Vascular Cures

Combined Financial Statements

For the year ended

June 30, 2018

With Independent Auditors' Report Thereon

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

(A California Not-For-Profit Corporation)
June 30, 2018

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VASCULAR CURES AND PACIFIC VASCULAR RESEARCH INSTITUTE
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Vascular Cures And Pacific Vascular Research Institute

We have audited the accompanying combined financial statements of Vascular Cures And Pacific Vascular Research Institute (a California nonprofit organization) which comprise the combined statement of financial position as of June 30, 2018 and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Vascular Cures And Pacific Vascular Research Institute 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.

Other Matters
The combined financial statements of Vascular Cures And Pacific Vascular Research Institute as of and for the year ended June 30, 2017 were audited by another auditor whose report dated February 2, 2018 expressed an unmodified opinion on those statements. 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 combined financial statements from which it has been derived.

Regalia & Associates

Danville, California
February 22, 2019

Combined Statements of Financial Position
June 30, 2018 and 2017

ASSETS

	2018	2017
Current Assets:		
Cash and cash equivalents	$ 302,576	$ 127,464
Restricted cash and cash equivalents	107,901	178,325
Contributions receivable	204,100	411,100
Investments	2,142,643	2,254,055
Prepaid expenses	2,836	6,821
Total current assets	2,760,056	2,977,765
Noncurrent Assets:		
Contributions receivable, net of discount	-	33,962
Property and equipment, net	4,427	6,944
Total noncurrent assets	4,427	40,906
Total Assets	$ 2,764,483	$ 3,018,671

LIABILITIES AND NET ASSETS

	2018	2017
Current Liabilities:		
Accounts payable and accrued liabilities	$ 11,005	$ 17,981
Accrued payroll liabilities	9,205	6,400
Total current liabilities	20,210	24,381
Net assets:		
Unrestricted	491,100	705,829
Temporarily restricted	750,673	785,961
Permanently restricted	1,502,500	1,502,500
Total net assets	2,744,273	2,994,290
	$ 2,764,483	$ 3,018,671

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:				
Revenue and support:				
Contributions	$ 321,135	$ 4,100	$ -	$ 325,235
In-kind revenue	18,705	-	-	18,705
Event income	178,173	-	-	178,173
Net investment income	1,624	158,074	-	159,698
Total unrestricted revenue and support	519,637	162,174	-	681,811
Net assets released from restriction	197,462	(197,462)	-	-
Change in unamortized discount	40,038	-	-	40,038
Total revenue and support	757,137	(35,288)	-	721,849
Expenses:				
Program Services:				
Wylie Scholar Program	150,949	-	-	150,949
Project Voice	207,424	-	-	207,424
Vascular Cures Research Network	261,944	-	-	261,944
Binkley Visiting Professor Program	10,463	-	-	10,463
Education and Community Awareness	122,246	-	-	122,246
Total Program Services	753,026	-	-	753,026
General and administrative	105,050	-	-	105,050
Fundraising	113,790	-	-	113,790
Total expenses	971,866	-	-	971,866
Decrease in net assets	(214,729)	(35,288)	-	(250,017)
Net assets at beginning of year	705,829	785,961	1,502,500	2,994,290
Net assets at end of year	$ 491,100	$ 750,673	$ 1,502,500	$ 2,744,273

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in unrestricted net assets:				
Revenue and support:				
Contributions	$ 111,083	$ 43,500	$ -	$ 154,583
In-kind revenue	20,885	-	-	20,885
Event income	135,019	-	-	135,019
Net investment income, net	171	252,121	-	252,292
Total unrestricted revenue and support	267,158	295,621	-	562,779
Net assets released from restriction	326,893	(326,893)	-	-
Total revenue and support	594,051	(31,272)	-	562,779
Expenses:				
Program Services:				
Wylie Scholar Program	153,430	-	-	153,430
Project Voice	174,932	-	-	174,932
Vascular Cures Research Network	285,476	-	-	285,476
Binkley Visiting Professor Program	12,400	-	-	12,400
Education and Community Awareness	191,192	-	-	191,192
Total Program Services	817,430	-	-	817,430
General and administrative	136,796	-	-	136,796
Fundraising	167,709	-	-	167,709
Total expenses	1,121,935	-	-	1,121,935
Decrease in net assets	(527,884)	(31,272)	-	(559,156)
Net assets at beginning of year	1,233,713	817,233	1,502,500	3,553,446
Net assets at end of year	$ 705,829	$ 785,961	$ 1,502,500	$ 2,994,290

