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# W.E. Upjohn Unemployment Trustee Corporation

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**Financial Report**  
**December 31, 2018**

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## Independent Auditor's Report

To the Board of Trustees  
W.E. Upjohn Unemployment Trustee Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of W.E. Upjohn Unemployment Trustee Corporation (the "Corporation"), which comprise the balance sheet as of December 31, 2018 and 2017 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W.E. Upjohn Unemployment Trustee Corporation as of December 31, 2018 and 2017 and the changes in its net assets, and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 2 to the financial statements, the Corporation adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
W.E. Upjohn Unemployment Trustee Corporation

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019 on our consideration of W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

May 3, 2019

## W.E. Upjohn Unemployment Trustee Corporation

### Balance Sheet

December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash (Note 3)	\$ 2,346,399	\$ 1,165,359
Investments (Note 5)	184,627,403	211,286,559
Receivables (Note 4)	1,314,489	1,332,149
Other assets	526,945	552,401
Property and equipment - Net (Note 6)	4,572,679	4,385,713
Total assets	<u><u>\$ 193,387,915</u></u>	<u><u>\$ 218,722,181</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 54,722	\$ 84,605
Advances payable	1,754,998	834,613
Accrued expenses	1,147,190	914,041
Total liabilities	2,956,910	1,833,259
<b>Net Assets without Donor Restrictions</b>	<u>190,431,005</u>	<u>216,888,922</u>
Total liabilities and net assets	<u><u>\$ 193,387,915</u></u>	<u><u>\$ 218,722,181</u></u>

## W.E. Upjohn Unemployment Trustee Corporation

### Statement of Activities and Changes in Net Assets

Years Ended December 31, 2018 and 2017

	2018	2017
<b>Changes in Net Assets without Donor Restrictions</b>		
Revenue and support:		
Contract revenue	\$ 12,641,343	\$ 12,166,637
Investment (loss) income (Note 5)	(19,322,319)	31,833,272
Other	233,778	137,286
Total revenue and support	(6,447,198)	44,137,195
Expenses:		
Program services:		
In-house research	2,843,564	1,946,644
General research, community service, and external grants	2,630,016	2,710,751
Publications	513,782	442,638
Employment and training assistance programs	10,095,834	10,444,410
Total program services	16,083,196	15,544,443
Support services:		
Management and general	2,445,891	2,213,146
Library, archives, and repository	516,618	413,795
Employment and training assistance administrative	965,014	959,603
Total expenses	20,010,719	19,130,987
<b>(Decrease) Increase in Net Assets without Donor Restrictions</b>	(26,457,917)	25,006,208
<b>Net Assets without Donor Restrictions - Beginning of year</b>	216,888,922	191,882,714
<b>Net Assets without Donor Restrictions - End of year</b>	<b>\$ 190,431,005</b>	<b>\$ 216,888,922</b>

# W.E. Upjohn Unemployment Trustee Corporation

## Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services				Support Services			Total
	In-house Research	General Research, Community Service, and External Grants	Publications	Employment and Training Assistance Programs	Management and General	Library, Archives, and Repository	Employment and Training Assistance Administrative	
Salaries	\$ 1,527,528	\$ 1,641,663	\$ 283,957	\$ 4,038,160	\$ 786,745	\$ 212,105	\$ 570,265	\$ 9,060,423
Benefits	419,919	456,672	128,083	1,013,035	513,259	92,155	259,387	2,882,510
Total salaries and related expenses	1,947,447	2,098,335	412,040	5,051,195	1,300,004	304,260	829,652	11,942,933
Building and grounds	2,107	-	-	34,702	427,739	-	7,232	471,780
Communications	546	19,450	988	62,840	35,626	-	538	119,988
Consultants	312,688	42,297	-	246,540	1,667	-	-	603,192
Contract labor nonpublications	106,732	3,965	-	61,255	358	-	-	172,310
Contract labor publications	-	1,392	17,290	-	-	-	-	18,682
Copying, printing, duplicating	605	5,664	12,035	40,132	65,192	125	3,210	126,963
Data processing	-	-	-	17,348	-	-	-	17,348
Depreciation	-	-	-	-	331,669	-	-	331,669
Employment data	300,000	49,163	-	-	-	-	-	349,163
Equipment	-	77,735	-	77,781	2,863	5,387	3,419	167,185
Grants and major research initiatives	-	120,273	-	-	-	-	-	120,273
Library	-	-	-	-	-	125,675	-	125,675
Mailing and postage	1,624	840	7,599	3,346	7,910	32	593	21,944
Marketing and advertising	510	2,791	5,066	10,800	3,169	21	-	22,357
Memberships	1,065	2,957	3,013	60,755	3,878	6,609	17,440	95,717
Miscellaneous	13,676	5,446	664	34,876	193,228	868	3,939	252,697
Professional development	390	833	-	55,417	5,239	3,060	5,464	70,403
Professional services	5,324	-	-	23,938	32,721	-	16,731	78,714
Publications	-	175	43,051	-	-	-	-	43,226
Software licenses, maintenance, and support	60,150	110,746	1,439	27,518	3,029	64,692	9,719	277,293
Space and facility rental	-	-	5,503	674,383	-	-	44,454	724,340
Supplies	563	3,217	294	58,160	10,087	320	2,522	75,163
Travel	90,137	84,737	4,800	151,606	21,512	5,569	20,101	378,462
Subcontractor costs	-	-	-	1,138,095	-	-	-	1,138,095
Participant costs	-	-	-	2,265,147	-	-	-	2,265,147
Total other expenses	896,117	531,681	101,742	5,044,639	1,145,887	212,358	135,362	8,067,786
Total expenses	<b>\$ 2,843,564</b>	<b>\$ 2,630,016</b>	<b>\$ 513,782</b>	<b>\$ 10,095,834</b>	<b>\$ 2,445,891</b>	<b>\$ 516,618</b>	<b>\$ 965,014</b>	<b>\$ 20,010,719</b>

