

# **Benedictine Educational Foundation**

Financial Statements

June 30, 2016 and 2015



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# BENEDICTINE EDUCATIONAL FOUNDATION

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors  
Benedictine Educational Foundation  
Richmond, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Benedictine Educational Foundation (the "Foundation"), an affiliate of Benedictine Society of Virginia and Benedictine High School, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and 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; 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benedictine Educational Foundation as of June 30, 2016 and 2015, and the results for its changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Keiter", with a long, sweeping horizontal stroke extending to the right.

November 1, 2016  
Glen Allen, Virginia

**BENEDICTINE EDUCATIONAL FOUNDATION**

Statements of Financial Position  
June 30, 2016 and 2015

| Assets                              | 2016                | 2015                |
|-------------------------------------|---------------------|---------------------|
| Current assets:                     |                     |                     |
| Cash and cash equivalents           | \$ 986,347          | \$ 614,851          |
| Pledges receivable - net, current   | 672,508             | 586,839             |
| Prepaid expenses                    | <u>2,107</u>        | <u>1,920</u>        |
| Total current assets                | 1,660,962           | 1,203,610           |
| Investments                         | 2,886,396           | 2,915,190           |
| Pledges receivable - net, long-term | <u>584,591</u>      | <u>523,261</u>      |
| Total assets                        | <u>\$ 5,131,949</u> | <u>\$ 4,642,061</u> |
| <u>Liabilities and Net Assets</u>   |                     |                     |
| Current liabilities:                |                     |                     |
| Accounts payable                    | \$ 3,612            | \$ 6,209            |
| Due to related party                | <u>102,469</u>      | <u>605,579</u>      |
| Total current liabilities           | <u>106,081</u>      | <u>611,788</u>      |
| Net assets (deficit):               |                     |                     |
| Unrestricted                        | (72,232)            | (103,792)           |
| Temporarily restricted              | 2,205,556           | 1,282,169           |
| Permanently restricted              | <u>2,892,544</u>    | <u>2,851,896</u>    |
| Total net assets                    | <u>5,025,868</u>    | <u>4,030,273</u>    |
| Total liabilities and net assets    | <u>\$ 5,131,949</u> | <u>\$ 4,642,061</u> |

See accompanying notes to financial statements.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Statement of Activities Year Ended June 30, 2016

|  | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--|--------------------|---------------------------|---------------------------|---------------------|
| Revenue, gains, and support:                             |                    |                           |                           |                     |
| Contributions and donations                              | \$ 231,253         | \$ 1,642,996              | \$ 40,648                 | \$ 1,914,897        |
| Investment income  | 106,646            | -                         | -                         | 106,646             |
| Gain on writeoff of balances due<br>to related party     | <u>381,371</u>     | <u>-</u>                  | <u>-</u>                  | <u>381,371</u>      |
| <br>Total revenue, gains, and<br>support                 | <u>719,270</u>     | <u>1,642,996</u>          | <u>40,648</u>             | <u>2,402,914</u>    |
| <br>Net assets released from restrictions                | <u>671,155</u>     | <u>(671,155)</u>          | <u>-</u>                  | <u>-</u>            |
| Expenses and losses:                                     |                    |                           |                           |                     |
| Expenses:  |                    |                           |                           |                     |
| Program services   | 1,151,848          | -                         | -                         | 1,151,848           |
| General and administrative                               | 76,049             | -                         | -                         | 76,049              |
| Fundraising  | <u>128,275</u>     | <u>-</u>                  | <u>-</u>                  | <u>128,275</u>      |
| <br>Total expenses                                       | 1,356,172          | -                         | -                         | 1,356,172           |
| <br>Net realized and unrealized losses<br>on investments | 2,693              | -                         | -                         | 2,693               |
| Bad debt loss  | <u>-</u>           | <u>48,454</u>             | <u>-</u>                  | <u>48,454</u>       |
| <br>Total expenses and losses                            | <u>1,358,865</u>   | <u>48,454</u>             | <u>-</u>                  | <u>1,407,319</u>    |
| <br>Change in net assets                                 | 31,560             | 923,387                   | 40,648                    | 995,595             |
| <br>Net assets, beginning of year                        | <u>(103,792)</u>   | <u>1,282,169</u>          | <u>2,851,896</u>          | <u>4,030,273</u>    |
| <br>Net assets (deficit), end of year                    | <u>\$ (72,232)</u> | <u>\$ 2,205,556</u>       | <u>\$ 2,892,544</u>       | <u>\$ 5,025,868</u> |

