BUFFALO BILL MEMORIAL ASSOCIATION

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 1002
175 N 27th Street
Billings, MT 59101

Independent Auditors' Report

The Board of Trustees
Buffalo Bill Memorial Association:

We have audited the accompanying financial statements of Buffalo Bill Memorial Association, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 U.S. generally accepted accounting principles; 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Buffalo Bill Memorial Association as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

June 13, 2018

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Financial Position

December 31, 2017 and 2016

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	3,116,200	2,281,427
Accounts receivable		261,929	319,779
Inventories		1,729,688	850,691
Prepaid expenses		139,987	220,223
Current portion of contributions receivable		1,251,316	1,284,601
Total current assets		6,499,120	4,956,721
Noncurrent assets:			
Contributions receivable, less current portion		2,975,127	1,981,902
Investments		64,984,562	51,866,958
Property and equipment, net		33,563,665	32,691,209
Collections		88,896,658	88,670,071
	$	196,919,132	180,166,861
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	729,756	450,237
Total current liabilities		729,756	450,237
Net assets:			
Unrestricted		24,512,388	19,260,926
Temporarily restricted		122,012,022	116,472,393
Permanently restricted		49,664,966	43,983,305
Total net assets		196,189,376	179,716,624
	$	196,919,132	180,166,861

See accompanying notes to financial statements.

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Activities

Years ended December 31, 2017 and 2016

	2017	2016
Changes in unrestricted net assets:		
Revenue and investment income:		
Contributions	$ 5,508,210	2,867,613
Contributed services and property	1,268,108	362,076
Admissions charges	2,442,703	2,408,913
Auxiliary activities	2,897,877	3,160,569
Fees	217,884	220,448
Investment income (net of investment expense of $107,015 and $130,518 in 2017 and 2016, respectively)	561,037	384,618
Realized and unrealized gains and losses on investments, net	1,974,003	503,497
Other	38,489	2,293
Total unrestricted revenue and investment income	14,908,311	9,910,027
Net assets released from restrictions:		
Satisfaction of time and program restrictions	3,867,631	4,082,699
Total unrestricted revenue, investment income, and net assets released from restriction	18,775,942	13,992,726
Expenses, losses, and reclassifications:		
Curatorial and conservation	1,690,567	1,416,068
Collections and exhibits	1,461,238	1,821,695
Research activities	569,222	483,348
Membership activities	27,835	30,195
Educational programs	719,736	749,202
General and administrative	1,931,568	2,730,890
Physical plant and security	2,989,221	2,974,708
Fund-raising activities	1,486,944	1,405,053
Auxiliary activities	2,633,053	2,032,560
Reclassification from unrestricted net assets used to acquire property and equipment	15,096	118,941
Interest expense	—	23,723
Total expenses, losses, and reclassifications	13,524,480	13,786,383
Change in unrestricted net assets	5,251,462	206,343
Changes in temporarily restricted net assets:		
Contributions	4,458,157	3,245,801
Contributed services and property	3,605	2,456
Contributed collections	199,725	609,106
Auxiliary activities	22,000	85,394
Investment income (net of investment expense of $120,076 and $147,517 in 2017 and 2016, respectively)	589,867	388,632
Realized and unrealized gains and losses on investments, net	4,052,618	1,124,888
Gain (loss) on disposal of property and equipment	127,392	(28,488)
Reclassification to temporarily restricted net assets used to acquire property and equipment	15,096	118,941
Reclassification of permanently restricted net assets to temporarily restricted net assets	(61,200)	—
Net assets released from restrictions	(3,867,631)	(4,082,699)
Change in temporarily restricted net assets	5,539,629	1,464,031
Changes in permanently restricted net assets:		
Contributions	3,518,868	5,204,571
Reclassification of permanently restricted net assets to temporarily restricted net assets	61,200	—
Realized and unrealized gains and losses on investments, net	2,101,593	611,624
Change in permanently restricted net assets	5,681,661	5,816,195
Change in net assets	16,472,752	7,486,569
Net assets at beginning of year	179,716,624	172,230,055
Net assets at end of year	$ 196,189,376	179,716,624

See accompanying notes to financial statements.