# W.E. Upjohn Unemployment Trustee Corporation

## Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services				Support Services			Total
	In-house Research	General Research, Community Service, and External Grants	Publications	Employment and Training Assistance Programs	Management and General	Library, Archives, and Repository	Employment and Training Assistance Administrative	
Salaries	\$ 1,153,460	\$ 1,689,589	\$ 233,779	\$ 4,098,577	\$ 737,208	\$ 190,194	\$ 558,598	\$ 8,661,405
Benefits	345,349	498,716	119,840	1,053,190	535,592	96,162	250,137	2,898,986
Total salaries and related expenses	1,498,809	2,188,305	353,619	5,151,767	1,272,800	286,356	808,735	11,560,391
Building and grounds	2,075	930	-	72,868	399,447	-	7,643	482,963
Communications	353	22,246	901	66,037	12,775	-	604	102,916
Consultants	224,651	8,504	755	177,968	252	-	3,240	415,370
Contract labor nonpublications	29,739	17,174	-	148,590	-	(548)	-	194,955
Contract labor publications	-	-	16,432	-	-	-	-	16,432
Copying, printing, duplicating	569	8,002	11,585	15,558	61,987	269	5,651	103,621
Data processing	-	-	-	1,840	-	-	-	1,840
Depreciation	-	-	-	-	343,988	-	-	343,988
Employment data	-	29,066	-	-	-	1,500	-	30,566
Equipment	-	57,760	-	60,550	751	-	1,824	120,885
Grants and major research initiatives	-	95,481	-	-	-	-	-	95,481
Library	-	61	-	3,892	-	93,521	-	97,474
Mailing and postage	579	819	6,874	5,249	8,750	32	371	22,674
Marketing and advertising	-	2,698	5,637	55,679	49	-	-	64,063
Memberships	1,042	3,831	5,751	39,159	2,698	8,326	16,070	76,877
Miscellaneous	1,734	14,908	803	9,098	11,559	32	51,511	89,645
Professional development	-	660	-	17,621	9,091	3,695	3,637	34,704
Professional services	85,152	-	-	15,478	32,961	-	15,288	148,879
Publications	-	155	31,968	-	31,125	-	-	63,248
Software licenses, maintenance, and support	58,281	166,198	1,425	35,102	2,109	18,409	7,876	289,400
Space and facility rental	-	-	3,208	705,738	-	-	-	708,946
Supplies	303	1,998	535	40,460	11,154	831	4,833	60,114
Travel	43,357	91,955	3,145	192,168	11,650	1,372	32,320	375,967
Subcontractor costs	-	-	-	1,117,664	-	-	-	1,117,664
Participant costs	-	-	-	2,511,924	-	-	-	2,511,924
Total other expenses	447,835	522,446	89,019	5,292,643	940,346	127,439	150,868	7,570,596
Total expenses	\$ 1,946,644	\$ 2,710,751	\$ 442,638	\$ 10,444,410	\$ 2,213,146	\$ 413,795	\$ 959,603	\$ 19,130,987

