FINANCIAL STATEMENTS

ENO TRANSPORTATION FOUNDATION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eno Transportation Foundation, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Eno Transportation Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 the Foundation as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

March 7, 2019

ENO TRANSPORTATION FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 268,580	$ 241,374
Investments	6,188,400	6,704,051
Grants and contributions receivable	333,854	397,465
Inventory	-	2,600
Prepaid expenses	9,461	31,101
Deposits	29,869	55,673
Fixed assets, net of accumulated depreciation and amortization of $56,436 and $65,781	179,235	30,333
TOTAL ASSETS	**$ 7,009,399**	**$ 7,462,597**

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 80,436	$ 80,828
Capital lease payable	10,311	-
Deferred revenue	203,884	116,967
Security deposit	-	12,568
Deferred lease obligation	-	20,826
Deferred rent	51,209	3,942
Deferred lease incentive	166,023	-
Total liabilities	511,863	235,131
NET ASSETS		
Net assets without donor restrictions:		
Undesignated	324,039	466,443
Board-designated	5,721,773	6,200,152
Total net assets without restrictions	6,045,812	6,666,595
Net assets with donor restrictions	451,724	560,871
Total net assets	6,497,536	7,227,466
TOTAL LIABILITIES AND NET ASSETS	**$ 7,009,399**	**$ 7,462,597**

See accompanying notes to financial statements.

ENO TRANSPORTATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE				
Contributions	$ 1,102,814	$ -	$ 1,102,814	$ 944,251
Registration fees	520,550	-	520,550	630,775
Contract revenue	178,088	-	178,088	309,016
Grants	-	140,000	140,000	-
Publications	62,671	-	62,671	61,057
Other income	5,458	-	5,458	1,350
Net assets released from donor restrictions	237,078	(237,078)	-	-
Total operating revenue	2,106,659	(97,078)	2,009,581	1,946,449
OPERATING EXPENSES				
Program Services:				
Policy	791,848	-	791,848	721,411
Leadership Development	831,461	-	831,461	888,818
Total program services	1,623,309	-	1,623,309	1,610,229
Supporting Services:				
Management and General	561,450	-	561,450	506,472
Fundraising	214,304	-	214,304	137,386
Total supporting services	775,754	-	775,754	643,858
Total operating expenses	2,399,063	-	2,399,063	2,254,087
Change in net assets before non-operating activities	(292,404)	(97,078)	(389,482)	(307,638)
NON-OPERATING ACTIVITIES				
Investment (loss) income, net	(328,379)	(12,069)	(340,448)	1,058,286
Change in net assets	(620,783)	(109,147)	(729,930)	750,648
Net assets at beginning of year	6,666,595	560,871	7,227,466	6,476,818
NET ASSETS AT END OF YEAR	**$ 6,045,812**	**$ 451,724**	**$ 6,497,536**	**$ 7,227,466**

See accompanying notes to financial statements.

ENO TRANSPORTATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018							2017
	Program Services			Supporting Services				
	Policy	Leadership Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Wages	$ 464,185	$ 138,077	$ 602,262	$ 360,792	$ 111,612	$ 472,404	$ 1,074,666	$ 1,035,498
Consulting	108,554	319,235	427,789	34,880	11,363	46,243	474,032	435,420
Meetings	14,241	253,837	268,078	10,959	37,544	48,503	316,581	271,521
Employee Benefits	60,214	17,736	77,950	46,343	14,336	60,679	138,629	128,177
Occupancy	52,334	15,567	67,901	40,677	12,584	53,261	121,162	102,450
Travel	7,811	58,138	65,949	3,386	2,547	5,933	71,882	97,641
Payroll taxes	31,803	9,460	41,263	24,719	7,647	32,366	73,629	71,007
Printing and publications	522	499	1,021	406	1,512	1,918	2,939	8,535
Memberships and subscriptions	5,617	1,654	7,271	4,322	4,189	8,511	15,782	20,188
Insurance	7,980	2,374	10,354	6,203	1,919	8,122	18,476	17,276
Office supplies and expenses	7,383	2,650	10,033	5,738	1,833	7,571	17,604	12,745
Telephone	5,682	1,690	7,372	4,416	1,366	5,782	13,154	17,204
Depreciation and amortization	10,138	3,016	13,154	7,880	2,438	10,318	23,472	8,322
Service charges	4,072	1,211	5,283	3,165	1,158	4,323	9,606	10,470
Cost of goods sold	2,600	-	2,600	-	-	-	2,600	400
Miscellaneous	4,133	1,229	5,362	3,212	994	4,206	9,568	-
Interest	-	-	-	822	-	822	822	-
Postage and delivery	412	3,848	4,260	291	260	551	4,811	5,499
Donation expense	3,240	964	4,204	2,518	779	3,297	7,501	7,499
Equipment repairs and rentals	927	276	1,203	721	223	944	2,147	4,235
TOTAL	**$ 791,848**	**$ 831,461**	**$ 1,623,309**	**$ 561,450**	**$ 214,304**	**$ 775,754**	**$ 2,399,063**	**$ 2,254,087**