BUFFALO BILL MEMORIAL ASSOCIATION

Statements of Cash Flows

Years ended December 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	16,472,752	7,486,569
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		1,421,957	1,613,332
Realized and unrealized gains and losses on investments, net		(8,128,214)	(2,240,009)
(Gain) loss on disposal of property and equipment and collections		(127,393)	28,488
Deaccession of collections		—	25,628
Contributions of collections, services, and property		(1,471,438)	(973,638)
Contributions restricted for long-term investment		(3,518,868)	(5,204,571)
Changes in:			
Accounts receivable		57,850	184,811
Inventories		(878,997)	(103,655)
Prepaid expenses		80,236	(95,218)
Contributions receivable		(959,940)	140,644
Accounts payable and accrued expenses		279,519	116,326
Net cash provided by operating activities		3,227,464	978,707
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		14,165,165	10,731,563
Purchases of investments		(19,154,555)	(12,217,902)
Purchases of property and equipment		(1,111,166)	(2,617,730)
Purchases of collections		(31,863)	(503,507)
Proceeds from the sale of property plant and equipment and collections		220,860	—
Net cash used in investing activities		(5,911,559)	(4,607,576)
Cash flows from financing activities:			
Contributions restricted for long-term investment		3,518,868	5,204,571
Payments on revolving line of credit		(1,225,000)	(3,735,000)
Draws on revolving line of credit		1,225,000	3,735,000
Repayment of note payable		—	(137,500)
Net cash provided by financing activities		3,518,868	5,067,071
Net change in cash and cash equivalents		834,773	1,438,202
Cash and cash equivalents, beginning of year		2,281,427	843,225
Cash and cash equivalents, end of year	$	3,116,200	2,281,427
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	4,481	23,723
Non-cash investing activity:			
Transfer of investments between alternative investment funds	$	3,441,324	—

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Buffalo Bill Memorial Association (the Association), also known as Buffalo Bill Center of the West, located in Cody, Wyoming, is a not-for-profit entity, which serves the public by advancing knowledge about the American West through acquiring, exhibiting, and interpreting collections of artifacts and preserving their physical and contextual integrity. The Association depends upon contributions from the public, admissions charges, and auxiliary activities (museum gift shop and restaurant) to fund current operations.

(b) Basis of Presentation

The Association classifies net assets, revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets are those subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use the total return earned, including realized and unrealized gains, on related investments for general or specific purposes. A limited number of donors only allow the Association to use interest and dividend income on related investments for general or specific purposes.

Temporarily restricted net assets are those subject to donor-imposed stipulations that may or will be met by actions of the Association and/or the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Unrestricted net assets are those not subject to donor-imposed stipulations and donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is made.

A donor's gift may impose restrictions on otherwise unrestricted net assets. Such restrictions result in a reclassification of unrestricted net assets to permanently restricted or temporarily restricted net assets depending on the nature of the restriction.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

(c) Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(d) Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give

(Continued)

are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using a risk-adjusted interest rate applicable at the time the contribution is received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

It is the policy of the Association to report contributions of buildings and equipment as temporarily restricted support unless explicit donor stipulations specify that the donated assets are permanently restricted. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expiration of restrictions as the donated or acquired long-lived assets are depreciated.

The Association reports contributions of collection items as temporarily restricted support unless explicit donor stipulations specify that the donated collections are permanently restricted. Absent explicit donor stipulations about how long those collections must be maintained, the Association reports expiration of restrictions as the donated or acquired collections are deaccessioned.

The Association receives contributions in the form of donated securities. It is the policy of the Association to immediately sell the donated securities once received.

(e) Inventories

Inventories consist of museum gift shop merchandise, publications, and food inventory for resale to the public. Inventories are valued at the lower of cost, computed on a weighted average, or net realizable value.

(f) Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which generally approximates 15 to 75 years for buildings, 10 to 20 years for improvements, and 3 to 20 years for equipment. Applicable interest charges incurred during the construction of facilities are capitalized as one of the elements of cost. The Association capitalized interest expense of $4,481 and $0 for the year ended December 31, 2017 and 2016, respectively. Repairs and maintenance costs are expensed as incurred.

