Michigan League for Public Policy

Consolidated Financial Report
December 31, 2017

Contents

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Independent Auditor's Report

To the Board of Directors
Michigan League for Public Policy

We have audited the accompanying consolidated financial statements of Michigan League for Public Policy and its subsidiary (the "League"), which comprise the consolidated balance sheet as of December 31, 2017 and 2016 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Michigan League for Public Policy and its subsidiaries as of December 31, 2017 and 2016 and the change in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Michigan League for Public Policy

Emphasis of Matter

As described in Note 3 to the financial statements, the consolidated financial statements include investments valued at $2,960,045 (58 percent of net assets) as of December 31, 2017 and $2,571,113 (69 percent of net assets) as of December 31, 2016, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the community foundations. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

May 7, 2018

Consolidated Balance Sheet

December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 1,803,221	$ 1,224,563
Receivables - Net of allowances:		
Grants (Note 5)	937,500	330,000
Other	34,958	31,805
Prepaid expenses and other current assets	21,375	26,477
Total current assets	2,797,054	1,612,845
Investments (Note 3)	35,648	20,789
Long-term Grants Receivable (Note 5)	392,451	293,671
Funds Held at Community Foundations (Note 3)	2,960,045	2,571,113
Furniture and Equipment - Net (Note 6)	40,099	26,952
Investment in Life Insurance Contracts	-	363,154
Total noncurrent assets	3,428,243	3,275,679
Total assets	**$ 6,225,297**	**$ 4,888,524**
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	$ 26,671	$ 15,280
Accrued liabilities and other	90,315	71,881
Funds held for others	25,305	-
Total current liabilities	142,291	87,161
Pension and Postretirement Obligations (Note 7)	983,953	1,048,361
Total liabilities	1,126,244	1,135,522
Net Assets (Deficit)		
Unrestricted net assets (deficit)	67,008	(251,393)
Temporarily restricted net assets (Note 9)	2,739,815	1,717,840
Permanently restricted net assets (Note 10)	2,292,230	2,286,555
Total net assets	5,099,053	3,753,002
Total liabilities and net assets (deficit)	**$ 6,225,297**	**$ 4,888,524**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions	$ 188,496	$ -	$ 5,675	$ 194,171	$ 183,480	$ -	$ 8,817	$ 192,297
Foundation grants	121,412	2,113,780	-	2,235,192	415,435	1,732,171	-	2,147,606
Fee for services	279,992	-	-	279,992	191,829	-	-	191,829
Net realized and unrealized gains on investments	47,184	-	-	47,184	10,822	-	-	10,822
Interest income	105	-	-	105	5,940	-	-	5,940
Net realized and unrealized gains on funds held at community foundations	21,545	367,387	-	388,932	37,184	217,161	-	254,345
Total revenue, gains, and other support	658,734	2,481,167	5,675	3,145,576	844,690	1,949,332	8,817	2,802,839
Net Assets Released from Restrictions	1,459,192	(1,459,192)	-	-	743,041	(743,041)	-	-
Total revenue, gains, and other support	2,117,926	1,021,975	5,675	3,145,576	1,587,731	1,206,291	8,817	2,802,839
Expenses								
Program expenses:								
Public policy	1,477,384	-	-	1,477,384	1,358,049	-	-	1,358,049
Insurance project	2,930	-	-	2,930	8,202	-	-	8,202
Support services:								
Management and general	265,224	-	-	265,224	345,103	-	-	345,103
Fundraising	53,987	-	-	53,987	66,619	-	-	66,619
Total expenses	1,799,525	-	-	1,799,525	1,777,973	-	-	1,777,973
Increase (Decrease) in Net Assets	318,401	1,021,975	5,675	1,346,051	(190,242)	1,206,291	8,817	1,024,866
Net Assets (Deficit) - Beginning of year	(251,393)	1,717,840	2,286,555	3,753,002	(61,151)	511,549	2,277,738	2,728,136
Net Assets (Deficit) - End of year	**$ 67,008**	**$ 2,739,815**	**$ 2,292,230**	**$ 5,099,053**	**$ (251,393)**	**$ 1,717,840**	**$ 2,286,555**	**$ 3,753,002**