Combined Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating activities:		
Decrease in net assets	$ (250,017)	$ (559,156)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	2,517	1,950
Bad debt expense	1,500	750
Net realized and unrealized investment gains	(115,587)	(216,346)
Dividends, net of investment management fees	(44,111)	(35,820)
Changes in:		
Restricted cash and cash equivalents	70,424	(46,070)
Contributions receivable	239,462	477,700
Prepaid expenses	3,985	246
Other assets	-	2,093
Accounts payable and accrued liabilities	(6,976)	(86,563)
Accrued payroll liabilities	2,805	-
Cash used for operating activities	(95,998)	(461,216)
Investing activities:		
Proceeds from disposition of investments	271,110	416,000
Cash provided by for investing activities	271,110	416,000
Increase (decrease) in cash and cash equivalents	175,112	(45,216)
Cash and cash equivalents at beginning of year	127,464	172,680
Cash and cash equivalents at end of year	$ 302,576	$ 127,464
Additional cash flow information:		
State registration taxes paid	$ 75	$ 75
Interest paid	$ -	$ -

Combined Statement of Functional Expenses
For the Year Ended June 30, 2018

	Vascular Cures Research Network	Project Voice	Wylie Scholar Program	Education and Community Awareness	Binkley Visiting Professor Program	Total Program Services	General and Administrative	Development	Total
Salaries and wages	$ 71,880	$ 144,314	$ 1,647	$ 74,264	$ -	$ 292,105	$ 44,946	$ 57,790	$ 394,841
Payroll taxes	5,098	10,222	114	5,254	-	20,688	3,155	4,090	27,933
Health insurance	5,723	11,610	130	5,936	-	23,399	3,616	4,619	31,634
Total salaries and benefits	82,701	166,146	1,891	85,454	-	336,192	51,717	66,499	454,408
Accounting	-	-	-	-	-	-	38,576	-	38,576
Bad debt expense	-	-	-	-	-	-	1,500	-	1,500
Bank and finance charges	27	-	-	-	-	27	76	8,963	9,066
Consulting	2,819	-	-	3,830	-	6,649	-	957	7,606
Depreciation	-	-	-	-	-	-	2,517	-	2,517
Events and activities	32,581	-	-	26,899	10,430	69,910	-	9,893	79,803
In-kind services and goods	-	-	-	-	-	-	-	18,705	18,705
Insurance	520	1,045	12	538	-	2,115	4,313	419	6,847
IT infrastructure	136	272	3	140	-	551	84	109	744
Marketing and communication	-	-	-	3,333	22	3,355	-	3,032	6,387
Miscellaneous	568	2,497	6	264	-	3,335	2,532	221	6,088
Office and supplies	386	498	2	96	11	993	596	104	1,693
Postage and shipping	80	618	47	-	-	745	44	845	1,634
Printing and reproduction	962	-	-	1,513	-	2,475	-	2,809	5,284
Rent	-	-	-	-	-	-	1,552	-	1,552
Research support	136,834	30,241	148,985	-	-	316,060	-	36	316,096
Telephone and internet	175	339	3	179	-	696	72	173	941
Travel, meals, and meetings	4,155	5,768	-	-	-	9,923	1,471	1,025	12,419
Totals	$ 261,944	$ 207,424	$ 150,949	$ 122,246	$ 10,463	$ 753,026	$ 105,050	$ 113,790	$ 971,866