(g) Collections

The Association has adopted a full capitalization policy and capitalizes purchased collections at cost. Collections acquired by donation are capitalized at estimated fair value at the date of donation. Proceeds from collection items sold are used to purchase other items for collections or for the maintenance of collections following the guidelines of the American Alliance of Museums.

(h) Investments

The Association reports its investment securities at estimated fair value with unrealized gains and losses included in the statements of activities.

The Association’s investment in offshore investment funds of funds are presented in the accompanying financial statements at estimated fair value based on the net asset value of the funds, which represents the Association’s interest in the underlying assets of the funds.

The Association has the intent and ability to hold its investments for greater than one year. Accordingly, all investments are classified as long term.

(i) Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based upon management's assessment of the collectibility of accounts and contributions receivable. No allowance for doubtful accounts was recorded at December 31, 2017 or 2016.

(j) Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income from catering activities and the sale of certain items by the Association's gift shop. Income taxes related to these sales were not material during the years ended December 31, 2017 and 2016.

The Association accounts for uncertainty in income taxes using a more-likely than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria. Based on an analysis prepared by the Association, there were no uncertain tax positions at December 31, 2017 or 2016.

(k) Use of Estimates

The preparation of the financial statements requires management of the Association to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation of investments, valuation allowances for accounts and contribution receivables, net realizable value of inventory, and valuation of donated collections. Actual results could differ from those estimates.

(l) Impairment of Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no long-lived assets that were considered impaired at December 31, 2017 or 2016.

(m) Newly Issued Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires 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 ASU will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles (U.S. GAAP) when it becomes effective. The new standard is effective for the Association on January 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Association is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet finished evaluating the overall impact of the standard. The Association has not selected a transition method.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU simplifies the classification of net assets and improves the disclosure of information a not-for-profit entity presents about its liquidity, financial performance and cash flows. The provisions of this ASU are effective for fiscal years beginning after December 15, 2017. This ASU requires a retrospective application of its provisions upon adoption. The Association is continuing to evaluate the effects the adoption of this standard will have on the financial statements and accompanying disclosures. The most significant impact will be to report net assets in two classes, net assets without donor restrictions and net assets with donor restrictions in the balance sheets and statements of operations and changes in net assets, rather than the current presentation of unrestricted, temporarily restricted and permanently restricted net assets. In addition, upon adopting this standard, the Association will provide additional disclosures in the notes to the financial statements to report expenses by both functional and natural classifications.

(2) Contributions Receivable

Unconditional promises to give at December 31 are as follows:

		2017	2016
Total unconditional promises to give	$	5,056,315	3,360,094
Less discount		(829,872)	(93,591)
Total net contributions receivable		4,226,443	3,266,503
Less current portion		(1,251,316)	(1,981,902)
Long-term portion	$	2,975,127	1,284,601

Unconditional promises to give due in more than one year at the dates presented are recorded at their present value discounted at rates between 3.75% and 3.50% for both 2017 and 2016. The unamortized discount is $829,872 and $93,591 at December 31, 2017 and 2016, respectively. The accretion of the discount in subsequent years is reported as additional contributions in the net asset class in which the original promise to give was made.

Contributions receivable (undiscounted) at December 31, 2017 are scheduled to be collected as follows:

Year:	
2018	$ 1,251,316
2019	520,249
2020	334,750
2021	250,000
2022	—
Thereafter	2,700,000
	$ 5,056,315

(3) Investments

Investments by investment type at December 31 consist of the following:

	2017	2016
Mutual funds	$ 47,704,289	26,058,028
Corporate Stocks	—	6,492,398
Investments in offshore investment of funds	10,829,773	9,804,863
Fixed-income securities	3,947,904	2,075,422
U.S. government debt securities	1,490,460	6,558,590
Other (including agency endowment)	1,012,136	877,657
	$ 64,984,562	51,866,958

In 1995, the Association established an agency endowment with the Wyoming Community Foundation. Under this arrangement, the Association granted the Wyoming Community Foundation variance power whereby the board of directors of the Wyoming Community Foundation has the power and the duty to modify any restriction or condition on the distribution of funds for any specified charitable purpose if, in the sole judgment of the Wyoming Community Foundation’s board of directors, such restriction or condition becomes in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the State of Wyoming. However, as a further condition on this gift, in the event the Wyoming Community Foundation ceases to exist, the principle of the fund shall remain intact and be transferred to another cultural organization within the state of Wyoming.

