

NATIONAL PEACE CORPS ASSOCIATION

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

To the Board of Directors
National Peace Corps Association
Washington, DC

We have audited the accompanying financial statements of National Peace Corps Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 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.

National Peace Corps Association
Independent Auditor's Report
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Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of National Peace Corps 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 accounting principles generally accepted in the United States of America.

Jane Marston & M^aQuade PA

Washington, DC
August 17, 2018

**NATIONAL PEACE CORPS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 259,774	\$ 73,192
Accounts receivable	71,222	178,581
Prepaid expenses	21,541	21,473
Total Current Assets	352,537	273,246
PROPERTY AND EQUIPMENT, NET	16,636	6,767
OTHER ASSETS		
Investments	841,291	720,821
Deposits	4,527	4,527
Total Other Assets	845,818	725,348
TOTAL ASSETS	\$ 1,214,991	\$ 1,005,361
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 105,706	\$ 166,690
Accrued expenses	26,417	23,595
Line of credit	36,984	41,692
Loan payable to related party	-	10,000
Deferred rent	10,275	16,040
Deferred revenue	23,740	10,100
Total Liabilities	203,122	268,117
NET ASSETS (DEFICIT)		
Unrestricted	(95,803)	(143,314)
Temporarily restricted	357,672	130,558
Permanently restricted	750,000	750,000
Total Net Assets	1,011,869	737,244
TOTAL LIABILITIES AND NET ASSETS	\$ 1,214,991	\$ 1,005,361

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

NATIONAL PEACE CORPS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 753,272	\$ 331,469	\$ -	\$ 1,084,741
Advertising	277,564	-	-	277,564
NST travel	143,912	-	-	143,912
Investment income, net	5,316	110,739	-	116,055
Conference	84,739	-	-	84,739
In-kind contributions	77,394	-	-	77,394
Subscription	74,065	-	-	74,065
Royalties	44,142	-	-	44,142
Other income	29,703	-	-	29,703
Membership dues	5,215	-	-	5,215
Net assets released from donor restrictions	215,094	(215,094)	-	-
Total Revenue and Support	1,710,416	227,114	-	1,937,530
EXPENSES				
Program Services:				
Educational	750,256	-	-	750,256
Membership	327,886	-	-	327,886
Publications	320,879	-	-	320,879
Total Program Services	1,399,021	-	-	1,399,021
Support Services:				
Fundraising	202,352	-	-	202,352
General and administration	61,532	-	-	61,532
Total Support Services	263,884	-	-	263,884
Total Expenses	1,662,905	-	-	1,662,905
CHANGE IN NET ASSETS	47,511	227,114	-	274,625
NET ASSETS (DEFICIT), beginning of year	(143,314)	130,558	750,000	737,244
NET ASSETS (DEFICIT), end of year	\$ (95,803)	\$ 357,672	\$ 750,000	\$ 1,011,869

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

**NATIONAL PEACE CORPS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 778,159	\$ 111,227	\$ -	\$ 889,386
Advertising	226,491	-	-	226,491
Conference	118,771	-	-	118,771
In-kind contributions	103,846	-	-	103,846
Royalties	94,015	-	-	94,015
Subscription	77,395	-	-	77,395
Investment income, net	633	47,779	-	48,412
Membership dues	44,111	-	-	44,111
Other income	20,225	-	-	20,225
Net assets released from donor restrictions	96,985	(96,985)	-	-
Total Revenue and Support	<u>1,560,631</u>	<u>62,021</u>	<u>-</u>	<u>1,622,652</u>
EXPENSES				
Program Services:				
Educational	532,969	-	-	532,969
Publications	341,690	-	-	341,690
Membership	296,006	-	-	296,006
Total Program Services	<u>1,170,665</u>	<u>-</u>	<u>-</u>	<u>1,170,665</u>
Support Services:				
Fundraising	281,211	-	-	281,211
General and administration	23,632	-	-	23,632
Total Support Services	<u>304,843</u>	<u>-</u>	<u>-</u>	<u>304,843</u>
Total Expenses	<u>1,475,508</u>	<u>-</u>	<u>-</u>	<u>1,475,508</u>
CHANGE IN NET ASSETS	85,123	62,021	-	147,144
NET ASSETS (DEFICIT), beginning of year	<u>(228,437)</u>	<u>68,537</u>	<u>750,000</u>	<u>590,100</u>
NET ASSETS (DEFICIT), end of year	<u>\$ (143,314)</u>	<u>\$ 130,558</u>	<u>\$ 750,000</u>	<u>\$ 737,244</u>

