Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2013 and 2012
with Report of Independent Auditors

Prevent Child Abuse America

Audited Financial Statements

Years ended December 31, 2013 and 2012

Contents

JOHNSON LAMBERT LLP

Report of Independent Auditors

Board of Directors
Prevent Child Abuse America
Chicago, Illinois

We have audited the accompanying financial statements of Prevent Child Abuse America which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Child Abuse America as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Johnson Lambert LLP

Arlington Heights, Illinois
March 31, 2014

Prevent Child Abuse America

Statements of Financial Position

	December 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	$ 281,270	$ 357,965
Accounts receivable, net allowance for doubtful accounts of $16,827 and $0 in 2013 and 2012, respectively	306,419	349,234
Deposit and prepaid expenses	55,778	22,012
Investments	3,343,569	2,944,985
Furniture and equipment, net	23,509	40,812
Total assets	$ 4,010,545	$ 3,715,008
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	$ 87,486	$ 170,495
Deferred revenue	132,812	144,206
Capital lease obligation	42,378	65,091
Total liabilities	262,676	379,792
Net assets (deficit)		
Unrestricted assets (deficit)	114,476	(230,426)
Temporarily restricted net assets	633,393	565,642
Permanently restricted net assets	3,000,000	3,000,000
Total net assets	3,747,869	3,335,216
Total liabilities and net assets	$ 4,010,545	$ 3,715,008

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Activities

Years ended December 31, 2013 and 2012

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Public support and other revenue								
Public support - contributions								
Individuals - workplace campaign	$ 62,372	$ 56,856	$ -	$ -	$ -	$ -	$ 62,372	$ 56,856
Individuals - family foundations	311,021	237,341	72,200	437,500	-	-	383,221	674,841
Associations and corporations	478,315	379,256	-	204,749	-	-	478,315	584,005
Programs and conferences	1,545,132	1,462,052	-	-	-	-	1,545,132	1,462,052
Special events and pinwheels, net of direct benefit to donors of $16,793 in 2013 and $23,393 2012	263,532	333,779	-	-	-	-	263,532	333,779
Total public support	2,660,372	2,469,284	72,200	642,249	-	-	2,732,572	3,111,533
Other revenue:								
Royalty income	85,542	92,388	-	-	-	-	85,542	92,388
Investment return designated for current operations	24,121	20,000	-	-	-	-	24,121	20,000
Other	1,891	(655)	-	-	-	-	1,891	(655)
Total other revenue and support	111,554	111,733	-	-	-	-	111,554	111,733
Net assets released from restrictions	348,018	209,808	(348,018)	(209,808)	-	-	-	-
Total public support and other revenue	3,119,944	2,790,825	(275,818)	432,441	-	-	2,844,126	3,223,266
Expenses								
Program services	2,511,907	2,160,733	-	-	-	-	2,511,907	2,160,733
Supporting services	318,150	372,442	-	-	-	-	318,150	372,442
Total expenses	2,830,057	2,533,175	-	-	-	-	2,830,057	2,533,175
Change in net assets from operations	289,887	257,650	(275,818)	432,441	-	-	14,069	690,091
Other changes:								
Investment return in excess of amounts designated for current operations	55,015	250,023	343,569	-	-	-	398,584	250,023
Change in net assets (deficit)	344,902	507,673	67,751	432,441	-	-	412,653	940,114
Net assets (deficit), beginning of period	(230,426)	(738,099)	565,642	133,201	3,000,000	3,000,000	3,335,216	2,395,102
Net assets(deficit) , end of period	$ 114,476	$ (230,426)	$ 633,393	$ 565,642	$ 3,000,000	$ 3,000,000	$ 3,747,869	$ 3,335,216