See accompanying notes to financial statements.

ENO TRANSPORTATION FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (729,930)	$ 750,648
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	23,472	8,322
Net realized and unrealized loss (gain)	482,724	(914,806)
Loss on disposal	5,017	-
Decrease (increase) in:		
Grants and contributions receivable	63,611	(39,518)
Inventory	2,600	400
Prepaid expenses	21,640	(9,968)
Deposits	25,804	(29,869)
(Decrease) increase in:		
Accounts payable and accrued expenses	(393)	(31,162)
Deferred revenue	86,917	(23,852)
Security deposit	(12,568)	4
Lease obligation	(20,826)	(123,978)
Deferred rent	47,267	(9,665)
Deferred lease incentive	946	-
Net cash used by operating activities	(3,719)	(423,444)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(24,000)
Purchase of investments	(465,787)	(668,561)
Proceeds from sale of investments	498,714	1,187,252
Net cash provided by investing activities	32,927	494,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(2,002)	-
Net increase in cash and cash equivalents	27,206	71,247
Cash and cash equivalents at beginning of year	241,374	170,127
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 268,580**	**$ 241,374**
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	**$ -**	**$ 10,128**
Capital Lease Obligation Incurred for Use of Equipment	**$ 12,313**	**$ -**
Interest Paid	**$ 822**	**$ -**
Leasehold Improvement Allowance	**$ 177,000**	**$ -**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Eno Transportation Foundation, Inc. (the Foundation) was incorporated under the laws of Connecticut on April 21, 1921. The Foundation was formed to seek continuous improvement in transportation and its public and private leadership in order to increase the transportation system's mobility, safety and sustainability. These activities are funded primarily from program-related revenue, derived from receipt of tuition from participants in the Foundation's leadership courses and consulting contracts, as well as contributions and grants from individuals and corporations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entitie*s. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Investment income includes interest, dividends, realized and unrealized gains and losses, net of any fees in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation’s policy is to liquidate all gifts of investments as soon as possible after receipt.

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets (continued) -

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are capitalized and are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2018 totaled $23,472.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an exempt private operating foundation, as described in Section 4940(d)(2) of the IRC. As an exempt private operating foundation, the Foundation is not subject to an excise tax on its net investment income. Beginning January 1, 2018, the Foundation is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions -

For the year ended December 31, 2018, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists principally of professional publications held for sale. The Foundation records inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

Deferred revenue -

Deferred revenue consists of member dues and conference and meeting registrations. The Foundation recognizes member dues on a pro-rata basis over the annual membership period. The Foundation recognizes conference and meeting revenue when the related event has occurred.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue recognition -

Contributions and grants received with and without donor restrictions are recorded as revenue in the year notification is received from the donor.

Contributions and grants with donor restrictions are recognized as revenue without restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

The Foundation recognizes revenue received for membership dues by bifurcating the amounts paid in excess of the actual benefits received by the members as contributions without donor restrictions in the accompanying Statement of Activities and Change in Net Assets. Amounts received that correspond to the value of actual benefits received by the members, which primarily consists of an annual subscription to the *Eno Transportation Weekly*, are recognized as publication revenue in the accompanying statement of activities during the period in which the benefits are provided. Accordingly, such portions of the dues paid by members in advance of the period to which the benefits pertain are reflected in the accompanying Statement of Financial Position as deferred revenue.