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

**NATIONAL PEACE CORPS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Educational	Membership	Publications	Total Program Services	Fundraising	General and Administration	Total Support Services	Total
Salaries	\$ 221,739	\$ 163,262	\$ 86,522	\$ 471,523	\$ 92,647	\$ 34,424	\$ 127,071	\$ 598,594
Benefits	40,078	29,915	12,848	82,841	16,998	9,570	26,568	109,409
Payroll taxes	17,304	12,642	6,730	36,676	7,282	2,646	9,928	46,604
Pension	7,606	4,981	1,333	13,920	2,048	1,060	3,108	17,028
Subtotal Personnel Expense	<u>286,727</u>	<u>210,800</u>	<u>107,433</u>	<u>604,960</u>	<u>118,975</u>	<u>47,700</u>	<u>166,675</u>	<u>771,635</u>
Consultants	9,236	21,269	86,814	117,319	338	37,807	38,145	155,464
NST travel	141,512	-	-	141,512	-	-	-	141,512
Food and lodging	70,136	285	-	70,421	18,582	426	19,008	89,429
In kind service	16,068	1,285	-	17,353	6,914	53,127	60,041	77,394
Printing	2,574	-	64,419	66,993	2,867	261	3,128	70,121
Occupancy	-	-	-	-	-	71,649	71,649	71,649
Information and technology	9,492	14,934	6,504	30,930	3,465	4,155	7,620	38,550
Bank fees and interest	9,630	392	2,394	12,416	8,849	11,856	20,705	33,121
Travel	76,814	11,497	29	88,340	6,433	830	7,263	95,603
Awards and grants	35,275	-	-	35,275	-	-	-	35,275
Office	4,665	1,707	930	7,302	1,627	6,582	8,209	15,511
Cost of merchandise	358	14,727	-	15,085	-	-	-	15,085
Postage	517	1,410	5,450	7,377	2,549	569	3,118	10,495
Accounting	-	-	-	-	-	13,000	13,000	13,000
Insurance	-	-	-	-	-	4,494	4,494	4,494
Telephone	449	629	285	1,363	118	3,219	3,337	4,700
Dues and subscriptions	5,000	673	246	5,919	3,320	1,400	4,720	10,639
Depreciation and amortization	-	-	-	-	-	6,131	6,131	6,131
Equipment lease and maintenance	-	-	-	-	-	2,059	2,059	2,059
Legal	-	-	-	-	-	1,038	1,038	1,038
Allocation of support services	81,803	48,278	46,375	176,456	28,315	(204,771)	(176,456)	-
Total Expenses	<u>\$ 750,256</u>	<u>\$ 327,886</u>	<u>\$ 320,879</u>	<u>\$ 1,399,021</u>	<u>\$ 202,352</u>	<u>\$ 61,532</u>	<u>\$ 263,884</u>	<u>\$ 1,662,905</u>