The carrying amount of the investment in the Wyoming Community Foundation is $968,845 and $877,657 at December 31, 2017 and 2016, respectively. This investment is recorded in investments as a beneficial interest in assets held by others.

The Association has invested in offshore investment funds of funds, which invest in a diversified group of pooled funds domiciled both within and outside the United States. These investments are valued at $10,829,773 and $9,804,863 at December 31, 2017 and 2016, respectively. The funds’ estimated fair value is based on the net asset value of the funds, which represents the Association’s interest in the underlying assets of the funds. There is a possibility that actual sales of the funds would not occur at the net asset value. There are no restrictions at December 31, 2017 that would preclude redemption by the Association.

Furthermore, there are no terms or conditions that would temporarily preclude redemption by the Association in the future.

The Association received gifts of securities valued at $171,286 and $1,544,943, which were immediately converted to cash and included in contributions in the statements of activities during the years ended December 31, 2017 and 2016, respectively.

Investment income and gains and losses on investments included in the statements of activities for the years ended December 31 consist of the following:

		2017	2016
Realized gain on investments	$	4,703,591	4,747,770
Unrealized gains (losses) on investments		3,424,623	(2,507,761)
Dividends and interest		1,377,995	1,051,285
	$	9,506,209	3,291,294

(4) Property and Equipment, net

Property and equipment, net at December 31 are summarized as follows:

		2017	2016
Land, buildings, and improvements	$	58,913,355	57,511,594
Furniture, fixtures, and equipment		2,521,505	2,311,728
Construction in progress		795,790	226,862
		62,230,650	60,050,184
Less accumulated depreciation		(28,666,985)	(27,358,975)
	$	33,563,665	32,691,209

Depreciation expense was $1,421,957 and $1,613,332 for the years ended December 31, 2017 and 2016, respectively.

(5) Collections

Collections at cost as of December 31 are summarized as follows:

		2017	2016
Artifacts, photos, memorabilia, etc.	$	55,666,317	55,463,330
Art and bronzes		33,230,341	33,206,741
	$	88,896,658	88,670,071

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(6) Revolving Lines of Credit

The Association had a $1.3 million unsecured line of credit bearing interest at the greater of the Prime Rate or 3.50%. The line of credit was renewed on September 15, 2017, increasing the unsecured line of credit to $2.0 million, bearing interest at the greater of the Prime Rate or 4.25% (4.25% at December 31, 2017) payable at maturity. The line of credit matures on October 1, 2019. No amounts were outstanding and $2.0 million and $1.3 million was available at December 31, 2017 and 2016, respectively.

(7) Contributed Services and Property

The Association records contributed services at fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. The Association records contributed property at estimated fair value at the date of contribution. Following is a summary of the nature of contributed services and property and their fair value during the years ended December 31:

		2017	2016
Accounting services	$	12,000	12,000
Program-related services and property		1,259,713	352,532
	$	1,271,713	364,532

The Association also receives contributions of services that do not meet the criteria for recognition in the financial statements. Following is a summary of the nature and fair values of contributed services not recognized during the years ended December 31 (unaudited):

		2017	2016
Curatorial services	$	53,571	52,947
Education docents services		37,423	48,246
Event support services		12,297	28,421
Administrative services		1,734	3,827
	$	105,025	133,441

(8) Temporarily Restricted Net Assets

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

		2017	2016
Collections	$	91,803,412	90,814,573
Physical plant and security		21,178,820	19,083,201
Educational programs		4,120,267	3,064,674
Curatorial and conservation		3,373,543	1,989,369
Research activities		1,170,431	1,277,997
General and administrative		365,549	242,579
	$	122,012,022	116,472,393

(9) Permanently Restricted Net Assets

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

		2017	2016
Investments in perpetuity, the interest and dividend income from which is expendable to support:			
General and administrative	$	16,851,885	14,750,293
Investments in perpetuity, the interest and dividend income and capital gains from which are expendable to support:			
General and administrative		8,370,718	6,552,439
Collections		2,976,777	2,227,103
Curatorial and conservation		19,292,597	18,280,481
Educational programs		2,016,225	2,016,225
		32,656,317	29,076,248
Land required to be used for museum buildings		156,764	156,764
	$	49,664,966	43,983,305

(10) Endowment and Quasi-Endowment Funds

The Association follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-250-45, *Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*. The provision provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). The State of Wyoming has enacted a version of UPMIFA. A key component of the provision is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the provision is a requirement for expanded disclosures about all endowment funds.