Consolidated Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	$ 1,346,051	$ 1,024,866
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	12,228	10,271
Bad debt expense	-	6,048
Realized and unrealized gain on investments	(47,184)	(20,447)
Realized and unrealized gain on funds held at community foundation	(388,932)	(254,345)
Changes in operating assets and liabilities which (used) provided cash and cash equivalents:		
Grants receivable	(607,500)	(293,671)
Other receivables	(3,153)	194,956
Prepaid expenses and other assets	5,102	(2,628)
Long-term grants receivable	(98,780)	87,500
Accounts payable	11,391	(38,687)
Accrued and other liabilities	18,434	(10,145)
Funds held for others	25,305	-
Pensions and postretirement benefits	(64,408)	84,660
Net cash and cash equivalents provided by operating activities	208,554	788,378
Cash Flows from Investing Activities		
Purchase of property and equipment	(25,375)	(4,257)
Proceeds from disposition of property and equipment	-	7,171
Purchases of investments	(10,014)	-
Proceeds from sales and maturities of investments	405,493	20,434
Net activity for funds held at community foundations	-	(4,081)
Net cash and cash equivalents provided by investing activities	370,104	19,267
Net Increase in Cash and Cash Equivalents	578,658	807,645
Cash and Cash Equivalents - Beginning of year	1,224,563	416,918
Cash and Cash Equivalents - End of year	**$ 1,803,221**	**$ 1,224,563**

Note 1 - Nature of Business

The consolidated financial statements of Michigan League for Public Policy (the "League") include the accounts of Michigan League for Public Policy and its wholly owned for-profit subsidiary, Michigan League Insurance Project for Nonprofits, Inc. (the "Insurance Project").

Michigan League for Public Policy is a not-for-profit organization established to foster economic opportunity, independence, and security of Michigan's economically vulnerable population by shaping public policy through objective data-driven research, education, and advocacy. Michigan League Insurance Project for Nonprofits, Inc. is a for-profit organization established to provide health and liability insurance contracts to not-for-profit organizations in Michigan.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the League have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Cash Equivalents

The League considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The League maintains deposit balances at banks. At times, these deposits may exceed the federally insured limit. The League believes it is not practical to insure all deposits.

Grants Receivable

The League's grants receivable are composed primarily of contributed grants and allocations committed from various funding agencies for use in the League's activities. The League has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Investments

Investment securities are classified based on the League’s intent with respect to holding securities. Investments in debt and equity securities are recorded at fair value based on quoted market prices. Investments in life insurance contracts are recorded at cash surrender value.

Furniture and Equipment

Furniture and equipment are recorded at cost when purchased or fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The League reports gifts of furniture and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of furniture and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the furniture and equipment must be maintained, the League reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property, plant, and equipment.

Classification of Net Assets

Net assets of the League are classified based on the presence or absence of donor-imposed restrictions limiting the League's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Note 2 - Significant Accounting Policies (Continued)

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Temporarily restricted net assets of the League consist of amounts received from donors who have specified the purpose for which or the timing of when the funds are to be spent. The League has interpreted donor restrictions to also include related earnings as restricted for the intended purpose of the original donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

Permanently restricted net assets consist of amounts received from donors that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. The permanently restricted endowments held by the League where established to provide general support.

Contributions and Grants

Contributions of cash and other assets and grants received from foundations and other organizations, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Fee for Services Revenue

Fee for services revenue is recognized as services are provided. Funds received in excess of the amount earned are recorded as deferred revenue. Included in fee for services are commissions earned on insurance policies of approximately $1,000 and $2,000, collected as part of the Insurance Project for the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The League is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). The Insurance Project is organized as a C corporation pursuant to the provisions of the Internal Revenue Code.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the League's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The League has not yet determined which application method it will use. The League will be reviewing fee for services contracts and may experience a change in the timing of the contract revenue recognition.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the League's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the League's consolidated financial statements as a result of the leases for office space classified as operating leases classified as operating leases. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the League's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The League will reflect the change in net asset classifications, show expenses under their natural classification, and include the new liquidity and availability of resource note.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including May 7, 2018, which is the date the consolidated financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the League's assets measured at fair value on a recurring basis at December 31, 2017 and 2016 and the valuation techniques used by the League to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the League has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The League's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Assets				
Investments -				
Domestic equities	$ 35,648	$ -	$ -	$ 35,648
Funds held at community foundations:				
Kalamazoo Community Foundation	-	-	2,389,407	2,389,407
Community Foundation for Southeast Michigan	-	-	570,638	570,638
Total assets	$ 35,648	$ -	$ 2,960,045	$ 2,995,693

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
Assets				
Trading securities - Domestic equities	$ 20,789	$ -	$ -	$ 20,789
Funds held at community foundations:				
Kalamazoo Community Foundation	-	-	2,074,386	2,074,386
Community Foundation for Southeast Michigan	-	-	496,727	496,727
Total assets	$ 20,789	$ -	$ 2,571,113	$ 2,591,902

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016 are as follows:

	Funds Held at Community Foundations
Balance at January 1, 2017	$ 2,571,113
Change in value	388,932
Balance at December 31, 2017	$ 2,960,045

	Funds Held at Community Foundations
Balance at January 1, 2016	$ 2,312,687
Deposits	19,317
Withdrawals	(15,236)
Change in value	254,345
Balance at December 31, 2016	$ 2,571,113

Realized and unrealized gains of $388,932 and $254,345 for the years ended December 31, 2017 and 2016, respectively, are reported in net realized and unrealized gains on funds held at community foundation in the consolidated statement of activities and changes in net assets. There were no realized gains or loses during 2017 or 2016.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The League's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event change in circumstances that caused the transfer as of the end of the reporting period. There were no transfers between level classification during the years ended December 31, 2017 and 2016.