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

**NATIONAL PEACE CORPS ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Educational	Publications	Membership	Total Program Services	Fundraising	General and Administration	Total Support Services	Total
Salaries	\$ 180,919	\$ 81,459	\$ 102,087	\$ 364,465	\$ 79,036	\$ 38,290	\$ 117,326	\$ 481,791
Benefits	26,814	11,814	14,905	53,533	11,722	5,111	16,833	70,366
Payroll taxes	14,047	6,323	7,805	28,175	6,195	2,820	9,015	37,190
Pension	8,034	1,999	4,804	14,837	3,829	1,829	5,658	20,495
Subtotal Personnel Expense	229,814	101,595	129,601	461,010	100,782	48,050	148,832	609,842
Consultants	30,052	89,623	26,396	146,071	62,278	34,020	96,298	242,369
Food and lodging	106,327	-	-	106,327	26,183	1,558	27,741	134,068
In kind service	10,304	-	72,129	82,433	20,608	805	21,413	103,846
Printing	6,632	75,050	-	81,682	7,413	3,881	11,294	92,976
Occupancy	-	-	-	-	-	71,716	71,716	71,716
Information and technology	10,671	9,097	18,577	38,345	3,010	1,724	4,734	43,079
Bank fees and interest	9,231	5,829	1,898	16,958	8,165	11,544	19,709	36,667
Travel	19,729	51	8,134	27,914	6,166	530	6,696	34,610
Awards and grants	29,575	-	-	29,575	-	-	-	29,575
Office	6,773	1,214	6,376	14,363	1,646	11,909	13,555	27,918
Postage	300	9,279	22	9,601	6,037	3,204	9,241	18,842
Accounting	-	-	-	-	-	13,023	13,023	13,023
Insurance	-	-	-	-	-	4,355	4,355	4,355
Telephone	460	93	259	812	131	2,964	3,095	3,907
Dues and subscriptions	600	212	85	897	1,095	1,387	2,482	3,379
Depreciation and amortization	-	-	-	-	-	3,272	3,272	3,272
Equipment lease and maintenance	-	-	-	-	-	2,064	2,064	2,064
Allocation of support services	72,501	49,647	32,529	154,677	37,697	(192,374)	(154,677)	-
Total Expenses	\$ 532,969	\$ 341,690	\$ 296,006	\$ 1,170,665	\$ 281,211	\$ 23,632	\$ 304,843	\$ 1,475,508

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

NATIONAL PEACE CORPS ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 274,625	\$ 147,144
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,131	3,272
Net depreciation (appreciation) in fair value of investments	(109,862)	(51,591)
(Increase) decrease in:		
Accounts receivable	107,359	(90,028)
Prepaid expenses	(68)	15,090
Increase (decrease) in:		
Accounts payable	(60,984)	(3,287)
Accrued expenses	2,822	3,128
Deferred rent	(5,765)	(3,782)
Deferred revenue	13,640	(32,006)
Net Cash Provided by (Used in) Operating Activities	227,898	(12,060)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,000)	(4,500)
Purchase of investments	(43,108)	(2,924)
Proceeds from sale of investments	32,500	33,246
Net Cash (Used in) Provided by Investing Activities	(26,608)	25,822
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	10,000
Payments on loan payable	(10,000)	-
Payments on line of credit	(4,708)	(5,536)
Net Cash (Used in) Provided by Financing Activities	(14,708)	4,464
NET CHANGE IN CASH AND CASH EQUIVALENTS	186,582	18,226
CASH AND CASH EQUIVALENTS, beginning of year	73,192	54,966
CASH AND CASH EQUIVALENTS, end of year	\$ 259,774	\$ 73,192

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

**NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE A – NATURE OF THE ORGANIZATION

National Peace Corps Association (“NPCA”) was incorporated in 1981 as a North Carolina non-profit corporation. NPCA is the nonprofit alumni organization for individuals who share the Peace Corps experience. NPCA champions lifelong commitment to Peace Corps ideals by connecting, engaging and promoting its members and member groups as they continue to make a difference in communities in the U.S. and around the world. NPCA is also dedicated to advocating for, contributing to, and supporting the improvement and expansion of the Peace Corps, as well as promoting impact that increases human development.

NPCA has the following program services:

Educational: NPCA is the advocate on behalf of the Peace Corps and for issues important to serving and returned Peace Corps Volunteers. NPCA facilitates and supports both national and local efforts by volunteers with one day of action per year on Capitol Hill in Washington, DC, plus dozens of local state actions. Peace Corps Connect is the Peace Corps community’s annual conference hosted by NPCA and its affiliate groups to connect, engage and inspire our community. The conference highlights work being done by our community members and partner organizations and explores how we can continue to champion Peace Corps ideals.

Membership: NPCA fosters a united and vibrant Peace Corps community by providing vital resources and opportunities to individual members while supporting its 150+ affiliate groups in achieving their objectives. NPCA membership is free to anyone who shares Peace Corps values, promoting a broader and more inclusive and diverse community. Members receive information and promotions, and have access to job opportunities, professional development and benevolent support. NPCA members also engage in diverse projects and initiatives that increase community impact.

Publications: Publications include print, digital and social media. WorldView magazine has been published quarterly for over 30 years, providing news and commentary about global issues from a Peace Corps perspective. Each issue features articles by and about Peace Corps Volunteers, Returned Peace Corps Volunteers and others who share the global values of the Peace Corps experience. A lesson plan provided with each issue helps expand learning into classrooms and communities.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic of Not-for-Profit Entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NPCA and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions. The Board of Directors designated \$10,000 to support a Legacy of Peace Fund.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either actions of NPCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are 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 NPCA.

