ARKANSAS 4-H
FOUNDATION, INC.

Financial Statements as of and for the
Years Ended June 30, 2016 and 2015,
with Independent Auditor's Report

ARKANSAS 4-H FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Arkansas 4-H Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Arkansas 4-H Foundation, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and net assets and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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 Arkansas 4-H Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

JPMS Cox, PLLC

September 29, 2016

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2016 AND 2015

ASSETS	2016	2015
UNRESTRICTED ASSETS:		
Cash and cash equivalents	$ 502,714	$ 506,009
Certificate of deposit	50,205	-
Investments, at fair value	1,649,681	1,860,232
Accounts receivable	110,491	5,364
Other assets	20,109	19,895
Total unrestricted assets	2,333,200	2,391,500
RESTRICTED ASSETS:		
Cash and cash equivalents	190,405	36,284
Investments, at fair value	1,991,988	2,349,438
Total restricted assets	2,182,393	2,385,722
PROPERTY AND EQUIPMENT, NET	5,311,991	5,025,552
TOTAL ASSETS	$ 9,827,584	$ 9,802,774
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 56,768	$ 52,146
Due to affiliate	63,343	7,761
Other liabilities	57,509	40,727
TOTAL LIABILITIES	177,620	100,634
NET ASSETS:		
Unrestricted	6,014,018	5,673,446
Temporarily restricted	2,864,025	3,289,001
Permanently restricted	771,921	739,693
Total net assets	9,649,964	9,702,140
TOTAL LIABILITIES AND NET ASSETS	$ 9,827,584	$ 9,802,774

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:				
Program service revenue	$ 1,276,695	$ -	$ -	$ 1,276,695
Grants and contributions	10,450	3,430	31,000	44,880
In-kind contributions	478,409	-	-	478,409
Interest and dividends	18,415	178,902	1,228	198,545
Net unrealized and realized depreciation on investments	(30,686)	(298,152)	-	(328,838)
Contributed services from affiliate	363,767	-	-	363,767
Other revenues, net	11,053	-	-	11,053
Net assets released from restrictions	309,156	(309,156)	-	-
Total support and revenues	2,437,259	(424,976)	32,228	2,044,511
EXPENSES:				
Program	1,936,104	-	-	1,936,104
Management and general	160,583	-	-	160,583
Fundraising	-	-	-	-
Total expenses	2,096,687	-	-	2,096,687
CHANGE IN NET ASSETS	340,572	(424,976)	32,228	(52,176)
NET ASSETS, BEGINNING OF YEAR	5,673,446	3,289,001	739,693	9,702,140
NET ASSETS, END OF YEAR	$ 6,014,018	$ 2,864,025	$ 771,921	$ 9,649,964

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:				
Program service revenue	$ 1,238,806	$ 15	$ -	$ 1,238,821
Grants and contributions	15,230	4,715	-	19,945
Interest and dividends	34,801	239,997	17,740	292,538
Net unrealized and realized depreciation on investments	(31,212)	(215,224)	(15,908)	(262,344)
Contributed services from affiliate	340,877	-	-	340,877
Other revenues, net	24,251	-	-	24,251
Net assets released from restrictions	225,783	(225,783)	-	-
Total support and revenues	1,848,536	(196,280)	1,832	1,654,088
EXPENSES:				
Program	1,969,506	-	-	1,969,506
Management and general	169,349	-	-	169,349
Fundraising	6,181	-	-	6,181
Total expenses	2,145,036	-	-	2,145,036
CHANGE IN NET ASSETS	(296,500)	(196,280)	1,832	(490,948)
NET ASSETS, BEGINNING OF YEAR	5,969,946	3,485,281	737,861	10,193,088
NET ASSETS, END OF YEAR	$ 5,673,446	$ 3,289,001	$ 739,693	$ 9,702,140