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2013

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 229,227	$ 25,571	$ 734,725	$ 110,550	$ 122,154	$ 1,222,227	$ 13,890	$ 79,258	$ 93,148	$ 1,315,375
Benefits	21,639	2,316	70,506	9,948	11,660	116,069	1,395	7,733	9,128	125,197
Payroll taxes	18,423	1,965	58,906	8,797	9,884	97,975	2,119	6,882	9,001	106,976
Other	1,437	150	4,631	679	775	7,672	144	525	669	8,341
Accounting, auditing, legal and consulting	111,126	1,741	61,770	20,860	52,405	247,902	3,433	6,995	10,428	258,330
Other services	6,798	691	36,090	3,345	4,668	51,592	526	2,749	3,275	54,867
Occupancy	13,736	1,465	43,994	6,410	7,308	72,913	898	4,946	5,844	78,757
Telephone	4,146	437	13,311	1,923	2,189	22,006	266	1,406	1,672	23,678
National conference	-	-	14,375	-	-	14,375	-	-	-	14,375
Office expenses and supplies	3,429	246	9,313	8,941	2,055	23,984	724	5,575	6,299	30,283
Printing and material development	4,930	23	776	106	123	5,958	509	4,636	5,145	11,103
Travel and HFA expense	11,798	1,078	526,955	3,934	44,462	588,227	8,769	3,811	12,580	600,807
Special events and pinwheels	-	-	-	-	-	-	-	159,019	159,019	159,019
Bad debt expense	-	-	17,669	-	250	17,919	-	19	19	17,938
Interest	1,333	141	4,302	630	721	7,127	91	490	581	7,708
Depreciation	2,941	303	9,646	1,427	1,644	15,961	217	1,125	1,342	17,303
Total expenses	$ 430,963	$ 36,127	$ 1,606,969	$ 177,550	$ 260,298	$ 2,511,907	$ 32,981	$ 285,169	$ 318,150	$ 2,830,057

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statement of Functional Expenses

Year ended December 31, 2012

	Program Services						Supporting Services			
	Prevention Education	Prevention Research	Prevention Programs	Prevention Advocacy	Chapter Activities	Total	Management and General	Advancement	Total	Total Expenses
Employee expenses										
Salaries	$ 155,495	$ 12,051	$ 608,961	$ 98,614	$ 122,175	$ 997,296	$ 21,270	$ 87,978	$ 109,248	$ 1,106,544
Benefits	11,975	5,053	44,904	8,000	8,988	78,920	2,845	6,432	9,277	88,197
Payroll taxes	12,852	977	50,306	7,937	10,092	82,164	1,893	7,271	9,164	91,328
Other	1,065	377	3,973	686	807	6,908	428	565	993	7,901
Accounting, auditing, legal and consulting	16,698	5,215	92,345	12,209	90,202	216,669	7,246	8,989	16,235	232,904
Other services	5,210	3,166	21,077	3,349	3,938	36,740	1,931	13,726	15,657	52,397
Occupancy	9,343	4,183	34,232	6,070	6,990	60,818	2,597	4,956	7,553	68,371
Telephone	3,308	1,028	12,364	2,616	2,531	21,847	483	1,811	2,294	24,141
Postage	-	-	-	-	-	-	-	-	-	-
National conference	-	-	224,624	-	-	224,624	-	-	-	224,624
Office expenses and supplies	2,248	621	6,789	2,879	1,925	14,462	2,265	8,295	10,560	25,022
Printing and material development	6,867	24	382	65	752	8,090	185	916	1,101	9,191
Travel and HFA expense	5,783	1,106	337,092	2,545	27,847	374,373	5,500	3,003	8,503	382,876
Special events and pinwheels	-	-	-	-	-	-	-	178,764	178,764	178,764
Bad debt expense	-	-	4,360	-	500	4,860	-	450	450	5,310
Federal award sub grants	-	7,101	-	-	-	7,101	-	-	-	7,101
Interest	1,368	453	5,125	882	1,043	8,871	211	748	959	9,830
Depreciation	2,614	2,020	8,804	1,681	1,871	16,990	373	1,311	1,684	18,674
Total expenses	$ 234,826	$ 43,375	$ 1,455,338	$ 147,533	$ 279,661	$ 2,160,733	$ 47,227	$ 325,215	$ 372,442	$ 2,533,175

See accompanying notes to the financial statements.

Prevent Child Abuse America

Statements of Cash Flows

	Years ended December 31, 2013	2012
Cash flows from operating activities		
Change in net assets	$ 412,653	$ 940,114
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,303	18,674
Change in market value of investments	(347,641)	(181,738)
Allowance for doubtful accounts	16,827	-
Changes in assets and liabilities:		
Accounts receivable	25,988	(184,660)
Other assets	(33,766)	(11,662)
Accounts payable	(83,009)	(217,431)
Deferred revenue	(11,394)	72,876
Net cash (used in) provided by operating activities	(3,039)	436,173
Cash flows from investing activities		
Acquisition of equipment	-	(1,625)
Proceeds from sales of investments	24,121	1,742,025
Purchase of investments	(75,064)	(1,810,197)
Net cash used in investing activities	(50,943)	(69,797)
Cash flows from financing activities		
Principal payments on lease obligations	(22,713)	(20,130)
Net cash used in financing activities	(22,713)	(20,130)
Net change in cash and cash equivalents	(76,695)	346,246
Cash and cash equivalents, beginning of year	357,965	11,719
Cash and cash equivalents, end of year	$ 281,270	$ 357,965
Supplemental disclosures of cash flow information		
Interest paid	$ 7,707	$ 9,828

See accompanying notes to the financial statements.

