850	-	-	117,850
Total expenses	2,431,644	-	-	2,431,644
Increase (decrease) in net assets	174,672	25,682	-	200,354
Net assets, beginning of year	397,757	343,230	230,879	971,866
Net assets, end of year	\$ 572,429	\$ 368,912	\$ 230,879	\$ 1,172,220

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

Spaulding for Children Statement of Activities and Changes in Net Assets

For the year ended December 31,

2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Fees from Texas Department of Family and Protective Services	\$ 1,004,031	\$ -	\$ -	\$ 1,004,031
Federal and state awards	518,726	-	-	518,726
United Way allocation	-	220,008	-	220,008
Contributions and grants	129,428	383,192	-	512,620
Special events, net of direct donor benefit cost of \$28,862	196,937	-	-	196,937
Program service fees	26,599	-	-	26,599
Investment income	895	3,960	-	4,855
Net assets released from restrictions	655,445	(655,445)	-	-
Total revenue and support	2,532,061	(48,285)	-	2,483,776
Expenses				
Program services				
Core adoption program	483,859	-	-	483,859
Post adoption program	637,679	-	-	637,679
Foster care program	1,012,849	-	-	1,012,849
Total program services	2,134,387	-	-	2,134,387
Management and general	132,359	-	-	132,359
Fundraising	97,313	-	-	97,313
Total expenses	2,364,059	-	-	2,364,059
Increase (Decrease) in net assets	168,002	(48,285)	-	119,717
Net assets, beginning of year	229,755	391,515	230,879	852,149
Net assets, end of year	\$ 397,757	\$ 343,230	\$ 230,879	\$ 971,866

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

Spaulding for Children Statement of Functional Expenses

For the year ended December 31,

2015

	Core Adoption Program	Post Adoption Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ 1,159	\$ 145	\$ -	\$ 1,884	\$ 14	\$ 3,202
Depreciation	2,718	2,912	3,203	485	2,488	11,806
Equipment	2,853	1,400	1,739	745	2,564	9,301
Foster care and respite assistance	-	59,114	329,755	-	-	388,869
Insurance	10,052	10,770	11,847	5,347	1,436	39,452
Membership dues	2,287	1,693	1,626	239	1,192	7,037
Occupancy costs	49,777	56,722	71,158	24,199	9,129	210,985
Other	497	-	-	1,230	4,759	6,486
Postage	607	1,132	393	1,505	1,518	5,155
Printing and publications	426	1,078	441	2,768	4,555	9,268
Professional fees	40,460	259,823	34,261	17,642	17,126	369,312
Salaries and related expenses	354,025	372,042	354,385	86,031	64,733	1,231,216
Supplies	8,038	32,985	4,214	4,739	6,529	56,505
Telephone	9,183	6,388	5,767	1,436	1,005	23,779
Travel	34,379	7,363	15,714	1,013	802	59,271
Total	\$ 516,461	\$ 813,567	\$ 834,503	\$ 149,263	\$ 117,850	\$ 2,431,644

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

Spaulding for Children Statement of Functional Expenses

For the year ended December 31,

2014

	Core Adoption Program	Post Adoption Program	Foster Care Program	Management and General	Fundraising	Total Expenses
Conference and meetings	\$ 3,372	\$ 318	\$ 997	\$ 1,715	\$ -	\$ 6,402
Depreciation	848	1,109	1,044	164	273	3,438
Equipment	2,578	2,072	3,555	1,140	1,453	10,798
Foster care and respite assistance	2,082	15,582	438,180	-	-	455,844
Insurance	9,701	12,686	11,940	5,238	1,119	40,684
Membership dues	1,648	1,525	1,504	294	177	5,148
Occupancy costs	48,439	54,249	66,665	26,666	7,619	203,638
Other	790	301	-	2,319	5,325	8,735
Postage	712	1,062	653	882	1,207	4,516
Printing and publications	-	1,825	-	4,900	600	7,325
Professional fees	29,831	144,945	26,782	5,775	11,549	218,882
Salaries and related expenses	341,231	367,346	425,032	78,059	58,412	1,270,080
Scholarships and awards	-	12,855	-	-	-	12,855
Supplies	5,680	8,666	8,239	2,522	7,565	32,672
Telephone	11,041	9,384	8,838	1,933	982	32,178
Travel	25,906	3,754	19,420	752	1,032	50,864
Total	\$ 483,859	\$ 637,679	\$ 1,012,849	\$ 132,359	\$ 97,313	\$ 2,364,059