See accompanying notes to financial statements.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Statement of Activities Year Ended June 30, 2015

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenue ,gains, and support:                      |                     |                                   |                                   |                     |
| Contributions and donations                       | \$ 610,526          | \$ 989,590                        | \$ 34,870                         | \$ 1,634,986        |
| Investment income                                 | <u>91,844</u>       | <u>-</u>                          | <u>-</u>                          | <u>91,844</u>       |
| Total revenue, gains, and support                 | <u>702,370</u>      | <u>989,590</u>                    | <u>34,870</u>                     | <u>1,726,830</u>    |
| Net assets released from restrictions             | <u>499,452</u>      | <u>(499,452)</u>                  | <u>-</u>                          | <u>-</u>            |
| Expenses and losses:                              |                     |                                   |                                   |                     |
| Program services                                  | 1,427,764           | -                                 | -                                 | 1,427,764           |
| General and administrative                        | 59,685              | -                                 | -                                 | 59,685              |
| Fundraising                                       | <u>122,475</u>      | <u>-</u>                          | <u>-</u>                          | <u>122,475</u>      |
| Total expenses                                    | 1,609,924           | -                                 | -                                 | 1,609,924           |
| Net realized and unrealized losses on investments | 48,993              | -                                 | -                                 | 48,993              |
| Bad debt loss                                     | <u>-</u>            | <u>764,143</u>                    | <u>-</u>                          | <u>764,143</u>      |
| Total expenses and losses                         | <u>1,658,917</u>    | <u>764,143</u>                    | <u>-</u>                          | <u>2,423,060</u>    |
| Change in net assets                              | (457,095)           | (274,005)                         | 34,870                            | (696,230)           |
| Net assets, beginning of year                     | <u>353,303</u>      | <u>1,556,174</u>                  | <u>2,817,026</u>                  | <u>4,726,503</u>    |
| Net assets (deficit), end of year                 | <u>\$ (103,792)</u> | <u>\$ 1,282,169</u>               | <u>\$ 2,851,896</u>               | <u>\$ 4,030,273</u> |

See accompanying notes to financial statements.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Statements of Cash Flows Years Ended June 30, 2016 and 2015

|  | 2016       | 2015         |
|--|------------|--------------|
| Cash flows from operating activities:  |            |              |
| Change in net assets   | \$ 995,595 | \$ (696,230) |
| Adjustments to reconcile change in net assets to net cash from operating activities: |            |              |
| Net realized and unrealized loss on investments                                      | 2,693      | 48,993       |
| Investment income reinvested, net  | (90,479)   | (65,555)     |
| Contributions restricted for long-term use   | (40,648)   | (34,870)     |
| Transfer of investments to affiliate   | -          | 157,701      |
| Gain on writeoff of balance due to related party                                     | (381,371)  | -            |
| Changes in operating assets and liabilities:   |            |              |
| Pledges receivable - net   | (146,999)  | 280,411      |
| Prepaid expenses   | (187)      | (283)        |
| Accounts payable   | (2,597)    | (361)        |
| Due to related party   | (121,739)  | 370,776      |
|  | 214,268    | 60,582       |
| Net cash provided by operating activities  |            |              |
| Cash flows from investing activities:  |            |              |
| Net proceeds from sale (purchase) investments  | 116,580    | (164,435)    |
| Cash flows from financing activities:  |            |              |
| Contributions restricted for endowment   | 40,648     | 34,870       |
| Net change in cash and cash equivalents  | 371,496    | (68,983)     |
| Cash and cash equivalents, beginning of year   | 614,851    | 683,834      |
| Cash and cash equivalents, end of year   | \$ 986,347 | \$ 614,851   |

See accompanying notes to financial statements.

# BENEDICTINE EDUCATIONAL FOUNDATION

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies:

**Description of Organization:** Benedictine Educational Foundation (the “Foundation”) is a nonprofit organization that accepts and receives contributions for the benefit of and to carry out the purposes of Benedictine High School of Richmond d.b.a. Benedictine College Preparatory (the “School”). The Foundation is to provide financial support for the School’s academic programs, facilities, development, scholarships, financial aid and other programs as designated by the School. The Foundation is classified as a supporting organization for federal tax purposes.

**Financial Statement Presentation:** The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The accompanying financial statements represent the accounts of the Foundation on a stand-alone basis and do not include the accounts of the School or Benedictine Society of Virginia.

