

**SOCIETY OF WOMEN ENGINEERS
ENDOWMENT FUND, INC.**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

**SOCIETY OF WOMEN ENGINEERS
ENDOWMENT FUND, INC.**

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AND INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Society of Women Engineers
Endowment Fund, Inc.
6732 Jenny Leigh Court
Centreville, VA 20121

We have audited the accompanying financial statements of Society of Women Engineers Endowment Fund, Inc. which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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.

Auditors' 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 of 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 auditors' 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 Society of Women Engineers Endowment Fund, Inc. as of June 30, 2018, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Society of Women Engineers Endowment Fund, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PORTE BROWN LLC
Certified Public Accountants

A handwritten signature in cursive script that reads "Porte Brown LLC". The signature is written in black ink and is positioned above a horizontal line.

Elk Grove Village, Illinois
February 28, 2019

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017
 (with summarized information for the year ended June 30, 2017)

ASSETS					
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
ASSETS					
Cash and cash equivalents	\$ 314,158	\$ -	\$ -	\$ 314,158	\$ 15,480
Investments	2,851,139	4,569,480	3,726,719	11,147,338	10,851,279
Due from Society of Women Engineers	33,295	-	-	33,295	7,930
TOTAL ASSETS	<u>\$ 3,198,592</u>	<u>\$ 4,569,480</u>	<u>\$ 3,726,719</u>	<u>\$ 11,494,791</u>	<u>\$ 10,874,689</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Due to Society of Women Engineers	\$ -	\$ 271,000	\$ -	\$ 271,000	\$ 241,300
NET ASSETS	<u>3,198,592</u>	<u>4,298,480</u>	<u>3,726,719</u>	<u>11,223,791</u>	<u>10,633,389</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,198,592</u>	<u>\$ 4,569,480</u>	<u>\$ 3,726,719</u>	<u>\$ 11,494,791</u>	<u>\$ 10,874,689</u>

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

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018
 (with summarized information for the year ended June 30, 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUES					
Contributions	\$ 62,500	\$ 27,913	\$ 328,277	\$ 418,690	\$ 159,739
Investment income	215,097	478,765	-	693,862	1,419,491
Net assets released from restrictions	354,304	(354,304)	-	-	-
	631,901	152,374	328,277	1,112,552	1,579,230
EXPENSES					
Administrative	222,002	-	-	222,002	161,672
Programs and services	300,148	-	-	300,148	228,729
	522,150	-	-	522,150	390,401
INCREASE IN NET ASSETS	109,751	152,374	328,277	590,402	1,188,829
NET ASSETS, BEGINNING OF YEAR	3,088,841	4,146,106	3,398,442	10,633,389	9,444,560
NET ASSETS, END OF YEAR	\$ 3,198,592	\$ 4,298,480	\$ 3,726,719	\$ 11,223,791	\$ 10,633,389

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

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ 590,402	\$1,188,829
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized gain on investments	(91,752)	(4,261,764)
Unrealized (gain) loss on investments	(366,810)	2,998,491
Changes in:		
Due from Society of Women Engineers	(25,365)	(7,930)
Due to Society of Women Engineers	29,700	(24,046)
Net cash provided (used) by operating activities	136,175	(106,420)
INVESTING ACTIVITIES		
Purchase of investments	(5,688,286)	(515,473)
Proceeds from sale of investments	5,850,789	395,617
Net cash provided (used) by investing activities	162,503	(119,856)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	298,678	(226,276)
BEGINNING CASH AND CASH EQUIVALENTS	15,480	241,756
ENDING CASH AND CASH EQUIVALENTS	\$ 314,158	\$ 15,480
SUPPLEMENTAL INFORMATION TO CASH FLOWS		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	-	-
Noncash investing activities:		
Increase (decrease) in fair value of investments	366,810	(2,998,491)

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

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF OPERATIONS

The Society of Women Engineers Endowment Fund, Inc. (the "Fund") was incorporated in April 2005, as a not-for-profit supporting organization. The Fund provides scholarships, awards, and other financial assistance and encouragement to the Society of Women Engineers (the "Society") and to students of engineering in addition to support for a headquarters for the Society. The Board of Trustees of the Society has the authority to invest and reinvest the assets of the Fund. They also determine the number, type, and amount of scholarships and awards each year. The Board of Directors of the Society determines who will receive the scholarships and awards.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Fund's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES

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

FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

DONOR IMPOSED RESTRICTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Fund reports the support as unrestricted.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTED SERVICES

During the current period, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been reflected in these financial statements.