Combined Statement of Functional Expenses
For the Year Ended June 30, 2017

	Vascular Cures Research Network	Project Voice	Wylie Scholar Program	Education and Community Awareness	Binkley Visiting Professor Program	Total Program Services	General and Administrative	Development	Total
Salaries and wages	$ 104,993	$ 89,047	$ 2,680	$ 56,653	$ -	$ 253,373	$ 40,270	$ 75,124	$ 368,767
Payroll taxes	7,322	6,153	131	3,937	-	17,543	3,416	3,639	24,598
Health insurance	9,611	8,277	185	5,237	-	23,310	1,984	5,041	30,335
Total salaries and benefits	121,926	103,477	2,996	65,827	-	294,226	45,670	83,804	423,700
Accounting	-	-	-	-	-	-	29,910	-	29,910
Bad debt expense	-	-	-	-	-	-	750	-	750
Consulting	22,576	6,968	-	42,047	-	71,591	20,471	45,750	137,812
Depreciation	-	-	-	-	-	-	1,875	-	1,875
Events and activities	-	-	-	38,177	10,000	48,177	-	22,746	70,923
In-kind services and goods	-	-	-	8,073	-	8,073	9,000	3,812	20,885
Insurance	586	505	11	320	-	1,422	3,810	308	5,540
Investment management fee	-	-	-	-	2,400	2,400	12,093	-	14,493
IT infrastructure	581	517	12	321	-	1,431	240	381	2,052
Marketing and communication	-	-	-	32,865	-	32,865	500	4,897	38,262
Miscellaneous	-	838	-	-	-	838	3,332	-	4,170
Office and supplies	882	2,684	15	493	-	4,074	(836)	467	3,705
Office infrastructure	-	-	-	1,106	-	1,106	440	1,963	3,509
Postage and shipping	-	684	61	488	-	1,233	572	346	2,151
Rent	2,012	2,151	64	1,281	-	5,508	2,204	1,641	9,353
Research database	10,575	-	-	-	-	10,575	-	-	10,575
Research support	124,812	53,750	150,000	-	-	328,562	18,418	-	346,980
Telephone and internet	328	316	8	194	-	846	413	221	1,480
Travel, meals, and meetings	1,198	3,042	263	-	-	4,503	2,427	1,373	8,303
Totals	$ 285,476	$ 174,932	$ 153,430	$ 191,192	$ 12,400	$ 817,430	$ 151,289	$ 167,709	$ 1,136,428

Notes to Combined Financial Statements
June 30, 2018 and 2017

1. Organization

Vascular Cures ("VC"), formerly the Pacific Vascular Research Foundation, is a nonprofit public benefit corporation that was incorporated in California on March 29, 1982. The organization changed its name in April 2008 to The Foundation for Accelerated Vascular Research, and then again on November 13, 2009 to Vascular Cures – The Foundation for Accelerated Vascular Research, and once again on April 1, 2010 to Vascular Cures.

VC is transforming vascular health through supporting innovative patient-centered research, catalyzing breakthrough collaborations and empowering people in their vascular health journeys. The organization has provided funding to 20 surgeon-scientists across North America through its Wylie Scholarship Programs and created (a) the Vascular Cures Research Network and Collaborative Patient-Centered Research Grants, and (b) Project Voice. VC initiated Project Voice to advance patient engagement and the use of patient-reported outcomes research, to improve patient-physician partnerships, and to bolster shared decision-making. VC receives financial support from the general public and grant giving institutions and foundations, and supports health programs and medical research in the area of vascular disease by the use of grants and contributions.

In July 1999, VC formed the Pacific Vascular Research Institute (the "Institute"), a nonprofit public benefit corporation. The Institute provides funds to a vascular research laboratory, known as the Laboratory for Accelerated Vascular Research ("LAVR"), within the Parnassus facilities of the University of California, San Francisco ("UCSF"). The Institute is managed by leaders of Vascular Cures and does not receive independent funding.

The accompanying combined financial statements include the accounts of VC and the Institute. All material intercompany transactions and accounts have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of VC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, VC is required to report 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.

Reclassifications
Certain reclassifications have been made to the 2017 financial statements in order to conform to the presentation used in 2018.

2. Summary of Significant Accounting Policies (*continued*)

Support and Revenue Recognition

VC records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when VC has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Cash and Cash Equivalents

VC considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. VC maintains its cash and equivalents in high quality financial institutions. At times, those balances may exceed federally insured limits. VC has not experienced any losses in such accounts.

Grants Receivable

Grants receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at their estimated net realizable value.

Functional Allocation of Expenses

The costs of providing VC's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment purchased by VC is stated at cost. Property and equipment donated to VC is recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of five to seven years.

Use of Estimates

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

2. Summary of Significant Accounting Policies (*continued*)

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, VC is required to report information regarding its exposure to various tax positions taken by VC and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that VC has adequately evaluated its current tax positions and has concluded that as of June 30, 2018 and 2017, VC does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

VC has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that VC continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

3. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2018 and 2017, respectively, include all funds in banks and money market mutual funds. The composition of cash and cash equivalents is as follows at June 30:

	2018	**2017**
Checking	**$ 98,208**	$ 36,630
Money market funds	**204,367**	90,834
Total cash and cash equivalents	**$ 302,575**	$ 127,464

<u>*Concentration*</u>: Certain deposits may exceed federally insured limits. VC attempts to minimize its credit risk associated with cash equivalents in the United States by utilizing highly rated financial institutions.

VC holds a separate cash account for the tracking and recording of the Wylie Scholar Program, a temporarily restricted account. All deposits are maintained in money market accounts, which mature in three months or less.