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

Spaulding for Children Statements of Cash Flows

<i>For the years ended December 31,</i>	2015	2014
Operating activities		
Change in net assets	\$ 200,354	\$ 119,717
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized gain (loss) on investments	(4,680)	34,009
Donated property and equipment	(35,622)	-
Depreciation	11,806	3,438
Loss on disposal of property and equipment	20,123	-
Changes in operating assets and liabilities		
Accounts receivable -Texas Department of Family and Protective Services	(63,946)	(19,270)
Accounts receivable - other	(7,279)	1,976
Pledges receivable	(37,955)	71,212
Prepaid expenses	9,991	2,188
Accounts payable and accrued liabilities	61,324	(8,924)
Deferred rent	21,151	-
Deferred revenue	(13,283)	13,283
Net cash provided by operating activities	161,984	217,629
Investing activities		
Net proceeds (purchases) of investments	8,061	(9,955)
Purchases of property and equipment	(7,996)	(14,811)
Net cash provided by (used in) investing activities	65	(24,766)
Financing activities		
Repayments on long-term debt	(4,656)	-
Repayments on line of credit	-	(50,000)
Net cash used in financing activities	(4,656)	(50,000)
Net change in cash and cash equivalents	157,393	142,863
Cash and cash equivalents, beginning of year	248,768	105,905
Cash and cash equivalents, end of year	\$ 406,161	\$ 248,768

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



Spaulding for Children Statements of Cash Flows (Continued)

<i>For the years ended December 31,</i>	2015	2014
Supplemental disclosure of cash flow information		
Interest paid	\$ -	\$ 714
Supplemental disclosure of noncash investing activities		
Disposal of fully depreciated property and equipment	\$ -	\$ 60,089
Software purchase and maintenance services financed with long-term debt	\$ -	\$ 16,762

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

Spaulding for Children Notes to Financial Statements

NOTE 1: ORGANIZATION

Providing children in need of a loving home with the joy of having one, Spaulding for Children (the "Organization") was incorporated in 1980 to build and sustain strong, nurturing families for children who have endured abuse, neglect or abandonment. Services provided by the Organization include foster care for children who are awaiting permanent placement; recruitment of adoptive families; education for adoptive families; adoptive placement activities; supervision of adoptive families; and post adoption services such as individual, family and group therapy, respite care, day treatment, and residential treatment. The Organization is headquartered in Houston, Texas with offices in Corpus Christi, Texas, and Brownsville, Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization's resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by action of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that assets be maintained permanently by the Organization. Generally, the donor of these assets permits the Organization to use all or part of the investment income on these assets. The investment income is used to provide scholarships and support the adoption program.

Support that is restricted by the donor and is to be used in future periods or for a specific purpose is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Spaulding for Children Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Conditional promises to give are not included as revenue until the conditions have been substantially met. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

Fair Value Considerations

The Organization uses fair value to measure certain financial and nonfinancial assets and liabilities. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments (primarily cash and cash equivalents, receivables, investments and accounts payable) are carried in the financial statements at amounts that reasonably approximate fair value.

Investments

Investments are recorded at fair value based on quoted market price. The net change in unrealized appreciation or depreciation of investments during the year is recorded as investment income in unrestricted net assets in the statement of activities and changes in net assets unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase (decrease) in temporarily restricted net assets.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to twenty years.



Spaulding for Children Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fees for Service

Revenues from government grants and program services are recognized when the related services are provided.

Donated Materials and Services

A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and administration of the Organization for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Functional Expenses

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on various determinations by management.

Income Taxes

The Organization is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code and is classified as a public charity under Section 509(b)(1)(A)(vi).

The Organization accounts for uncertain tax positions, when it is more likely than not that such an asset or a liability will be realized. As of December 31, 2015 and 2014, management believes there were no uncertain tax positions.

Concentration of Credit Risk

At various times during the years, the Organization's cash balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents, due to the financial strength of the financial institutions where deposits are held.

Credit risk for accounts and pledges receivable is concentrated as well because substantially all of the balances are receivables from foundations and agencies located within the same geographic region.

Spaulding for Children Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of accounts and pledges receivable, certain accrued liabilities and allocation of expense by function. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through the time the financial statements are available for issuance on May 25, 2016. No matters were identified affecting the accompanying financial statements or related disclosures that have not been disclosed elsewhere.

NOTE 3: PLEDGES RECEIVABLE

Pledges receivables consisted of the following:

<i>December 31,</i>	2015	2014
Less than one year		
United Way	\$ 52,258	\$ 52,258
Other pledges	194,685	182,730
One to five years		
Other pledges	26,000	-
Total pledges receivable	\$ 272,943	\$ 234,988

Spaulding for Children Notes to Financial Statements

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2015	2014
Furniture and equipment	\$ 88,085	\$ 86,105
Less: accumulated depreciation	(35,304)	(45,013)
Property and equipment, net	\$ 52,781	\$ 41,092

Depreciation expense for each of the years ended December 31, 2015 and 2014 was \$11,806 and \$3,438 respectively.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable such as 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; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity.

Investments in mutual funds are carried at fair value based on quoted market values in active markets (Level 1).

Spaulding for Children Notes to Financial Statements

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

Fair value of financial assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

<i>December 31,</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015 Mutual funds (1)	\$ 321,018	\$ 321,018	\$ -	\$ -
2014 Mutual funds (2)	\$ 324,399	\$ 324,399	\$ -	\$ -

(1) The strategy is focused on providing income and capital growth of the assets consistent with reasonable risk. The funds have a neutral allocation of equities, stocks, and bonds.