Contract revenue is recognized when services are provided or a specified task is complete. Registration fees for seminars and courses are recognized in the period in which the seminar or course takes place.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as salaries and benefits).

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, 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 that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of *Accounting Standards Update* 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017, as unrestricted net assets in the amount of $6,666,595, are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of $236,667 and $324,204, respectively, are now classified as net assets with donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements.

The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASU's at the required implementation dates.

2. INVESTMENTS

Investments consisted of the following at December 31, 2018:

	Fair Value
Cash and insured deposit accounts	$ 163,367
Exchange traded funds:	
Large blend	3,437,536
Mid cap growth	392,754
Small growth	366,576
Bond funds	1,828,167
TOTAL INVESTMENTS	**$ 6,188,400**

2. INVESTMENTS (Continued)

Included in investment loss are the following at December 31, 2018:

Interest and dividends, net of fees	$ 142,276
Net realized and unrealized loss	(482,724)
TOTAL INVESTMENT LOSS, NET OF FEES	**$ (340,448)**

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018:

Furniture and equipment	$ 94,390
Leasehold improvements	141,281
Total Fixed assets	235,671
Less: Accumulated depreciation and amortization	(56,436)
NET FIXED ASSETS	**$ 179,235**

4. CAPITAL LEASE OBLIGATION

During the year ended December 31, 2018, the Foundation entered into a capital lease obligation for a copier, which expires in 2020. As of December 31, 2018, the cost and related accumulated amortization of the leased asset were $12,313 and $2,460, respectively. The capital lease asset is included with fixed assets and, accordingly, amortization of assets held under capital leases is included with depreciation expense.

Future minimum lease payments at December 31, 2018 are as follows:

Year Ending December 31,	
2019	$ 2,824
2020	2,824
2021	2,824
2022	2,824
2023	704
	12,000
Less: Interest	(1,689)
FUTURE MINIMUM LEASE PAYMENTS	**$ 10,311**

5. BOARD DESIGNATED NET ASSETS

As of December 31, 2018, net assets have been designated by the Board of Directors for the following purpose:

Board Designated Endowment	**$ 5,721,773**

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

Subject to expenditure for specified purpose:	
Educational scholarships	$ 136,939
Accumulated earnings not yet authorized	(9,417)
Subject to spending policy and appropriation:	
Investment in perpetuity - GAR leadership development conference scholarship	176,600
Investment in perpetuity - O'Bryant - summer fellowship	147,602
NET ASSETS WITH DONOR RESTRICTIONS	**$ 451,724**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions satisfied:	
Educational scholarships	$ 7,545
General operating and transportation workforce initiatives	71,875
International Aviation Competition Project	120,000
China rail car research	20,000
Appropriations:	
GAR - leadership development conference scholarships	9,765
O'Bryant - summer fellowship	7,893
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 237,078**

7. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position, comprise the following at December 31, 2018:

Financial assets as of December 31, 2018	
Cash and cash equivalents	$ 268,580
Investments	6,188,400
Grants and contributions receivable	333,854
Total financial assets	6,790,834
Less those unavailable for general expenditure within one-year due to:	
Donor imposed restrictions for purpose	(451,724)
Board restricted endowment	(5,721,773)
FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE	**$ 617,337**

7. LIQUIDITY (Continued)

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018, the Foundation has financial assets equal to approximately three months of operating expenses. Additionally, the Foundation has a significant board designated endowment portfolio in which they may draw upon in the event of need upon approval from the Board.

8. LEASE COMMITMENTS

The Foundation leased office space under a ten year noncancelable agreement that expired in February 2018. Under the terms of the lease, the base rent was subject to annual increases of 2.5% and the Foundation was required to pay its proportionate share of any increases in real estate taxes and operating expenses of the building. In addition, the lessor provided the Foundation with a two-month rent abatement at the start of the lease term.