## W.E. Upjohn Unemployment Trustee Corporation

### Statement of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (26,457,917)	\$ 25,006,208
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	331,669	343,988
Change in realized and unrealized depreciation (appreciation) in fair value of investments	27,354,297	(25,262,277)
Changes in operating assets and liabilities that provided (used) cash:		
Receivables	17,660	38,755
Accounts payable	(29,883)	(89,073)
Advances payable	920,385	731,897
Accrued expenses	233,149	(1,738)
Other assets	25,456	(37,685)
Net cash provided by operating activities	2,394,816	730,075
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(518,635)	(76,884)
Purchases of investments	(20,440,537)	(20,117,571)
Proceeds from sales and maturities of investments	19,745,396	19,690,467
Net cash used in investing activities	(1,213,776)	(503,988)
<b>Net Increase in Cash</b>	1,181,040	226,087
<b>Cash - Beginning of year</b>	1,165,359	939,272
<b>Cash - End of year</b>	<u>\$ 2,346,399</u>	<u>\$ 1,165,359</u>

December 31, 2018 and 2017

### Note 1 - Nature of Organization

W.E. Upjohn Unemployment Trustee Corporation (the "Corporation") was established in 1932 under a trust agreement that authorizes the Corporation to conduct research on a wide variety of employment issues using the assets and revenue from the assets given to the Corporation at its creation.

### Note 2 - Significant Accounting Policies

#### ***Classification of Net Assets***

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

#### ***Contract Revenue Recognition***

The Corporation enters into contracts with certain governmental and private agencies. Contract revenue is primarily derived from employment and training assistance program grants that are annually renewable. Contract revenue also includes grants and contracts, which support the Corporation's research on employment issues. Revenue under these contracts is recognized when earned. The activities of the Corporation relating to certain contracts are subject to review or audit by the responsible governmental agency to determine compliance with award documents and may be subject to possible adjustment based on negotiations with the funding agencies.

Revenue derived from the research grants and contracts totaled \$1,504,548 and \$729,026 in 2018 and 2017, respectively. The costs incurred related to this revenue totaled \$1,699,695 and \$1,268,273 in 2018 and 2017, respectively.

Receivables represent reimbursements for costs incurred under federal, state, and private contracts and are considered fully collectible.

#### ***Investments***

Investments in debt and equity securities are recorded at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

#### ***Property and Equipment***

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is reflected in the statement of activities and changes in net assets. Cost of maintenance and repairs are charged to expense when incurred.

#### ***Functional Allocation of Expenses***

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

**December 31, 2018 and 2017**

**Note 2 - Significant Accounting Policies (Continued)**

The Corporation classifies its expenses based on the following categories:

**In-house Research** includes funded projects, unfunded projects, and major research initiatives.

**General Research, Community Service, and External Grants** includes external grants, general research activities, and regional research.

**Publications** consists only of the activities of the publications department.

**Employment Training Assistance Programs** includes the employment management services division (EMSD) program expenses.

**Management and General** represents the administrative expense for the research division.

**Library, Archives, and Repository** consists of the related expenses for the information center.

**Employment and Training Assistance Administration** includes only the administrative expenses for the EMSD.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Federal Income Taxes***

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

***Adoption of New Accounting Pronouncement***

As of January 1, 2018, the Corporation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. This standard also requires changes in the way certain information is aggregated and reported by the Corporation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, administrative expenses related to employment and training assistance programs have been reclassified from program services to support services in the amount of \$959,603 and library and archives room has been reclassified from program services to support services in the amount of \$413,795 for the year ended December 31, 2017. The standard has been applied on a retrospective basis, except for the liquidity disclosures, which are reported prospectively, as allowed by the ASU.

**December 31, 2018 and 2017**

**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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 ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Corporation's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Corporation has not yet determined which application method it will use. The main revenue stream of the Corporation is not expected to be significantly impacted by the standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Corporation's financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Corporation's year ending December 31, 2019 and will be applied on a modified prospective basis. The Corporation does not expect the standard to have a significant impact on the timing of revenue recognition for government grants and contracts but has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including May 3, 2019, which is the date the financial statements were available to be issued.

**Note 3 - Concentration of Credit Risk**

The Corporation's bank deposits occasionally exceed federal depository insurance limitations. The uninsured cash balances totaled approximately \$1,761,000 and \$893,000 at December 31, 2018 and 2017, respectively. Management believes that it is impractical to insure all bank deposits. Management evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**December 31, 2018 and 2017**

**Note 4 - Receivables**

Receivables at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Contracts	\$ 1,147,081	\$ 1,251,792
Publications and other	167,408	80,357
Total	<u>\$ 1,314,489</u>	<u>\$ 1,332,149</u>

As of December 31, 2018 and 2017, no allowance has been recorded.