Note A - Nature of Activities

Prevent Child Abuse America is an organization established for the purpose of building a nationwide commitment to prevent child abuse in all its forms. Prevent Child Abuse America is supported primarily by contributions and grants from corporations and foundations.

Note B - Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, net assets of Prevent Child Abuse America and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Prevent Child Abuse America and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Prevent Child Abuse America. Generally, the donors of these assets permit Prevent Child Abuse America to use all or part of the income earned on these investments for general operations.

Subsequent Events
Prevent Child Abuse America has performed an evaluation of subsequent events through March 31, 2014, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.

Contributions
Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value which approximates fair value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using adjusted risk-free interest rates applicable to the years in which the promises were received.

Note B - Summary of Signficant Accounting Policies (Continued)

Contributions (continued)
Prevent Child Abuse America uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Cash Equivalents
Prevent Child Abuse America considers cash deposited in banks and money market fund investments to be cash equivalents, with the exception of the cash that is included in the investment portfolio. That cash is designated for long-term investment purposes.

Accounts Receivable
Accounts receivable include amounts related to training fees, publications and other services and are reflected on the statement of financial position net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and historical experience with the customer. Management will record adjustments as necessary, which are reflected in the statement of activities. At December 31, 2013 and 2012 Prevent Child Abuse America recorded $17,938 and $5,310, respectively as bad debt expense.

Furniture and Equipment
Furniture and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture, fixtures and office equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Prevent Child Abuse America reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Prevent Child Abuse America reclassifies temporarily restricted net assets to unrestricted net asset at that time.

Prevent Child Abuse America depreciates furniture, fixtures and office equipment over their estimated useful lives, typically 5 years, using the straight-line method.

Contributed Services and Materials
Donated services and materials are reported as contribution revenue and as assets and expenses only if the services and materials create or enhance a nonfinancial asset, require specialized skills and are provided by individuals possessing those skills, are measurable, and would have been purchased if they had not been contributed. Donated services and materials are measured at their fair value.

Note B - Summary of Signficant Accounting Policies (Continued)

Functional Allocation of Expenses
Prevent Child Abuse America allocates its expenses to the separate functional categories of program services and supporting services based on the number of employees associated with the conduct of each function. The costs that have been allocated include rent, utilities, payroll, payroll related costs, printing, computer service, office supplies, telephone, accounting, auditing, equipment rental, postage and insurance.

Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments
Prevent Child Abuse America carries investments at fair value and reports gains and losses in the statement of activities. The fair value of investments are based on quoted market prices at the reporting date.

Prevent Child Abuse America invests in various investment securities. 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 those such changes could materially affect the amounts reported in the statement of financial position.

The board of directors designates a portion of Prevent Child Abuse America's total investment return for support of current operations in accordance with the board's investment policy.

Deferred Revenue
Deferred revenue consists of training and affiliation fees paid in advance. Training revenue is recorded when the training occurs and affiliation revenues are recorded in the year in which they relate.

Concentration of Credit Risk
Throughout the year, Prevent Child Abuse America may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Note B - Summary of Signficant Accounting Policies (Continued)

Income Taxes
Prevent Child Abuse America is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has concluded that Prevent Child Abuse America has properly maintained its exempt status. The previous three tax years are subject to examination by federal authorities, there are currently no examinations being conducted.

Note C - Grants and Pledges Receivable

Unconditional grants and pledges receivable at December 31, 2013 and 2012 are as follows:

	2013	2012
Grants and pledges receivable expected to be collected in less than one year	$ 123,779	$ 71,490

Note D - Permanently Restricted Net Assets

The permanently restricted net assets are endowments consisting of:

- A $1,000,000 grant from the Pesch Family Foundation (and the related $1,000,000 matching funds) which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as temporarily restricted net assets until they are appropriated by the Board of Directors.