See Notes to Financial Statements.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (52,176)	$ (490,948)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	349,718	362,035
Net unrealized and realized loss on investments	328,838	262,344
Contributions of property and improvements	(478,409)	-
Change in operating assets and liabilities:		
Accounts receivable	(105,127)	(4,069)
Due to (from) affiliate	55,582	74,673
Other assets	(214)	1,071
Accounts payable	4,622	(30,188)
Other liabilities	16,782	(3,242)
Total adjustments	171,792	662,624
Net cash provided by operating activities	119,616	171,676
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted cash	(154,121)	(34,696)
Purchase of investments	(1,045,237)	(875,461)
Proceeds from sale of investments	1,234,195	764,567
Purchase of property and equipment	(157,748)	(42,759)
Net cash used in investing activities	(122,911)	(188,349)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,295)	(16,673)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	506,009	522,682
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 502,714	$ 506,009

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2016 AND 2015

1. ORGANIZATION

The Arkansas 4-H Foundation, Inc. (the "Foundation") was incorporated under the laws of the State of Arkansas and is a component unit of The University of Arkansas, Fayetteville. The purposes and objectives of the Foundation are to serve the 4-H program and encourage and support educational purposes that, in the judgment of the Foundation, will best meet the needs and advance the interests of 4-H youth programs throughout the state of Arkansas. In connection with this purpose, the Foundation owns and operates the C.A. Vines Arkansas 4-H Center (the "Center") in Ferndale, Arkansas. The Foundation is organized into distinct funds that are used to account for activity of the Center, as well as other various educational or administrative activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents – For purposes of the accompanying statements of cash flows, the Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable – The Foundation uses the allowance method to estimate for uncollectable receivable balances. The Foundation does a specific review of the receivables to determine the necessary allowance. The Foundation writes off uncollectible accounts receivable after all collection efforts have been exhausted and it has determined that they will be collected. Management has determined no allowances were necessary as of June 30, 2016 and 2015.

Grants and Contributions Receivable and Revenue – Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Grants and contributions are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Investments – The Foundation invests primarily in debt and equity securities and carries its investments at fair value determined by quoted prices, with unrealized gains and losses recognized in the accompanying statements of activities. Income resulting from pooled investments is allocated to the various funds on a quarterly basis based on the fair value of each fund's assets as a percentage of the total fair value of all assets invested.

Restricted Investments – Cash and cash equivalents and investments restricted in the accompanying statements of financial position are those investments required by the provisions of grants received to be maintained by the Foundation. One grant restricts the assets to be used over a specified time period of no less than 20 years. Another grant restricts the use of the assets for repairs and maintenance of the buildings constructed with the proceeds of the grant. These restricted assets are included in temporarily restricted net assets on the accompanying statements of financial position.

Property and Equipment – Property and equipment are recorded at cost if purchased and at fair value at date of receipt if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which ranges from 5 to 40 years. The Foundation capitalizes property and equipment of $2,500 or more. Collections are capitalized at cost, and if donated, they are capitalized at their appraised value on the accession date.

Net Assets Classification – The Foundation classifies net assets as follows:

Unrestricted net assets – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations and are available to support the operations of the Foundation. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets.

Temporarily restricted net assets – Temporarily restricted net assets include gifts and investment income and gains that can be expended, but for which restrictions have not been met. Those restrictions include time and purpose restrictions imposed by donors, and restrictions imposed by law that restricts net investment income and gains until appropriated for expenditure.

Permanently restricted net assets – Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Spending Policy – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as approved by the Uniform Law Commission, serves as a guideline for states to use in enacting legislation. The State of Arkansas has enacted UPMIFA, which requires not-for-profit organizations with donor-restricted endowed funds, to follow certain standards when making investment and spending policy decisions.

Contributions – Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Bequests are recorded as revenue at the time an unassignable right to the gift has been established and the proceeds are measurable.

Net Assets Released From Restrictions – Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donor. This also includes endowment earnings appropriated by the Foundation for expenditure that were not restricted by the donor, but were restricted by law until appropriated.

<u>Functional Expenses</u> – Functional expenses have been allocated between program services, management and general, and fundraising expenses. Personnel related expenses are allocated based on actual time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure. All operating expenses of the Center have been classified as program expenses since the operation of the Center represents the largest program of the Foundation.

<u>Income Taxes</u> – The Foundation is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation is also exempt from state tax under similar provisions of state law. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Management evaluated the Foundation's tax positions related to uncertainties in income taxes and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements.