**Use of Estimates:** The presentation of 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 financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Classification of Net Assets:** The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted reflected based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Foundation. Donor-restricted contributions, sponsorships and grants whose restrictions are met in the same reporting period are reported as unrestricted support. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within unrestricted net assets. There were no Board-designated assets for 2016 or 2015.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Summary of Significant Accounting Policies, Continued:

##### Classification of Net Assets, Continued:

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

**Permanently Restricted Net Assets:** Net assets subject to donor-imposed restrictions requiring the Foundation to maintain such amounts permanently.

**Cash and Cash Equivalents:** The Foundation considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

**Investments:** Investments are stated at fair value and net unrealized and realized gains or losses are reflected in the statements of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements. Gifts of investments are stated at fair market value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the settlement date.

**Recognition of Contributions:** Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor as to purpose or time are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted.

**Pledges Receivable:** The Foundation provides an allowance for potentially uncollectible pledges based on management's judgment. When pledges are considered uncollectible, they are written off against the allowance. The allowance for uncollectible pledges was \$421,342 as of June 30, 2016 and \$372,888 as of June 30, 2015.

**Income Taxes:** The Foundation is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not considered a private foundation.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2016 and 2015. The Foundation is not currently under audit by any tax jurisdiction.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Summary of Significant Accounting Policies, Continued:

**Credit Risk:** Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents, investments, and pledges receivable. The Foundation maintains its cash and investments in financial institutions with balances that periodically exceed federally insured limits. The Foundation's pledges are from a large number of individuals, foundations, and corporations located primarily in Richmond, Virginia.

**Advertising Costs:** The Foundation expenses advertising costs as they are incurred. There was no advertising expense for 2016 and 2015.

**Subsequent Events:** Management has evaluated subsequent events through November 1, 2016 the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

#### 2. Investments and Fair Value Measurements:

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Investments and Fair Value Measurements, Continued:

The asset's 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.

Following is a description of the valuation methodologies used for assets measured at fair value:

**Cash and cash equivalents:** Valued at the realizable cash value equivalent to the specific sum of money held by the Foundation at year end.

**Corporate stocks:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Mutual funds, exchange-traded & closed-end funds:** Valued at the net asset value ("NAV") of shares held by the Foundation at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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 sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

|                                     | Assets at Fair Value |              |
|-------------------------------------|----------------------|--------------|
|                                     | Level 1              | Total        |
| Cash and cash equivalents           | \$ 9,520             | \$ 9,520     |
| Exchange-traded & closed-end funds: |                      |              |
| Corporate Bond                      | 144,091              | 144,091      |
| Emerging Markets Bond               | 145,550              | 145,550      |
| Large Blend                         | 968,226              | 968,226      |
| Real Estate                         | 469,774              | 469,774      |
| Diversified Emerging Markets        | 651,543              | 651,543      |
| Foreign Large Blend                 | 497,692              | 497,692      |
| Total assets at fair value          | \$ 2,886,396         | \$ 2,886,396 |

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Investments and Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

|                                     | Assets at Fair Value |              |
|-------------------------------------|----------------------|--------------|
|                                     | Level 1              | Total        |
| Cash and cash equivalents           | \$ 40,553            | \$ 40,553    |
| Corporate stocks:                   |                      |              |
| Basic materials                     | 47,858               | 47,858       |
| Conglomerates                       | 17,824               | 17,824       |
| Consumer goods                      | 31,313               | 31,313       |
| Financial                           | 122,602              | 122,602      |
| Healthcare                          | 78,628               | 78,628       |
| Industrial goods                    | 17,620               | 17,620       |
| International                       | 116,403              | 116,403      |
| Services                            | 46,790               | 46,790       |
| Technology                          | 71,198               | 71,198       |
| Utilities                           | 7,610                | 7,610        |
| Mutual funds:                       |                      |              |
| Commodities broad basket            | 87,540               | 87,540       |
| Energy limited partnership          | 85,919               | 85,919       |
| High yield bond                     | 143,963              | 143,963      |
| Intermediate-Term Bond              | 201,214              | 201,214      |
| Large growth                        | 203,016              | 203,016      |
| Managed futures                     | 57,182               | 57,182       |
| Mid-cap growth                      | 86,541               | 86,541       |
| Mid-cap value                       | 86,654               | 86,654       |
| Money market                        | 28,744               | 28,744       |
| Multialternative                    | 170,194              | 170,194      |
| Short-term bond                     | 344,938              | 344,938      |
| Small growth                        | 58,214               | 58,214       |
| Small value                         | 57,599               | 57,599       |
| Exchange-traded & closed-end funds: |                      |              |
| Blend fund                          | 216,539              | 216,539      |
| Bond fund                           | 143,088              | 143,088      |
| Growth fund                         | 345,446              | 345,446      |
|                                     | \$ 2,915,190         | \$ 2,915,190 |