FUNCTIONAL EXPENSES

The Fund allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification.

CASH EQUIVALENTS

The Fund considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Fund has cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Organization to credit risk if the banking institution fails. It is of the opinion of management that the solvency of the referenced financial institutions is not of a particular concern at this time.

RECEIVABLES

The Fund has not included the amounts pledged by donors for the year ended June 30, 2018, that have been committed to for years ending after June 30, 2018, but not yet paid. The pledges are not material to the financial statements as a whole.

INCOME TAXES

The Society of Women Engineers Endowment Fund, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal and state income taxes has been made.

The Fund has adopted the provisions of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Fund is responsible for filing information returns in the U.S. Federal jurisdiction. Management is not aware of any uncertain tax positions.

SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through February 28, 2019, the date which the financial statements were available to be issued.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C – INVESTMENTS

Investments are stated at fair value based on quoted market prices or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value and are reported as a component of investment income. Realized gains and losses are recognized using the cost method and are reported as a component of investment income. The Fund changed investment custodians at the end of fiscal year 2017. As of June 30, 2017 the assets were in transit to the new custodian and are reflected as investments in transit.

Investments at June 30, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 344,263	\$ -
Common stock	6,894,667	-
Corporate bonds	752,541	-
Mutual funds and ETFs	3,155,867	-
Investments in transit	-	10,851,279
Total investments	<u>\$ 11,147,338</u>	<u>\$ 10,851,279</u>
Total, at cost	<u>\$ 10,960,828</u>	<u>\$ 10,851,279</u>

Investment income for the years ended June 30, 2018 and 2017, is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 235,300	\$ 156,218
Realized gain on sale of investments	91,752	4,261,764
Unrealized gain/(loss) on investments	366,810	(2,998,491)
	<u>\$ 693,862</u>	<u>\$ 1,419,491</u>

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, 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 FASB ASC 820 are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access. |
| Level 2 | Inputs to the valuation methodology include <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2018 and 2017.

Common stocks and corporate bonds: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual and exchange-traded funds(ETF): Valued at the net asset value (NAV) of shares, based on quoted market prices, held by the Fund as of the end of the year.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash and cash equivalents are included in investments on the statement of financial position but are not subject to fair value under FASB ASC Topic 820.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Fund's assets at fair value as of June 30, 2018 and 2017:

Assets, at Fair Value, as of June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock - equity	\$ 6,894,667	\$ -	\$ -	\$ 6,894,667
Corporate bonds - fixed income	752,541	-	-	752,541
Mutual funds and ETFs:				
Fixed income	1,744,008	-	-	1,744,008
Non-traditional	1,411,859	-	-	1,411,859
	<u>\$ 10,803,075</u>	<u>\$ -</u>	<u>\$ -</u>	10,803,075
Cash and cash equivalents				<u>344,263</u>
Total investments				<u>\$ 11,147,338</u>

Assets, at Fair Value, as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in transit	\$ -	\$ -	\$ -	\$ 10,851,279
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,851,279</u>

NOTE E – NET ASSET CLASSIFICATIONS

TEMPORARILY RESTRICTED NET ASSETS

The purposes of the temporarily restricted funds are as follows:

- The *EFI-Awards Account* provides awards subsidies to SWE for awards as determined by the Board of Directors.
- The *EFI-Scholarship Account* provides scholarships, awards, and other financial assistance and encouragement to students of engineering.
- The *SWE-EFI Designated Fund* was established in May 2014. The SWE-EFI Designated Fund allows the Society's regions, sections, or MAL organization to endow funds to be used for their specific purposes in support of SWE's mission. Income will be paid to each donor group in accordance with the SWE-EFI investment policy. Effective June 30, 2018, the regions have been dissolved.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – NET ASSET CLASSIFICATIONS (Continued)

TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets released from restrictions during the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
EFI-Awards Account	\$ -	\$ -
EFI-Designated Fund	6,450	672
EFI-Scholarship Account	<u>347,854</u>	<u>275,038</u>
	<u>\$ 354,304</u>	<u>\$ 275,710</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are required to be held indefinitely and consist of the following:

EFI – Scholarship Account:

Ada I. Pressman Memorial Scholarship
Admiral Grace Murray Hopper Scholarship
Alice May Anderson Memorial Scholarship Fund
Anne Maureen Whitney Barrow Memorial Scholarship
Anne Shen Smith Scholarship
B.J. Harrod Memorial Scholarship
BK Krenzer Memorial Reentry Scholarship
Baltimore Washington Section Freshman Scholarships
Baltimore Washington Section Scholarships
Betty Lou Bailey Region F Scholarship
Bertha Lamme Scholarship
Boston Section Scholarship
Brill Family Scholarship
Carol Stephens Region F Scholarship
Central Illinois Section Scholarship
Central Indiana Section Scholarship
Central New Mexico - Pioneers Scholarship
Central New Mexico Reentry Scholarships
Chicago Regional Section Scholarship
Columbia River Section Scholarship
Detroit Past Presidents Scholarship
Dorothy Lemke Howarth Memorial Scholarship
Dorothy P. Morris Scholarship
Dr. Celeste Belcastro Memorial Scholarship
Dr. Ivy M. Parker Memorial Scholarship
Elizabeth McLean Memorial Scholarship
Ellen Hippeli Memorial Scholarship
Ford Motor Company Scholarships
Golden West Region Legacy Scholarship

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – NET ASSET CLASSIFICATIONS (Continued)

PERMANENTLY RESTRICTED NET ASSETS (Continued)

EFI – Scholarship Account: (Continued)

IBM Linda Sanford Women's Technical Advancement Scholarship
Jill S. Tietjen, P.E. Scholarship
Josie E. Rewald Memorial Scholarship
Judith Resnik Memorial Scholarship
Kansas City Section Scholarship
Lillian Moller Gilbreth Memorial Scholarship
Lonnie Lee and Maria Elena Abernethy Endowment for Native Americans in
Engineering Scholarship
Los Angeles Section Scholarship
Lois Aileen Bey Memorial Scholarship
Lydia I. Pickup Memorial Scholarship
Margaret Pritch Pritchard Memorial Scholarship
Mary Gunther Memorial Scholarship
Mary Jones Berry Scholarship
Mary V. Munger Memorial Scholarship
MASWE Scholarship
Meredith Thoms Memorial Scholarship
Mid-Hudson Section Scholarship
Minnesota Section Scholarship
New Jersey Section Scholarship
Olive Lynn Salembier Memorial Reentry Scholarship
Past Presidents Scholarship
Paula Loring Simon Scholarship
Phoenix Section Scholarship
Region E Scholarship
Region G – Judy Simmons Memorial Scholarship
Region H Scholarships
Region J Scholarship
Richmond Area Section Scholarship
Roberta Banaszak Gleiter Engineering Endeavor Scholarship
Rocky Mountain Section Scholarships
Rochelle Nicolette Perry Memorial Scholarship
Santa Clara Valley – Al Gardner Memorial Scholarship
Santa Clara Valley – Esther Williams Memorial Scholarship
Santa Clara Valley – Irmagard Flugge-Lotz Memorial Scholarship
Santa Clara Valley – Mary G. Ross Memorial Scholarship
Santa Clara Valley – Mary Nell Rogers Scholarship
Sharon Cascadden Memorial Scholarship
Smokey Mountain Section Katherine F. Lindquist Memorial Scholarship
Sonora Region B Scholarship
Southeast Diamond Scholarship
Susan Miszkowicz Memorial Scholarship
Susan and Marvin Whatley Scholarship

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E – NET ASSET CLASSIFICATIONS (Continued)

PERMANENTLY RESTRICTED NET ASSETS (Continued)

EFI – Scholarship Account: (Continued)

Susan E. Stutz-McDonald Scholarship
Twin Tiers Section - Margaret R. Brewster Scholarship
University of Alabama -Tuscaloosa Collegiate Section Scholarship
University of Minnesota Twin Cities Scholarship
Quad Cities/Muscatine Section Scholarship
Virginia Counts / Betty Irish SWE for Life Scholarship
Wanda Munn Scholarship – Eastern Washington Section
Willamette Valley Section Scholarship
Wisconsin Section - Martha Maxwell Memorial Scholarship

EFI – Awards Account:

Boeing Multi-Cultural Fund
Motorola Multi-Cultural Fund
Northrop Grumman Suzanne Jenniches Upward Mobility Fund

EFI – Designated Funds

SWE Members at Large Leadership Travel Fund
Cathy Pieronek Memorial Public Policy Fund
SWE Tuscon Designated Operating Fund

NOTE F – ENDOWMENT

Interpretation of Relevant Law

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act (“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 Fund 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 Fund in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – ENDOWMENT (Continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the Fund 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 Fund
- (7) The investment policies of the Fund