In May 2013, the Foundation entered into a noncancelable operating sublease for the above office space. The sublease became effective May 1, 2013 and expired in February 2018 in conjunction with the office lease. The base rent was subject to annual increases of 4%.

In June 2013, the Foundation entered into a noncancelable operating lease for new office space in Washington, D.C., through April 2018. Under the terms of the lease, the base rent was subject to annual increases of 4% and the Foundation was required to pay its share of real estate taxes. In addition, the lessor provided the Foundation with a four-month rent abatement starting at the first full month after the start of the lease term.

In December 2017, the Foundation entered into a noncancelable operating lease for new office space in Washington, D.C., through January 2029. Under the terms of the lease, the base rent is subject to annual increases of 3% and the Foundation is required to pay its share of real estate taxes. The lessor also provided the Foundation with an eighteen-month rent abatement equal to 50% of the monthly base rent starting at the first full month after the start of the lease term. Additionally, the lessor provided the Foundation with a leasehold improvement allowance of $177,000, of which the Foundation used $141,281 for leasehold improvements and $23,796 for furniture and equipment purchases. The remaining $11,923 was given as an additional rent abatement.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. The following is a schedule of the future minimum lease payments:

Year Ending December 31,	
2019	$ 64,242
2020	125,520
2021	129,289
2022	133,165
2023	137,160
Thereafter	763,425
	$ 1,352,801

8. LEASE COMMITMENTS (Continued)

Rent expense for the year ended December 31, 2018 was $116,128. The deferred rent liability and deferred leasehold obligation were $51,209 and $166,023, respectively.

9. HOTEL COMMITMENTS

The Foundation is committed under agreements for conference space through the year 2019. The total commitment under the agreements is not determinable, as it depends upon attendance and other unknown factors. Under these agreements, there are cancellation penalties of $67,500 that would be due if the agreements were cancelled before the event date. Per the agreements, the amount of cancellation penalties will increase through the date of the various conferences.

10. RETIREMENT PLAN

The Foundation maintains a defined contribution retirement plan covering substantially all full-time employees. The Foundation makes contributions on behalf of eligible employees at the rate of 5% of each employee's compensation.

In addition, employees may elect to defer and contribute to the Plan a portion of their compensation in amounts up to the maximum permitted by law. Contributions to the Plan during the year ended December 31, 2018 totaled $47,264.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

11. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018.

- *Cash and insured deposit accounts* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

- *Exchange traded funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Cash and insured deposit accounts	$ 163,367	$ -	$ -	$ 163,367
Exchange traded funds:				
Large blend	3,437,536	-	-	3,437,536
Mid cap growth	392,754	-	-	392,754
Small growth	366,576	-	-	366,576
Bond funds	1,828,167	-	-	1,828,167
TOTAL	**$ 6,188,400**	**$ -**	**$ -**	**$ 6,188,400**

12. ENDOWMENT

The Foundation's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments. As required by GAAP, 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 is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

12. ENDOWMENT (Continued)

Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	$ 5,721,773	$ -	$ 5,721,773
Donor-Restricted Endowment Funds - Original gift value	-	324,204	324,204
Donor-Restricted Endowment Funds - Accumulated investment earnings	-	(9,417)	(9,417)
TOTAL FUNDS	**$ 5,721,773**	**$ 314,787**	**$ 6,036,560**

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 6,200,152	$ 340,895	$ 6,541,047
Total investment return, net	(328,379)	(8,450)	(336,829)
Appropriation of endowment assets for expenditure	(150,000)	(17,658)	(167,658)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 5,721,773**	**$ 314,787**	**$ 6,036,560**

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 UPMIFA requires the organization to retain as fund of perpetual duration. Deficiencies of this nature exist in donor-restricted endowment funds, which together have an original gift value of $324,204, and a deficiency of $9,417 resulting in an aggregate fair value of $314,787 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

12. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Foundation has adopted an investment policy that attempts to provide for long-term growth of capital without undue exposure to risk. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives -

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

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation's goal is that the current spending policy will allow its endowment to grow at an average of 7% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

13. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 7, 2019, the date the financial statements were issued.