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 3. Pledges Receivable:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of 0.75%, are expected to be received as follows at June 30:

|                                     | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
| Amounts due in:                     |              |              |
| Less than one year                  | \$ 895,893   | \$ 782,236   |
| One to five years                   | 791,830      | 709,965      |
|                                     | 1,687,723    | 1,492,201    |
| Less:                               |              |              |
| Allowance for uncollectible pledges | 421,342      | 372,888      |
| Discount on pledges receivable      | 9,282        | 9,213        |
|                                     | \$ 1,257,099 | \$ 1,110,100 |

In addition, a donor has made a conditional promise to give to the Foundation a total amount of \$1,000,000 over four years. This promise does not currently meet standards to be recognized as revenue according to generally accepted accounting principles ("GAAP"), but will be recognized over the life of the pledge as conditions are met.

#### 4. Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes at June 30:

| Purpose                         | 2016         | 2015         |
|---------------------------------|--------------|--------------|
| Alumni association              | \$ 178,158   | \$ 57,698    |
| Centennial campaign             | 1,158,963    | 409,553      |
| Other time restricted donations | 471,848      | 470,102      |
| Educational programs            | 13,450       | -            |
| Financial aid and scholarships  | 256,054      | 172,719      |
| Planned giving                  | 127,083      | 172,097      |
|                                 | \$ 2,205,556 | \$ 1,282,169 |

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 4. Temporarily Restricted Net Assets, Continued:

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events as specified by donors. Purpose restrictions accomplished were as follows for the years ended June 30:

| <u>Purpose</u>                  | <u>2016</u>       | <u>2015</u>       |
|---------------------------------|-------------------|-------------------|
| Centennial campaign             | \$ 391,425        | \$ 301,586        |
| Other time restricted donations | 83,278            | 57,558            |
| Educational programs            | -                 | 32,555            |
| Financial aid and scholarships  | 52,000            | 80,600            |
| Planned giving                  | 144,452           | 27,153            |
|                                 | <u>\$ 671,155</u> | <u>\$ 499,452</u> |

#### 5. Permanently Restricted Net Assets:

Permanently restricted net assets restricted for the purpose of scholarships and financial aid amounted to \$2,892,544 at June 30, 2016 and \$2,851,896 at June 30, 2015. The principal of all permanently restricted net assets must be invested in perpetuity; however, income and gains are available to support scholarships and other program activities of the School (see Note 6).

#### 6. Endowment Funds:

The Foundation's endowment consists of 23 individual named funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States, net assets associated with endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the cost basis 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts 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 the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

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

- The duration and preservation of the fund
- The purposes of the organization 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 organization
- The investment policies of the organization

**Endowment Investing and Spending Policies:** The Foundation 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. Under this policy, as approved by the Board of Directors, the endowment funds have both absolute and relative investment objectives as follows:

Absolute objectives:

- The long-term objective of the Fund is to provide moderate capital growth with no focus on income.
- Achieve a target rate of return (excess of inflation) of 4% over a full market cycle of approximately 10 years.
- Diversification will be employed to reduce risk.

Relative objectives:

- Focus on spending on current or near-term programs without regard to the impact on future spending.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Foundation spends money out of the endowment based on the original request of the donor, which relates to an amount used for scholarships and financial aid awards. The distributions to the beneficiaries will be 4% of the endowed assets, determined annually as of December 31.

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

**Funds with Deficits:** 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 Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$(42,275) as of June 30, 2016 and (\$22,675) as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred in fiscal year 2016 and 2015.

Endowment net asset composition by type of fund was as follows as of June 30, 2016:

|                                     | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|--------------------|---------------------------|---------------------------|---------------------|
| Donor-restricted<br>endowment funds | <u>\$ (42,275)</u> | <u>\$ -</u>               | <u>\$ 2,892,544</u>       | <u>\$ 2,850,269</u> |

Endowment net asset composition by type of fund was as follows as of June 30, 2015:

|                                     | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|-------------------------------------|--------------------|---------------------------|---------------------------|---------------------|
| Donor-restricted<br>endowment funds | <u>\$ (22,675)</u> | <u>\$ -</u>               | <u>\$ 2,851,896</u>       | <u>\$ 2,829,221</u> |