Note 3 - Fair Value Measurements (Continued)

The following table summarizes the valuation methods and inputs used to determine fair value at December 31, 2017 and 2016 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at December 31, 2017	Valuation Technique	Unobservable Inputs
Assets - Funds held at community foundations	$ 2,960,045	Fund investment statements	Market value of share of foundation investments

	Fair Value at December 31, 2016	Valuation Technique	Unobservable Inputs
Assets - Funds held at community foundations	$ 2,571,113	Fund investment statements	Market value of share of foundation investments

The League has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include include calls with the community foundations and analyzing quarterly statements. The League cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market.

Note 4 - Community Foundation Endowment Fund

Certain funds donated by outside donors for the benefit of the League are held and managed by the Kalamazoo Community Foundation (KCF) and the Community Foundation for Southeastern Michigan (CFSM). The recorded amount of approximately $2,400,000 and $600,000 at December 31, 2017 for KCF and CFSM, respectively, and approximately $2,000,000 and $500,000 at December 31, 2016 at KCF and CFSM, respectively, represents the present value of the estimated future income stream from the underlying endowment assets and its accumulated unspent earnings. The investments are recorded at market value. The purpose of the endowment funds is to provide unrestricted operating support for the League from endowment earnings.

Note 5 - Grants Receivable

Included in grants receivable are contributions from community foundations. They are included as follows:

	2017	2016
Gross promises to give before unamortized discount	$ 1,337,500	$ 630,000
Less allowance for net present value discount	(7,549)	(6,329)
Net contributions receivable	$ 1,329,951	$ 623,671
Amounts due in:		
Less than one year	$ 937,500	$ 330,000
One to five years	392,451	293,671
Total	$ 1,329,951	$ 623,671

Note 6 - Furniture and Equipment

Property and equipment are summarized as follows:

	2017	2016	Depreciable Life - Years
Office equipment	$ 31,406	$ 31,406	3-5
Furniture and fixtures	24,323	24,323	3-5
Computer equipment and software	38,466	13,091	3-5
Leasehold improvements - Cost	2,179	2,179	5-20
Total cost	96,374	70,999	
Accumulated depreciation	56,275	44,047	
Net property and equipment	$ 40,099	$ 26,952	

Depreciation and amortization expense for 2017 and 2016 was $12,228 and $10,271, respectively.

Note 7 - Pension and Other Postretirement Benefit Plans

All employees of the League hired before January 1, 2008 with one year of service are covered under a noncontributory defined benefit pension and retiree healthcare plan.

Defined Benefit Pension Plan

Benefits provided to employees are based on one year of service achieved before January 1, 2008 and average compensation calculated using the highest average annual earnings within the last three years of employment prior to termination. Benefits vest after three years of service. As of December 31, 2017 and 2016, all participating employees have vested. The plan was frozen to new employees effective December 31, 2007. As of the freeze date, participants ceased to accrue additional benefits.

Defined Benefit Retiree Health Plan

Benefits cover the full cost of health insurance for three retirees based on retirement at the age of 65 and before May 2014. Effective May 2014, $5,000 per year for 10 years of health benefits is provided if an employee has cumulatively worked for the League for 20 years, remained in good standing, and attained the age of 55 upon leaving.

Obligations and Funded Status

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Projected benefit obligation	$ 885,106	$ 901,778	$ 455,545	$ 455,718
Fair value of plan	356,698	309,135	-	-
Funded status	$ (528,408)	$ (592,643)	$ (455,545)	$ (455,718)

The accumulated benefit obligation for all defined benefit pension plans was $885,106 and $901,778 at December 31, 2017 and 2016, respectively.