Return Objectives and Risk Parameters

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a diversified asset portfolio so that on an annualized, net-of-fees and expenses basis, the total return goal of the portfolio will be to equal or exceed the spending rate, administrative fees, plus inflation (CPI) without assuming undue risk. The Fund's investments are allocated between equities, fixed income, alternatives and cash. Each investment category has a target weight, a minimum weight, and a maximum weight. Investments are managed by an external management company and monitored by the Board of Trustees.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Fund 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is the Fund's current spending policy target to annually distribute four percent (4%) for the stated charitable purposes based on the percentage of total fund balance at close of prior year. In establishing this policy, the Society considered the long-term expected return and preservation of principal on its endowment. Accordingly, over the long-term, the Fund expects on an annualized, net-of-fees and expenses basis, the total return goal of the portfolio will be equal to or exceed the spending rate, administrative fees, plus inflation over a rolling five year period. This is consistent with the Fund's objective to maintain the purchasing power of the endowment assets held in perpetuity.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – ENDOWMENT (Continued)

Endowment Net Asset Composition by Type of Fund at June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Boeing Award	\$ -	\$ -	\$ 25,000	\$ 25,000
Motorola Award	-	-	40,000	40,000
Northrop Grumman Award	-	-	86,400	86,400
EFI-Designated Fund	-	3,906	98,000	101,906
EFI-Award Accounts	-	57,198	-	57,198
EFI-Scholarship Account	-	4,237,376	3,477,319	7,714,695
	<u>\$ -</u>	<u>\$ 4,298,480</u>	<u>\$ 3,726,719</u>	<u>\$ 8,025,199</u>

Endowment Net Asset Composition by Type of Fund at June 30, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Boeing Award	\$ -	\$ -	\$ 25,000	\$ 25,000
Motorola Award	-	-	40,000	40,000
Northrop Grumman Award	-	-	86,400	86,400
EFI-Designated Fund	-	8,161	124,095	132,256
EFI-Award Accounts	-	57,198	-	57,198
EFI-Scholarship Account	-	4,080,747	3,122,947	7,203,694
	<u>\$ -</u>	<u>\$ 4,146,106</u>	<u>\$ 3,398,442</u>	<u>\$ 7,544,548</u>

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the fiscal year ending June 30, 2018 and 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 01, 2016	\$ -	\$ 3,429,769	\$ 3,300,309	\$ 6,730,078
Investment income	-	979,449	-	979,449
Contributions	-	12,598	98,133	110,731
Appropriation of endowment assets for expenditure	-	(275,710)	-	(275,710)
June 30, 2017	<u>-</u>	<u>4,146,106</u>	<u>3,398,442</u>	<u>7,544,548</u>
Investment income	-	478,765	-	478,765
Contributions	-	27,913	328,277	356,190
Appropriation of endowment assets for expenditure	-	(354,304)	-	(354,304)
June 30, 2018	<u>\$ -</u>	<u>\$ 4,298,480</u>	<u>\$ 3,726,719</u>	<u>\$ 8,025,199</u>

NOTE G – RECENT ACCOUNTING PRONOUNCEMENTS

REVENUE RECOGNITION

ASU 2014-09, Revenue from Contracts with Customers (Topic 606) becomes effective on January 1, 2019, for calendar year non-public entities. The new guidance will replace almost all of the preexisting revenue recognition guidance. The core principle in the guidance is to “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.”

There are five key steps:

- 1) Identify the contract with the customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations
- 5) Recognize revenue when (or as) each performance obligation is satisfied

The Fund is currently evaluating the impact this standard will have on the financial statements when adopted.

SOCIETY OF WOMEN ENGINEERS ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

LEASES

ASU 2016-02, Leases (Topic 842) becomes effective on January 1, 2020, for calendar-year non-public entities, but early adoption is permitted at any time. The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. Generally, all leases will be captured on the balance sheet for lessees at transition, as there is no grandfathering of existing operating leases. The Fund is currently evaluating the impact this standard will have on the financial statements when adopted.

PRESENTATION OF FINANCIAL STATEMENTS

ASU 2016-14 Not-For-Profit Entities (Topic 958) improves the presentation of financial statements of not-for-profit entities, such as charities, foundations, universities, and nonprofit health care providers, etc. This is the first major change to the not-for-profit entities financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. The amendments in this ASU can be adopted early.

Significant changes include: going from three classes of net assets to two classes – net assets with donor restrictions and net assets without donor restrictions, enhanced disclosures on board designations, qualitative and quantitative information regarding liquidity and a required functional expense detail that discloses the natural and functional classification of expenses either in a statement or in the note disclosures.

The Fund is currently evaluating the impact this standard will have on the financial statements when adopted.