## BENEDICTINE EDUCATIONAL FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the years ended June 30, 2016 and 2015:

|  | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--|--------------------|---------------------------|---------------------------|---------------------|
| Endowment net assets,<br>July 1, 2014            | \$ -               | \$ 18,312                 | \$ 2,817,026              | \$ 2,835,338        |
| Investment income                                | 86,540             | -                         | -                         | 86,540              |
| Realized and unrealized<br>losses on investments | (2,835)            | -                         | -                         | (2,835)             |
| Appropriations for<br>expenditures               | (83,188)           | (18,312)                  | -                         | (101,500)           |
| Contributions                                    | -                  | -                         | 34,870                    | 34,870              |
| Management fees                                  | (23,192)           | -                         | -                         | (23,192)            |
| Endowment net assets,<br>June 30, 2015           | (22,675)           | -                         | 2,851,896                 | 2,829,221           |
| Investment income                                | 99,735             | -                         | -                         | 99,735              |
| Realized and unrealized<br>losses on investments | (1,986)            | -                         | -                         | (1,986)             |
| Appropriations for<br>expenditures               | (104,525)          | -                         | -                         | (104,525)           |
| Contributions                                    | -                  | -                         | 40,648                    | 40,648              |
| Management fees                                  | (12,824)           | -                         | -                         | (12,824)            |
| Endowment net assets,<br>June 30, 2016           | <u>\$ (42,275)</u> | <u>\$ -</u>               | <u>\$ 2,892,544</u>       | <u>\$ 2,850,269</u> |

#### 7. Related Party Transactions:

The Foundation contributed \$1,151,848 to the School during 2016 and \$1,427,764 to the School during 2015 and has \$102,469 due to the School as of June 30, 2016 and \$605,579 due to the School as of June 30, 2015 as reflected in the accompanying statement of financial position for various operating expenses paid for by the School on behalf of the Foundation.

**SUPPLEMENTAL INFORMATION**

**BENEDICTINE EDUCATIONAL FOUNDATION**

Schedule of Functional Expenses  
Year Ended June 30, 2016

|                            | Program<br>Services | Supporting Services           |                   | Total               |
|----------------------------|---------------------|-------------------------------|-------------------|---------------------|
|                            |                     | General and<br>Administrative | Fundraising       |                     |
| Contributions to School    | \$ 1,151,848        | \$ -                          | \$ -              | \$ 1,151,848        |
| Salaries and payroll taxes | -                   | -                             | 94,627            | 94,627              |
| Bank and investment fees   | -                   | 17,441                        | -                 | 17,441              |
| Dues and subscriptions     | -                   | -                             | 427               | 427                 |
| Insurance                  | -                   | 2,094                         | -                 | 2,094               |
| Meal expense               | -                   | -                             | 481               | 481                 |
| Miscellaneous              | -                   | 15,848                        | 9,850             | 25,698              |
| Postage                    | -                   | -                             | 612               | 612                 |
| Printing and direct mail   | -                   | -                             | 11,257            | 11,257              |
| Professional services      | -                   | 40,516                        | -                 | 40,516              |
| Travel and fuel            | -                   | -                             | 11,021            | 11,021              |
|                            | <u>\$ 1,151,848</u> | <u>\$ 76,049</u>              | <u>\$ 128,275</u> | <u>\$ 1,356,172</u> |

See report of independent accountants.

**BENEDICTINE EDUCATIONAL FOUNDATION**

Schedule of Functional Expenses  
Year Ended June 30, 2015

|                            | Program<br>Services | Supporting Services           |                   | Total               |
|----------------------------|---------------------|-------------------------------|-------------------|---------------------|
|                            |                     | General and<br>Administrative | Fundraising       |                     |
| Contributions to School    | \$ 1,427,764        | \$ -                          | \$ -              | \$ 1,427,764        |
| Salaries and payroll taxes | -                   | -                             | 93,556            | 93,556              |
| Bank and investment fees   | -                   | 28,321                        | -                 | 28,321              |
| Dues and subscriptions     | -                   | 24                            | 415               | 439                 |
| Insurance                  | -                   | 1,999                         | 623               | 2,622               |
| Meal expense               | -                   | -                             | 541               | 541                 |
| Miscellaneous              | -                   | 18,172                        | 8,096             | 26,268              |
| Postage                    | -                   | -                             | 2,090             | 2,090               |
| Printing and direct mail   | -                   | -                             | 14,816            | 14,816              |
| Professional services      | -                   | 11,169                        | -                 | 11,169              |
| Travel and fuel            | -                   | -                             | 2,338             | 2,338               |
|                            | <u>\$ 1,427,764</u> | <u>\$ 59,685</u>              | <u>\$ 122,475</u> | <u>\$ 1,609,924</u> |

See report of independent accountants.