- A $500,000 grant from the W. Clement Stone 1990 Revocable Trust which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended for general purposes. Earnings are reported as temporarily restricted net assets until they are appropriated by the Board of Directors.

- A $500,000 grant from the Independent Order of Foresters which contains a donor stipulation that the principal be maintained intact in perpetuity and that only the income from investment thereof be expended to support Healthy Families America and the Chapter network with approval of the Foresters. Until designated for operations by the Board of Directors, investment income from this grant is classified as temporarily restricted for these purposes.

Note E - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2013	2012
Doris Duke-Crisis Grant	$ 230,813	$ 400,000
Communities Take Action for Kids	12,205	13,535
Learning Circle to Prevent Child Sexual Abuse	-	5,807
Publications	-	4,025
Healthy Families America	16,538	66,680
Bullying Prevention	15,000	50,595
Advocacy	15,268	-
In-home Cognitive Behavior	-	25,000
Endowment earnings (Note L)	343,569	-
Total	$ 633,393	$ 565,642

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Amounts released from restriction at December 31 were as follows:

	2013	2012
Doris Duke-Crisis Grant	$ 169,188	$ -
Healthy Families America	77,842	78,864
Communities Take Action for Kids	27,829	86,465
Learning Circle to Prevent Child Sexual Abuse	10,807	5,193
Publications	4,025	-
In-home Cognitive Behavior	-	15,943
Bullying Prevention	50,595	6,904
Economic Impact	-	9,250
Enough Abuse Campaign	-	7,189
Advocacy	7,732	-
Total	$ 348,018	$ 209,808

Note F - Investments and Fair Value Measurement

The components of Prevent Child Abuse America's investments consist of the following at December 31:

	2013	2012
Money market funds	$ 35,820	$ 159,889
Equity mutual funds	1,633,714	289,954
Fixed-income mutual funds	1,282,879	831,858
Equity securities	391,156	1,512,323
Corporate bonds	-	100,143
Government bonds	-	50,818
	$ 3,343,569	$ 2,944,985

The following schedule summarizes the investment return and its classification in the statement of activities as of December 31:

	2013	2012
Dividends and interest, net of investment fees of $4,840 and $4,999, respectively	$ 75,064	$ 88,285
Change in market value	347,641	181,738
Total return on investments	422,705	270,023
Investment return designated for current operations	(79,136)	(20,000)
Investment return in excess of amounts designated for current operations	$ 343,569	$ 250,023

In accordance with GAAP, Prevent Child Abuse America prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy and those investments included in each are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that Prevent Child Abuse America has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for substantially the entire period for the asset or liability and market-corroborated inputs.

Level 3: Inputs to valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Note F - Investments and Fair Value Measurement (Continued)

At December 31, 2013 and 2012, Prevent Child Abuse America's investments in mutual funds and equity securities are measured at fair value based on quoted market prices for actively traded securities (Level 1). Fair value of fixed income securities are based on estimates using current market inputs for similar financial instruments with comparable terms and credit quality (Level 2).

Note G - Furniture and Equipment

Furniture and equipment at December 31 consists of:

	2013	2012
Furniture and other furnishings	$ 114,864	$ 114,864
Equipment	75,196	75,196
	190,060	190,060
Less accumulated depreciation	166,551	149,248
	$ 23,509	$ 40,812

Depreciation expense was $17,303 and $18,674 for the years ended December 31, 2013 and 2012, respectively.

Prevent Child Abuse America leases certain equipment under terms of capital leases. The economic substance of the leases is that Prevent Child Abuse America is financing the acquisition of the assets through the lease, and, accordingly, the related assets and liabilities have been recorded in the statement of financial position. During 2010, Prevent Child Abuse America entered into a new leasing agreement which expires in 2015. As part of the leasing agreement Prevent Child Abuse America also obtained a loan from the leasing company in the amount of $46,853. The loan has the same terms as the equipment lease.

The following is a schedule of future minimum lease and loan payments required under the agreement together with their present value as of December 31, 2013:

Year ended December 31, 2014	$ 29,688
Year ended December 31, 2015	17,318
	47,006
Less amount representing interest	4,628
Present value of minimum lease payments	$ 42,378

Note H - In-Kind Contributions

Prevent Child Abuse America receives contributed services. These donated services had a fair value of $12,125 and $33,062 in 2013 and 2012, respectively and is recorded as corporations, foundation and association revenue in the statements of activities.