Notes to Combined Financial Statements

4. Investments

Investments consist of the following at June 30:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual funds principally invested in fixed income	$ 507,110	**$ 536,613**	$ 498,398	$ 552,922
Mutual funds principally invested in equities	1,082,223	**1,145,185**	946,967	1,050,563
Money market mutual funds	130,319	**130,319**	247,807	247,807
Exchange traded funds	312,353	**330,526**	363,046	402,763
Total investments	$ 2,032,005	**$ 2,142,643**	$ 2,056,218	$ 2,254,055

Composition of investment income is summarized as follows for the years ended June 30:

	2018	2017
Interest and dividends	**$ 58,885**	$ 50,439
Realized gains	**4,951**	18,510
Unrealized gains	**110,636**	197,836
Investment management fees	**(14,774)**	(14,493)
Total investment income (net)	**$ 159,698**	$ 252,292

5. Contributions Receivable

Grants receivable are expected to be collected as follows at June 30:

	2018	2017
Year ending June 30, 2018	**$ -**	$ 411,100
Year ending June 30, 2019	**204,100**	74,000
Subtotal	**204,100**	485,100
Less: Unamortized discount	-	(40,038)
Subtotal	**204,100**	445,062
Total amounts due within one year	**(204,100)**	(411,100)
Total grants receivable long-term (net)	**$ -**	$ 33,962

Contributions receivable represent funds due from various individuals and are reflected at their net realizable value. Bad debts are provided on the allowance method based on aging of the receivable and management's evaluation of outstanding receivables and past due balances. Bad debt expense amounted to $1,500 and $750 for the years ended June 30, 2018 and 2017, respectively.

6. Fair Value Measurements

Composition of selected assets utilizing fair value measurements at June 30, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
Restricted cash and cash equivalents	$ 107,901	$ -	$ 107,901	$ -
Contributions receivable	204,100	-	204,100	-
Mutual funds principally invested in fixed income	536,613	536,613	-	-
Mutual funds principally invested in equities	1,145,185	1,145,185	-	-
Money market mutual funds	130,319	130,319	-	-
Exchange traded funds	330,526	330,526	-	-
	$ 2,454,644	$ 2,142,643	$ 312,001	$ -

Composition of selected assets utilizing fair value measurements at June 30, 2017 is as follows:

	Totals	Level 1	Level 2	Level 3
Restricted cash and cash equivalents	$ 178,325	$ -	$ 178,325	$ -
Contributions receivable	445,062	-	445,062	-
Mutual funds principally invested in fixed income	552,922	552,922	-	-
Mutual funds principally invested in equities	1,050,563	1,050,563	-	-
Money market mutual funds	247,807	247,807	-	-
Exchange traded funds	402,763	402,763	-	-
	$ 2,877,442	$ 2,254,055	$ 623,387	$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets are valued based on "unobservable inputs," such as the organization's own estimates and pricing models.

7. Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Furniture and equipment	**$ 25,925**	$ 25,925
Software	**12,764**	12,764
Less: accumulated depreciation	**(34,261)**	(31,745)
Property and equipment, net	**$ 4,428**	$ 6,944

Depreciation expense amounted to $2,517 and $1,875 for the years ended June 30, 2018 and 2017, respectively.

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements.

Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate VC to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond VC's control, such as generosity of donors and general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts.

Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

9. In-Kind Revenue

VC received donated services and goods totaling $18,705 and $20,885 during the years ended June 30, 2018 and 2017, respectively, which are recorded as in-kind revenue in the combined statements of activities and changes in net assets and as in-kind services and goods in the combined statements of functional expenses. These donated services and goods consisted of the following for the years ended June 30:

	2018	2017
Goods	$ 18,705	$ 11,885
Services	-	9,000
Total in-kind	$ 18,705	$ 20,885

10. Retirement Plan

VC offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible for participation in the plan and are 100% vested in their deferred compensation balances. VC has the option of making contributions to the plan as determined annually by the organization's Board of Directors. During the years ended June 30, 2018 and 2017, VC did not make any matching contributions to the participating employee's salary deferrals.