The Association's endowment consists of approximately 45 funds established for a variety of purposes. Its endowment includes both donor-restricted and governing-board-designated endowment funds and funds to be held for more than one year, which are subject to the investment policy. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Association's management has interpreted the UPMIFA enacted in the state of Wyoming 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 Association classifies as permanently restricted net assets (a) the original value of the 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 (primarily realized and unrealized gains and losses and investment income) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Endowment net asset composition by type of fund consists of the following as of December 31, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	9,461,421	44,205,033	53,666,454
Board-designated endowment funds		10,305,972	—	—	10,305,972
Total endowment net assets	$	10,305,972	9,461,421	44,205,033	63,972,426

Endowment net asset composition by type of fund consists of the following as of December 31, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	4,397,605	36,982,788	41,380,393
Board-designated endowment funds		9,566,009	—	—	9,566,009
Total endowment net assets	$	9,566,009	4,397,605	36,982,788	50,946,402

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2016	$	9,566,009	4,397,605	36,982,788	50,946,402
Investment return:					
Investment income		527,646	575,646	—	1,103,292
Net realized and unrealized gains		1,974,361	3,946,261	2,101,593	8,022,215
Total investment return		2,502,007	4,521,907	2,101,593	9,125,507
Appropriation of endowment assets for expenditures		(2,145,194)	(264,504)	—	(2,409,698)
Contributions		383,150	806,413	5,120,652	6,310,215
Endowment net assets, December 31, 2017	$	10,305,972	9,461,421	44,205,033	63,972,426

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2015	$	9,800,926	3,400,759	34,062,680	47,264,365
Investment return:					
Investment income		514,646	502,125	—	1,016,771
Net realized and unrealized gains		503,008	1,059,022	611,625	2,173,655
Total investment return		1,017,654	1,561,147	611,625	3,190,426
Appropriation of endowment assets for expenditures		(1,586,001)	(564,301)	—	(2,150,302)
Contributions		333,430	—	2,308,483	2,641,913
Endowment net assets, December 31, 2016	$	9,566,009	4,397,605	36,982,788	50,946,402

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 requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature are reported as reductions in unrestricted net assets. At December 31, 2017, there were no funds with deficiencies. At December 31, 2016, as a result of net realized and unrealized losses on investments, the aggregate amount by which the fair value of the permanently restricted assets was less than the level required by donor stipulations was $34,205. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters – The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The Association seeks to earn a long-term total rate of return sufficient to produce realistic growth of endowment assets net of spending requirements, inflation, and investment expenses. The benchmark consists of the common industry benchmarks for the individual asset classes weighted according to the asset allocation policy. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Association 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 Association targets a diversified asset allocation that places an emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

(Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Association has a policy of appropriating for distribution each year 4.5% to 5.5% of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considers the long-term expected return on its endowment. Since inception in January of 1980, the compound annual rate of return has been 11.9% after spending. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The effective spending rate for 2017 and 2016 was 4.7% and 4.5%, respectively.

Substantially all investments of the Association held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

(11) Related Parties

Board members made contributions totaling $1,598,353 and $5,446,061 for the years ended December 31, 2017 and 2016, respectively. Some of these contributions are in the form of a contribution receivable. Contributions receivable from board members were $714,413 and $2,161,067 at December 31, 2017 and 2016, respectively, and are included in contributions receivable on the statements of financial position.

(12) Employee Benefit Plans

The Association sponsors a 403(b) retirement plan for the participation of eligible employees. All employees are eligible to defer salary dollars within the limits determined by the Internal Revenue Service. Employees who complete one year of service and work at least 1,000 hours are eligible for an Association-funded matching contribution. The Association matches the employee's deferral of up to 4% of salary. The Association made matching contributions of $131,581 and $119,052 in 2017 and 2016, respectively.