Note 7 - Pension and Other Postretirement Benefit Plans (Continued)

Components of net periodic benefit cost are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid				
Net periodic benefit cost	$ 35,377	$ 31,954	$ 37,734	$ 30,544
Employer contributions	23,408	27,000	36,019	40,617
Actual return on plan assets	50,721	54,720	-	-
Settlement loss	-	102,231	-	-
Benefits paid	26,566	361,822	36,019	40,617

Assumptions

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	3.0%	3.40%	3.42%	3.48%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	3.40%	3.30%	3.48%	3.43%
Expected long-term return on plan assets	5.50%	7.00%		

The overall expected rate of return on plan assets represents a weighted-average composite rate based on the historical rates of returns of the respective asset classes.

Assumed Healthcare Cost Trend Rates at December 31

	Other Postretirement Benefits	
	2017	2016
Healthcare cost trend rate assumed for next year	5.00 %	5.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the League, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States. Fixed-income securities primarily include investments in bond mutual funds primarily located in the United States.

Note 7 - Pension and Other Postretirement Benefit Plans (Continued)

The fair values of the League's pension plan assets at December 31, 2017 and 2016 by major asset classes are as follows:

	Fair Value Measurements at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Domestic equity securities	$ 237,351	$ -	$ -	$ 237,351
Fixed-income securities	119,347	-	-	119,347
Total	$ 356,698	$ -	$ -	$ 356,698

	Fair Value Measurements at December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Domestic equity securities	$ 309,135	$ -	$ -	$ 309,135

The tables above present information about the pension plan assets measured at fair value at December 31, 2017 and 2016 and the valuation techniques used by the League to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The League's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Other Postretirement Plan Assets

The other postretiremnet plan is funded to the extend of benefit payments required by the League and does not have any plan assets at December 31, 2017 or 2016.

Cash Flow

Contributions

The League expects to contribute $100,000 to its pension plan in 2018. The League expects to make contributions to the other postretirement benefit plan to pay current retiree benefits in 2018.

Note 7 - Pension and Other Postretirement Benefit Plans (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits	Other Postretirement Benefits
2018	$ 18,000	$ 40,098
2019	21,000	39,631
2020	30,000	39,019
2021	30,000	38,756
2022	32,000	38,779
Thereafter	223,000	161,730

Note 8 - Retirement Plans

The League participates in a defined contribution plan for the benefit of substantially all employees. The plan provides for the League to make required fixed and matching contributions. Contributions to the plan totaled $37,083 and $27,404 for the years ended December 31, 2017 and 2016, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

	2017	2016
Purpose restrictions:		
Program grant contracts	$ 770,331	$ 822,023
Accumulation of endowment earnings	639,533	272,146
Time restrictions - Pledges receivable	1,329,951	623,671
Total temporarily restricted net assets	$ 2,739,815	$ 1,717,840

Note 10 - Donor-restricted Endowments

The League's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the League has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 10 - Donor-restricted Endowments (Continued)

- The duration and preservation of the fund
- The purpose of the League 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 League
- The investment policies of the League

	Endowment Net Asset Composition by Type of Fund as of December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 639,533	$ 2,292,230	$ 2,931,763

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 272,146	$ 2,286,555	$ 2,558,701
Investment return - Investment income	-	367,387	-	367,387
Contributions	-	-	5,675	5,675
Endowment net assets - End of year	$ -	$ 639,533	$ 2,292,230	$ 2,931,763

	Endowment Net Asset Composition by Type of Fund as of December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 272,146	$ 2,286,555	$ 2,558,701

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ (21,935)	$ 54,985	$ 2,277,738	$ 2,310,788
Investment return - Net appreciation (realized and unrealized)	21,935	217,161	-	239,096
Contributions	-	-	8,817	8,817
Endowment net assets - End of year	$ -	$ 272,146	$ 2,286,555	$ 2,558,701

Note 10 - Donor-restricted Endowments (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 the League to retain as a fund of perpetual duration.

As of December 31, 2017 and 2016, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The League 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. All of the League's endowments allow for unrestricted use of the earnings. Endowment assets include those assets of donor-restricted funds that the League must hold in perpetuity. The endowment assets are invested a two community foundations in a manner that is expected, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The League has a spending policy for the endowments held at the community foundations as the earnings can be used for unrestricted purposes. The policy allows for the League to withdraw up to 5 percent of corpus each year on a rolling quarterly basis. On an annual basis, the League makes a judgment, using the standards of prudence, on need for and spending of available earnings.

Note 11 - Operating Leases

The League leases office space and certain equipment and vehicles to unrelated entities under operating leases expiring in various years through May 31, 2020.

Future minimum future rent on noncancelable leases as of December 31, 2017 for each of the next five years, and in the aggregate, is as follows:

Years Ending December 31	Amount
2018	$ 62,753
2019	64,008
2020	26,889
Total	$ 153,650

Total rent expense on leases for 2017 and 2016 was $61,421 and $83,415, respectively.