11. Temporarily and Permanently Restricted Net Assets

VC recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30:

Restricted For:	2018	2017
Binkley Endowment (Visiting Professor Program)	$ 496,313	$ 476,667
Madden Endowment	189,484	168,240
Margaret N. Stiegele Endowment	64,876	90,283
Wylie Scholar Program	-	45,771
Future event	-	5,000
Total temporarily restricted net assets	$ 750,673	$ 785,961

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

Released From:	2018	2017
Binkley Endowment (Visiting Professor Program)	$ 10,430	$ 10,893
Madden Endowment	32,160	31,000
Margaret N. Stiegele Endowment	100,000	135,000
Wylie Scholar Program	49,872	150,000
Events	5,000	-
Total temporarily restricted net assets released	$ 197,462	$ 326,893

Included in permanently restricted net assets are net assets subject to donor-imposed stipulations that funds be maintained permanently by VC. Generally, the donors of these assets permit VC to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets consist of the following as of June 30:

Restricted For:	2018	2017
Madden Endowment	$ 502,500	$ 502,500
Margaret N. Stiegele Endowment	1,000,000	1,000,000
Total permanently restricted net assets	$ 1,502,500	$ 1,502,500

In accordance with ASC 958-205, composition of net assets is summarized as follows:

June 30, 2018:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 750,673	$ 1,502,500	$ 2,253,173

June 30, 2017:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 785,961	$ 1,502,500	$ 2,288,461

11. Temporarily and Permanently Restricted Net Assets *(continued)*

Changes in restricted net assets for the year ended June 30, 2018 are summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
Restricted net assets at beginning of year	$ 785,961	$ 1,502,500	$ 2,288,461
Donations	4,100	-	4,100
Investment income, net	44,111	-	44,111
Unrealized investment losses	113,963	-	113,963
Expenditures	(197,462)	-	(197,462)
Restricted net assets at end of year	$ 750,673	$ 1,502,500	$ 2,253,173

Changes in restricted net assets for the year ended June 30, 2017 are summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
Restricted net assets at beginning of year	$ 817,233	$ 1,502,500	$ 2,319,733
Donations	43,500	-	43,500
Investment income, net	35,775	-	35,775
Unrealized investment losses	216,346	-	216,346
Expenditures	(326,893)	-	(326,893)
Restricted net assets at end of year	$ 785,961	$ 1,502,500	$ 2,288,461

VC is subject to Uniform Prudent Management of Institutional Funds Act (and the California equivalent enacted by SB 1329 in California) which requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted Madden and Margaret N. Stiegele Endowments absent explicit donor stipulations to the contrary. VC therefore classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent Madden and Margaret N. Stiegele Endowments and (b) the original value of subsequent gifts to the permanent Madden and Margaret N. Stiegele Endowments.

The remaining portion of the donor-restricted Madden and Margaret N. Stiegele Endowments not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, VC considers the following factors in marking a determination to appropriate or accumulate donor-restricted endowment funds:

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

11. Temporarily and Permanently Restricted Net Assets (*continued*)

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 UPMIFA requires VC to retain as a fund of perpetual duration. In accordance with ASC 958.205.55.31, there were no deficiencies of this nature that are required to be reported in unrestricted net assets as of June 30, 2018 and 2017.

Although there were none at June 30, 2018 and 2017, future deficiencies could result from unfavorable market fluctuations that occurred after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. VC's investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of VC's management. Deficiencies of this nature, if any, will be reported in unrestricted net assets.

Return Objectives and Risk Parameters

VC has adopted an investment policy with the objective of capital preservation and long-term growth. Under this policy, the Madden, Binkley and Margaret N. Stiegele endowment assets are currently allocated 70% in stocks, 25% in fixed income securities and 5% in cash.

Strategies Employed for Achieving Objectives

VC's investment strategy involves under and over weighting various asset classes based on an assessment of the risk and return potential specific to each asset class at any point in time.

Spending Policy and How the Investment Objectives Relate to Spending Policy

VC has a policy such that a distribution each year of up to 5% of the average closing market value of the Madden Endowment investments may be considered for general operational use. This percentage may be adjusted up or down in the future in order to maintain a fiscally prudent program for distribution consistent with VC's objective to grow and conserve principal in the Madden Endowment. The Stiegele Endowment allows for spending earnings above the $1 million principal contribution.

The distributions for the Madden Endowment may be used for research or general operating expenses. The distributions for the Margaret N. Stiegele Endowment may be used for research purposes. The approval of such distribution is at the discretion of the board.

12. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, VC is required to record a liability for the estimated amounts of compensation for vacation and sick leave.

Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to $9,205 and $6,400 at June 30, 2018 and 2017, respectively, and are included with accrued payroll liabilities on the combined statements of financial position. No accrual has been established for any potential sabbatical costs as of June 30, 2018 or 2017.

13. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, VC has evaluated subsequent events through February 22, 2019, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.