**Note 5 - Investments**

Investments are maintained in custodial accounts directed by professional investment managers. Investments at December 31, 2018 and 2017 consist of the following, with separate identification of investments representing 5 percent or more of total assets:

	<u>2018</u>	<u>2017</u>
Mutual funds:		
DFA U.S. Large Cap Value Fund	\$ 31,523,662	\$ 36,929,967
Vanguard Institutional Index Fund	25,520,313	27,915,688
Western Assets Bond Fund	23,876,028	25,087,629
Loomis Sayles Bond Fund	12,852,561	13,232,488
Vanguard Mid Cap Index Fund	18,655,619	21,263,295
DFA International Core Equity Fund	11,942,983	14,458,794
DFA U.S. Small Cap Value Fund	9,044,485	10,772,727
DFA International Small Cap	8,294,531	11,062,625
Vanguard Small Cap Index Fund	9,766,175	10,883,581
Artisan International	14,076,752	15,752,345
DFA Real Estate Securities Fund	-	9,834,978
Principal Investment Real Estate Securities	9,259,940	-
Other	8,611,554	10,161,680
Money market accounts	1,202,800	3,930,762
Total	<u>\$ 184,627,403</u>	<u>\$ 211,286,559</u>

Investment activity is reflected below:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 8,297,731	\$ 6,824,173
(Depreciation) appreciation in fair value	(27,354,297)	25,262,277
Investment advisory fees	(265,753)	(253,178)
Investment (loss) income	<u>\$ (19,322,319)</u>	<u>\$ 31,833,272</u>

**December 31, 2018 and 2017**

**Note 6 - Property and Equipment**

Property and equipment are summarized as follows:

	2018	2017	Depreciable Life - Years
Land	\$ 596,776	\$ 569,776	-
Land improvements	28,466	28,466	10-15
Buildings	8,676,033	8,334,779	25-30
Machinery and equipment	1,847,637	1,697,256	3-15
Total cost	11,148,912	10,630,277	
Accumulated depreciation	6,576,233	6,244,564	
Net property and equipment	<u>\$ 4,572,679</u>	<u>\$ 4,385,713</u>	

Depreciation and amortization expense was \$331,669 for 2018 and \$343,988 for 2017.

**Note 7 - Commitments**

Trustees of the Corporation had approved external research grants with accumulated obligations amounting to \$31,500 and \$54,357 at December 31, 2018 and 2017, respectively. The grants are subject to the satisfaction of certain conditions before payment and will not be reflected in the financial statements until these conditions are met in accordance with the provisions of the grants.

**Note 8 - Pension Plan**

The Corporation sponsors a defined contribution pension plan covering substantially all of its employees. Contributions are determined as 12 percent of each covered employee's salary and amounted to \$700,488 and \$607,560 in 2018 and 2017, respectively.

**Note 9 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2018 and 2017 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**December 31, 2018 and 2017**

**Note 9 - Fair Value Measurements (Continued)**

The Corporation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. No such transfers were made in 2018 or 2017.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Cash equivalents - Money market accounts	\$ 1,202,800	\$ -	\$ -	\$ 1,202,800
Equity - Mutual funds:				
Domestic	112,381,749	-	-	112,381,749
International	34,314,265	-	-	34,314,265
Fixed income - Mutual funds	36,728,589	-	-	36,728,589
<b>Total assets</b>	<b>\$ 184,627,403</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 184,627,403</b>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Cash equivalents - Money market accounts	\$ 3,930,762	\$ -	\$ -	\$ 3,930,762
Equity - Mutual funds:				
Domestic	127,761,916	-	-	127,761,916
International	41,273,764	-	-	41,273,764
Fixed income - Mutual funds	38,320,117	-	-	38,320,117
<b>Total assets</b>	<b>\$ 211,286,559</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 211,286,559</b>

**Note 10 - Liquidity and Availability of Financial Resources**

The Corporation has \$4,794,703 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$2,299,888, receivables of \$1,314,489, and short-term investments of \$1,180,326. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The receivables are subject to implied time restrictions but are expected to be collected within one year. The Corporation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Corporation invests cash in excess of daily requirements in various short-term investments, including a money market fund.

**Note 11 - Operating Leases**

The Corporation is obligated under operating leases primarily for buildings and equipment, expiring at various dates through 2025. The leases require the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense, excluding the ancillary expenses, under these leases was approximately \$631,000 and \$619,000 for 2018 and 2017, respectively. The Corporation subleases a small portion of the leased building space.

Future minimum annual commitments under these operating leases are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2019	\$ 606,063
2020	601,502
2021	534,432
2022	515,902
2023	518,364
Thereafter	<u>1,015,714</u>
Total	<u>\$ 3,791,977</u>