Note I - Related Party Transactions

Prevent Child Abuse America received $526,299 and $449,152 in 2013 and 2012, respectively of support from Prevent Child Abuse America's Board of Directors and corporations that employ members of Prevent Child Abuse America's Board of Directors.

Note J - Retirement Plan

Prevent Child Abuse America has a defined contribution retirement plan that covers substantially all employees. Prevent Child Abuse America funds the plan through annual contributions based upon a fixed percentage of eligible employees' salaries. The contributions for 2013 and 2012 were suspended.

Note K - Commitments

Office Lease
Prevent Child Abuse America is obligated under terms of a lease which expires February 28, 2015 for office space located in Chicago, Illinois. Under terms of the lease agreement, Prevent Child Abuse America pays monthly base rent of $5,500. The base rent escalates by 4% per annum. Rent expense recorded for the years ended December 31, 2013 and 2012 was $58,657 and $47,862, respectively. Future minimum base lease payments are as follows:

2014	$	64,480
2015		10,816
	$	75,296

Event Contract
Prevent Child Abuse America entered into a contract for future conferences. In the event the conference is cancelled, Prevent Child Abuse America can be held liable for liquidated damages. The potential liability at December 31, 2013, in the event of cancellation is $20,730.

Note L - Endowments

Prevent Child Abuse America's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of Prevent Child Abuse America has interpreted the Illinois Uniform Management of Institutional Funds Act (UMIFA) 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, Prevent Child Abuse America 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, if so restricted by the donor or unrestricted net assets. In accordance with UMIFA, Prevent Child Abuse America considers the following factors in making a determination of the amount to appropriate for current operations:

(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; and
(7) The investment policies of the organization.

Endowment funds net asset composition by type of fund at December 31 were:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 343,569	$ 3,000,000	$ 3,343,569
Total funds	$ -	$ 343,569	$ 3,000,000	$ 3,343,569

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (55,015)	$ -	$ 3,000,000	$ 2,944,985
Total funds	$ (55,015)	$ -	$ 3,000,000	$ 2,944,985

Note L - Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2013 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (55,015)	$ -	$ 3,000,000	$ 2,944,985
Investment return:				
Investment income	-	75,065	-	75,065
Net appreciation (realized and unrealized)	-	347,641	-	347,641
Total investment return	-	422,706	-	422,706
Replenishment of unrestricted borrowings	55,015	(55,015)	-	-
Appropriation of endowment assets for 2013 expenditure	-	(24,122)	-	(24,122)
Endowment net assets, end of year	$ -	$ 343,569	$ 3,000,000	$ 3,343,569

Changes in endowment net assets for the year ended December 31, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (305,038)	$ -	$ 3,000,000	$ 2,694,962
Investment return:				
Investment income	-	88,285	-	88,285
Net appreciation (realized and unrealized)	-	181,738	-	181,738
Total investment return	-	270,023	-	270,023
Replenishment of unrestricted borrowings	270,023	(270,023)	-	-
Appropriation of endowment assets for 2012 expenditure	(20,000)	-	-	(20,000)
Endowment net assets, end of year	$ (55,015)	$ -	$ 3,000,000	$ 2,944,985

All permanently restricted net assets are required to be retained permanently either by explicit donor stipulation or by UMIFA at December 31, 2013 and 2012.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires Prevent Child Abuse America to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were $0 and $55,015 as of December 31, 2013 and 2012, respectively.

Note L - Endowments (Continued)

Return Objectives and Risk Parameters
Prevent Child Abuse America 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 historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or until as used per donor specifications as well as board designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce results that exceed the rolling three year return of a weighted benchmark including the Standard & Poor's SOD index for domestic equity securities and the Morgan Stanley Capital International Non-U.S. index for international equity investments while assuming a moderate level of investment risk. Prevent Child Abuse America expects its endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation as measured in the CPI by 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, Prevent Child Abuse America 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). Prevent Child Abuse America targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The board of directors annually appropriates a portion of the total return on its investments to current operations. Under Prevent Child Abuse America's policy, $24,122 and $20,000 of endowment earnings in 2013 and 2012, respectively, were appropriated to support current operations. In determining the amount to appropriate, the Directors consider the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the preservation of the fair value of the original gift held in perpetuity or for a specified term as well as to provide predictable amount of funds for current operations. The total return on endowment funds are reduced by investment fees incurred related to those funds.