Cash and Cash Equivalents

For purposes of the statement of cash flows, NPCA considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts if management deems necessary. An allowance for doubtful accounts is based on management’s evaluation of the status of existing receivables and historical collections data. Management believes that all receivables are fully collectible; therefore, no allowance for doubtful accounts was recorded as of December 31, 2017 and 2016.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. NPCA capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost, if purchased, or fair value at date of donation, if contributed. Depreciation and amortization are computed using the straight line method over the estimated useful lives of the assets which range from three to ten years. Leasehold improvements are amortized over the shorter of the lease term or useful life of the asset. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Investments

Investments consist of mutual funds owned through a master trust investment arrangement (pooled investments). The pooled investments are managed by independent investment managers and securities are held in safekeeping by a foundation.

Deferred Rent

Rent expense is recognized on a straight-line basis over the life of the lease, in accordance with U.S. generally accepted accounting principles. Deferred rent represents rent expense in excess of rental payments made.

Deferred Revenue

Conferences fees collected in advance are deferred and recognized when the conference is held. Advertising revenue collected in advance is deferred and recognized when the magazine is published. Next Step Travel program revenue collected in advance is deferred and recognized when the travel occurs.

Grants, Contributions and Support

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the condition is substantially met and the promise becomes unconditional. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE B – SIGNIFICANT ACCOUNTING POLICIES - continued

In-kind Contributions

In-kind contributions are recorded at fair value at the date of donation. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Such services are valued at the hourly rates of compensation for such personnel. For the years ended December 31, 2017 and 2016, NPCA received donated services, consisting primarily of pro bono legal services, but also including accounting and program services, in the amount of \$77,394 and \$103,846, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Expenses directly related to program and support services are charged to those services as incurred. Accordingly, certain shared costs have been allocated among the programs and supported services benefited.

NOTE C – INCOME TAXES

NPCA is recognized as exempt from federal income taxes, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

NPCA believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

NPCA's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. NPCA's Form 990 returns for the years ended December 31, 2014 through 2016, are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE D – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2017 and 2016 is as follows:

	2017	2016
Computer equipment	\$ 29,538	\$ 29,538
Computer software	50,880	34,880
Office furniture	6,691	6,691
Leasehold improvements	1,134	1,134
	88,243	72,243
Less accumulated depreciation and amortization	(71,607)	(65,476)
Total	\$ 16,636	\$ 6,767

The total depreciation and amortization expense for the years ended December 31, 2017 and 2016, totaled \$6,131 and \$3,272, respectively.

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under current accounting standards are described as follows:

- Level 1* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that NPCA has the ability to access.
- Level 2* Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

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

The fair value of NPCA’s investments in investment pools are based on quoted prices for similar assets in active markets. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although NPCA’s management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes NPCA’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Investment Pools:				
Long-term Growth	\$ -	\$ 447,465	\$ -	\$ 447,465
Social Impact	-	393,826	-	393,826
	<u>\$ -</u>	<u>\$ 841,291</u>	<u>\$ -</u>	<u>\$ 841,291</u>

The following table summarizes NPCA’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Investment Pools:				
Long-term Growth	\$ -	\$ 367,515	\$ -	\$ 367,515
Social Impact	-	353,306	-	353,306
	<u>\$ -</u>	<u>\$ 720,821</u>	<u>\$ -</u>	<u>\$ 720,821</u>

Marketable securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

NATIONAL PEACE CORPS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENTS - continued

Net investment income was as follows for the years ended December 31,

	2017	2016
Interest and dividends	\$ 6,193	\$ 6,752
Net appreciation (depreciation) in fair value	121,379	51,591
Investment fees	(11,517)	(9,931)
Investment Income (Loss), Net	\$ 116,055	\$ 48,412

NOTE F – LINE OF CREDIT

NPCA secured a line of credit with a commercial bank of up to \$50,000. Interest accrues at a fixed rate of 5.85% and 5.6% per annum as of December 31, 2017 and 2016, respectively. The line of credit is subject to renewal annually and the current outstanding amount is due on September 11, 2018. The line of credit is secured by NPCA’s general assets. The balance on the line of credit as of December 31, 2017 and 2016, totaled \$36,984 and \$41,692, respectively.