(2) The strategy is focused on providing long-term growth of the assets for future needs without exposure to undue risk. The fund invests a significant portion of its portfolio in mutual funds, closed end funds and UITs as determined by the adviser.

The following summarizes the investment return in the statements of activities and changes in net assets:

<i>For the years ended December 31,</i>	2015	2014
Interest and dividend income	\$ 3,425	\$ 38,865
Net realized and unrealized gain (loss)	4,680	(34,010)
Total investment return	\$ 8,105	\$ 4,855

NOTE 6: COMPENSATED ABSENCES

Employees earn annual vacation leave monthly. Accrued vacation hours may be payable upon termination. The Organization has accrued approximately \$15,000 at December 31, 2015 and 2014, related to accumulated earned vacation.

NOTE 7: LINE OF CREDIT

Spaulding for Children has a line of credit with a bank totaling \$100,000. The line has a maturity date of May 13, 2016 and is unsecured. Borrowings under the credit agreement bear interest at 1% over the current Index (4.250%). As of December 31, 2015, the Organization did not have an outstanding balance. As of May 25, 2016, the renewal of this line of credit is in process.

Spaulding for Children Notes to Financial Statements

NOTE 8: LONG TERM DEBT

During 2014, the Organization purchased software licenses and maintenance services through a software finance agreement with a financial institution. The Organization pays monthly installments of \$466 through February 2018. The agreement bears no interest and is unsecured.

Annual payments for the years subsequent to December 31, 2015 are as follows:

For the year ending December 31,

2016	\$	5,587
2017		5,587
2018		932
Total	\$	12,106

NOTE 9: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>December 31,</i>	2015	2014
Core adoption program	\$ 224,792	\$ 203,525
Post adoption program	58,206	57,896
Foster care program	10,654	10,373
Other	9,744	-
Scholarships for adopted children, accumulated undistributed earnings	65,516	71,436
Total temporarily restricted net assets	\$ 368,912	\$ 343,230

Permanently restricted net assets are available for the following purposes:

<i>December 31,</i>	2015	2014
Holland Endowment - scholarships for adopted children	\$ 162,632	\$ 162,632
Fondren Endowment - core adoption program	68,247	68,247
Total permanently restricted net assets	\$ 230,879	\$ 230,879

Spaulding for Children Notes to Financial Statements

NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2015 and 2014, temporarily restricted net assets of \$668,392 and \$655,445, respectively, were released from donor restrictions by satisfying donor restrictions.

NOTE 11: ENDOWMENTS

Interpretation of Relevant Law

The Endowment Fund Trustees of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (the Act) 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, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 Holland donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. The remaining portion of the Fondren donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

In accordance with the Act, the Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the funds
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Earnings of the fund the previous year such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.
- Other resources of the Organization
- Investment policies of the Endowment Fund

Return Objective and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner to provide long-term growth of the assets for future needs without exposure to undue risk.

Spaulding for Children Notes to Financial Statements

NOTE 11: ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term growth objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets an asset allocation that will achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage of the fair market value of the assets of the fund on December 31 of the preceding year. The Board of Directors may elect not to receive the full amount available. The percentage of the fair market value of the fund that is made available to the Organization shall be based on the earnings of the fund the previous year and set such that the fund's value will increase at least at the rate of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics.

The following tables describe the Organization's endowment net asset composition by type of fund and the changes in endowment net assets as of and for the years ended December 31, 2015 and 2014:

Endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2015				
Donor-restricted endowment funds	\$ 24,623	\$ 65,516	\$ 230,879	\$ 321,018
December 31, 2014				
Donor-restricted endowment funds	\$ 23,453	\$ 71,436	\$ 230,879	\$ 325,768

**Spaulding for Children
Notes to Financial Statements**

NOTE 11: ENDOWMENTS (Continued)

Changes in the Endowment net assets for the years end December 31, 2015 and 2014:

	Unrestricted	Temporarily	Permanently	Total
Endowment net assets, January 1, 2014	\$ 33,794	\$ 85,059	\$ 230,879	\$ 349,732
Investment income	895	3,960	-	4,855
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(10,938)	(17,282)	-	(28,220)
Other Changes – fees paid	(298)	(301)	-	(599)
 Endowment net assets, December 31, 2014	 23,453	 71,436	 230,879	 325,768
Investment income	1,170	6,935	-	8,105
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(12,855)	-	(12,855)
Other changes – fees paid	-	-	-	-
 Endowment net assets, December 31, 2015	 \$ 24,623	 \$ 65,516	 \$ 230,879	 \$ 321,018

NOTE 12: COMMITMENTS

The Organization leases office space and equipment under noncancellable operating leases expiring through October 2020. Additionally, the Organization incurs monthly operating expenses associated with the office space, which are recorded as part of lease expense. During the years ended December 31, 2015 and 2014, lease expense amounted to approximately \$218,000 and \$212,000, respectively.

Future minimum lease commitments are as follows:

For the year ending December 31,

2016	\$ 196,867
2017	204,590
2018	213,890
2019	223,200
2020	192,500
 Total	 \$ 1,031,047