The Association has a medical benefit plan covering full-time employees of the Association and their dependents. The plan is a primarily self-funded plan under which participant claims are obligations of the plan. The plan is funded through employer and employee contributions at a level sufficient to pay for the benefits provided by the plan. The Association made contributions of $908,702 in 2017 and $1,121,210 in 2016 to the plan. The plan maintained individual stop-loss insurance policies of $50,000 in 2017 and 2016. The plan maintained aggregate stop-loss insurance policies of $1,393,858 in 2017 and $1,339,095 in 2016 (based on actual plan participants, adjusted monthly), to mitigate losses. There was no liability recorded at December 31, 2017 for incurred but not reported medical expenses as the Association reached the plan's aggregate stop-loss limit on the plan during the year.

(13) Fair Value Measurements

The Association is required to disclose the fair value for financial instruments, whether or not recognized in the statements of financial position. A financial instrument is defined as cash, evidence of an ownership interest in an entity, or a contract that both imposes a contractual obligation on one entity to deliver cash or another financial instrument to a second entity. The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

Financial Assets. Due to the liquid nature of the instruments, the carrying value of cash and cash equivalents approximates fair value. For the Association's equity investments, the fair value is based upon quoted market prices. The offshore investment funds of funds are valued at the net asset value of the fund. The remaining investments are valued using observable inputs other than quoted prices. The fair value of accounts and interest receivable approximates book value as the Association expects contractual receipt in the near-term. The fair value of contributions receivable approximates book value as the Association records contributions receivable at their present value.

Financial Liabilities. The fair value of accounts payable, accrued expenses, and accrued interest approximates book value due to contractual payment in the near term. The note payable approximates fair value as the interest rate is materially consistent with the current interest rate environment.

Limitations. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Association's entire holdings of a particular instrument. Because no market exists for a portion of the Association's financial instruments, fair value estimates are based on judgments regarding comparable market interest rates, future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. A three-level hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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 the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Association follows the measurement provisions of FASB ASC 820-10-35-59, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, for certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. The carrying value at December 31, 2017 and 2016 of investments valued using these measurements is $10,829,773 and $9,804,863, respectively.

Although the fund manager uses its best judgment in estimating the fair value of investments in investment funds, there are inherent limitations in any estimation technique. Therefore, the net asset values presented are not necessarily indicative of the amount that the fund could realize in a current transaction. These estimated values may differ significantly from the values that would have been used had a ready market for the investments in investment funds existed and the difference could be material. Some of the factors considered by the fund manager in valuing the investment funds are types of investments owned by the investment funds, information contained in audited financial statements, and other relevant matters.

The Association's offshore funds contain certain redemption and lock-up provisions. The initial lock-up period for the offshore funds is one year. The lock-up period has passed in both 2016 and 2017 for the Association's offshore funds as the funds have been held for over one year. There is a quarterly liquidity provision that is allowed with a 60-day notice based on calendar-year quarters. There are no limitations to liquidating the funds. However, in the case of a full liquidation, 90% of the funds are disbursed at the requested quarter-end. The remaining 10% of the funds can be redeemed after the completion of the funds' audited financial statements.

(Continued)

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2017 consisted of the following:

		Fair value measurements		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Equity securities	$ 47,704,289	47,704,289	—	—
U.S. government debt securities	1,490,460	1,490,460	—	—
Fixed-income securities	3,947,904	—	3,947,904	—
Agency endowment	968,845	—	968,845	—
Other	43,291	—	43,291	—
	54,154,789	49,194,749	4,960,040	—
Offshore investments fund of funds (at net asset value)	10,829,773			
	$ 64,984,562			

Financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016 consisted of the following:

		Fair value measurements		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Equity securities	$ 32,507,528	32,507,528	—	—
U.S. government debt securities	6,558,590	6,558,590	—	—
Fixed-income securities	2,075,422	—	2,075,422	—
Agency endowment	877,657	—	877,657	—
Other	42,898	—	42,898	—
	42,062,095	39,066,118	2,995,977	—
Offshore investments fund of funds (at net asset value)	9,804,863			
	$ 51,866,958			

(14) Subsequent Events

Management has updated their evaluation of conditions and events existing that would require adjustment to or disclosure in the financial statements through June 13, 2018 the date the financial statements were available to be issued.