NOTE G – LOAN PAYABLE

During 2016, NPCA obtained a 12 month loan from a board member. The loan is unsecured, with an interest rate of 2% per annum. The loan was paid in full in October 2017. The balance of this loan as of December 31, 2017 and 2016 totaled \$0 and \$10,000, respectively.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017 and 2016, the temporarily restricted net assets available for the various educational projects totaled \$357,672 and \$130,558, respectively.

NOTE I – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS

NPCA’s Global Leaders endowment consists of a restricted fund donated to NPCA. The investment income is to be used to fund an annual lecture and related activities by a global leader in any field describing how the U.S. Peace Corps impacted the lecturer’s life and enabled the recipient lecturer to become a global leader.

Interpretation of relevant law

The Board of Directors, and management, of NPCA has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift at the gift date of the donor-restricted endowment funds absent explicit

NATIONAL PEACE CORPS ASSOCIATION
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NOTE I – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS -
continued

donor stipulations to the contrary. As a result of this interpretation, NPCA classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NPCA in a manner consistent with the standard of prudence described by UPMIFA.

In accordance with UPMIFA, NPCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment fund;
- The purposes of NPCA's 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 the investments;
- Other resources of NPCA; and
- The investment policies of NPCA

Return objectives and risk parameters

NPCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of the donor-restricted funds that NPCA holds in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that yield revenue while assuming a moderate level of investment risk. Actual returns in any given year may vary.

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 NPCA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature, if any, are reported in unrestricted net assets. As of December 31, 2016, the total deficiencies in fair value from the amount required by donors totaled \$42,448.

NATIONAL PEACE CORPS ASSOCIATION
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NOTE I – ENDOWMENT AND PERMANENTLY RESTRICTED NET ASSETS -
continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ (61,074)	\$ 18,626	\$ 750,000	\$ 707,552
Interest and dividends	-	5,738	-	5,738
Net appreciation in fair value	-	115,935	-	115,935
Investment fees	-	(10,908)	-	(10,908)
Appropriations for expenditures	-	(32,500)	-	(32,500)
Endowment net assets, end of year	<u>\$ (61,074)</u>	<u>\$ 96,891</u>	<u>\$ 750,000</u>	<u>\$ 785,817</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ (31,074)	\$ (29,153)	\$ 750,000	\$ 689,773
Interest and dividends	-	6,597	-	6,597
Net appreciation in fair value	-	50,800	-	50,800
Investment fees	-	(9,618)	-	(9,618)
Appropriations for expenditures	(30,000)	-	-	(30,000)
Endowment net assets, end of year	<u>\$ (61,074)</u>	<u>\$ 18,626</u>	<u>\$ 750,000</u>	<u>\$ 707,552</u>

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pending Policy

NPCA currently appropriates funds as they deem necessary. Spending is limited to earnings on the original principal subject to NPCA's investment policy. This policy, which is reviewed annually by the board, outlines the limits on spending from a fund according to the fund value relative to the cumulative value of the donations made to the fund (the "Corpus") and the fund's average value over a trailing 12-quarter period.

NATIONAL PEACE CORPS ASSOCIATION
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NOTE J – LEASE COMMITMENTS

NPCA leases office space in Washington, DC under a non cancelable operating lease that expires March 31, 2019. The lease agreement requires monthly base rental payment plus NPCA’s share of real estate tax and operating cost related to the leased office space. The lease also provides for increases in the base rent of 2.75% annually.

The future lease commitment is as follows:

2018	\$	76,104
2019		19,459
Total Future Lease Commitment	\$	<u>95,563</u>

Occupancy expense for the years ended December 31, 2017 and 2016, totaled \$71,649 and \$71,716, respectively.

NOTE K – PENSION PLAN

NPCA maintains a defined contribution pension plan for all employees over the age of twenty-one and have completed three consecutive months of service with NPCA. Under the plan, contributions are made at a stated percentage of employee compensation. Contributions to the plan were \$17,028 and \$20,495 for the years ended December 31, 2017 and 2016, respectively.

NOTE L – SUBSEQUENT EVENTS

In preparing these financial statements, NPCA’s management has evaluated events and transactions for potential recognition or disclosure through August 17, 2018, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.