The Foundation files an income tax return in the United States federal jurisdiction and is no longer subject to United States federal, state, and local income tax examinations by tax authorities for fiscal years prior to 2013.

<u>Reclassifications</u> – Certain amounts included in the 2015 financial Statements have been reclassified to conform to the 2016 presentation.

<u>Estimates</u> – The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

<u>Recently Issued Accounting Pronouncements</u> – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018 for nonpublic entities. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The Foundation is currently evaluating the impact of adopting this new standard on its financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim period within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of adopting this new standard on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other uses. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Foundation is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This guidance addresses eight specific cash flow issues in order to reduce the existing diversity in practice regarding cash flow presentation for these issues. The amendments in this ASU are effective for nonpublic entities in fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation is currently evaluating the effect that the updated standard will have on the financial statements.

Subsequent Events – Subsequent events have been evaluated through September 29, 2016, the date the financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the year ended June 30, 2016.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – The *Fair Value Measurement* and *Disclosures* topic of the FASB Codification (the "Codification") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended June 30, 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Investment Securities – The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. For the years ended June 30, 2016 and 2015, securities held by the Foundation are classified as Level 1 and Level 2 securities. No securities held by the Foundation were classified as Level 3 securities as of June 30, 2016 and 2015.

Fair Value on a Recurring Basis

The balances of assets measured at fair value on a recurring basis as of June 30, 2016, are as follows:

	Level 1	Level 2	Level 3	Total
Equity Funds:				
Small Cap	$ 250,451	$ -	$ -	$ 250,451
Foreign Small/Mid Cap	8,283	-	-	8,283
Mid Cap	403,421	-	-	403,421
Large Cap	460,321	-	-	460,321
Foreign Large Cap	182,088	-	-	182,088
Convertible Securities	60,714	-	-	60,714
Global Large Cap	85,271	-	-	85,271
Total Equity Funds	1,450,549	-	-	1,450,549
Bond Funds:				
Domestic	34,338	-	-	34,338
High Yield	137,680	-	-	137,680
Multisector	188,548	-	-	188,548
Ultrashort	49,967	-	-	49,967
Total Bond Funds	410,533	-	-	410,533
Bank Loan Fund	259,837	-	-	259,837
Large Cap Allocation Funds	1,475,214	-	-	1,475,214
Corporate Bonds and Notes	-	45,536	-	45,536
Total	$ 3,596,133	$ 45,536	$ -	$ 3,641,669

The balances of assets measured at fair value on a recurring basis as of June 30, 2015, are as follows:

	Level 1	Level 2	Level 3	Total
Equity Funds:				
Small Cap	$ 349,859	$ -	$ -	$ 349,859
Foreign Small/Mid Cap	10,588	-	-	10,588
Mid Cap	426,726	-	-	426,726
Large Cap	424,245	-	-	424,245
Foreign Large Cap	286,055	-	-	286,055
Diversified Emerging Markets	44,094	-	-	44,094
Convertible Securities	72,022	-	-	72,022
Global Large Cap	98,081	-	-	98,081
Total Equity Funds	1,711,670	-	-	1,711,670
Bond Funds:				
Domestic	206,221	-	-	206,221
High Yield	116,350	-	-	116,350
Multisector	321,310	-	-	321,310
Global	50,236	-	-	50,236
Total Bond Funds	694,117	-	-	694,117
Bank Loan Fund	116,264	-	-	116,264
Large Cap Allocation Funds	1,634,649	-	-	1,634,649
Corporate Bonds and Notes	-	52,970	-	52,970
	$ 4,156,700	$ 52,970	$ -	$ 4,209,670

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total assets. For the year ended June 30, 2016, there were no significant transfers in or out of Levels 1, 2, or 3.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

Description	2016	2015
Land and improvements	$ 1,156,471	$ 1,141,702
Buildings and improvements	10,072,782	9,488,379
Furniture and equipment	849,138	827,753
Artwork collection	197,072	197,072
Construction in process	15,599	-
Total property and equipment	12,291,062	11,654,906
Less accumulated depreciation	(6,979,071)	(6,629,354)
Property and equipment, net	$ 5,311,991	$ 5,025,552

5. LINE OF CREDIT

As of June 30, 2016, the Foundation had a line of credit available from a bank with a maximum borrowing availability of $250,000. Payment is due on demand, but if no demand is made the line of credit is due May 1, 2018. The interest rate on the line of credit is 1.00% above the Prime Rate as published by the Wall Street Journal, but not less than 4.25%. The rate was 4.50% as of June 30, 2016. There were no borrowings during the years ended June 30, 2016 and 2015.

6. ENDOWMENTS

The Foundation accounts for endowments using the standards included in the *Not-for-Profit Entities* topic of the Codification.

The Foundation's endowment consists of approximately 27 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by its board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted UPMIFA 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment and spending policies of the organization

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 509,619	$ 771,921	$ 1,281,540
Board-designated endowment funds	286,218	-	-	286,218
Total endowment	$ 286,218	$ 509,619	$ 771,921	$ 1,567,758

Changes in endowment net assets for the years ended June 30, 2016, are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 272,496	$ 672,581	$ 739,693	$ 1,684,770
Investment return:				
Interest and dividends	3,208	51,219	1,228	55,655
Net depreciation (unrealized and realized)	(5,346)	(85,359)	-	(90,705)
Total investment return	(2,138)	(34,140)	1,228	(35,050)
Contributions	-	-	31,000	31,000
Released from restriction/ appropriated for expenditure	(7,188)	(128,822)	-	(136,010)
Reclassification to endowment net assets	23,048	-	-	23,048
Endowment net assets, June 30, 2016	$ 286,218	$ 509,619	$ 771,921	$ 1,567,758

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 672,581	$ 739,693	$ 1,412,274
Board-designated endowment funds	272,496	-	-	272,496
Total endowment	$ 272,496	$ 672,581	$ 739,693	$ 1,684,770

Changes in endowment net assets for the years ended 2015, are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	$ 251,058	$ 728,507	$ 737,861	$ 1,717,426
Investment return:				
Interest and dividends	61,871	87,043	17,740	166,654
Net depreciation (unrealized and realized)	(55,485)	(78,059)	(15,908)	(149,452)
Total investment return	6,386	8,984	1,832	17,202
Contributions	-	600	-	600
Released from restriction/ appropriated for expenditure	(8,037)	(65,510)	-	(73,547)
Reclassification to endowment net assets	23,089	-	-	23,089
Endowment net assets, June 30, 2015	$ 272,496	$ 672,581	$ 739,693	$ 1,684,770

The Foundation has adopted investment and spending policies for endowment assets that attempt to support the current and future operations of the Foundation, while maintaining the endowed assets at the level restricted by the donor to be held in perpetuity or for a donor-specified period. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an average annual total return, net of investment manager fees and after inflation, in excess of the spending rate over a rolling five-year period.

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.

The annual spending rate of earnings on endowments will be determined annually by the board of directors, with a maximum goal of 5% of the endowment fund and accumulated earnings each year. This policy was adopted to achieve the objective of maintaining purchasing power of the endowment assets held in perpetuity or for a specified time. For the years ended June 30, 2016 and 2015, the board of directors approved the spending rate of 5% of the endowment fund and accumulated earnings.

7. RELATED PARTIES

The Foundation operates under an agreement whereby significant administrative services are provided to the Foundation by Cooperative Extension Service ("CES"), a part of The University of Arkansas, Fayetteville, at no cost to the Foundation. These services include program, administration, and accounting services provided by CES employees, as well as some use of the CES office facilities and various other assets. The value of these services was determined based on the costs of the salaries and benefits that are paid by CES for services rendered on behalf of the Foundation and is included in the accompanying statement of activities. These services totaled approximately $364,000 and $341,000 for the years ended June 30, 2016 and 2015, respectively. The Foundation's employee payroll is administered by CES and reimbursed by the Foundation. In consideration of this arrangement, CES uses the Center for program activities at a reduced rate. CES also participates in other Foundation activities in the normal course of business.

Due to affiliate on the accompanying statements of financial position consists primarily of the amount due to CES for accrued payroll and other costs that will be reimbursed by the Foundation, net of amounts due to the Foundation from CES for program activities as described above.