

ELLIN & TUCKER

ST. AGNES FOUNDATION, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Agnes Foundation, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of St. Agnes Foundation, Inc. (Foundation), which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities and Cash Flows for the year 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT, CONTINUED**OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ADJUSTMENTS TO PRIOR PERIOD FINANCIAL STATEMENTS

The financial statements of the Foundation as of June 30, 2016 were audited by other auditors whose report dated October 19, 2016 expressed an unmodified opinion on those statements. As discussed in Note 7, the Foundation has restated its June 30, 2016 financial statements during the current year to correct the net asset classification, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2016 financial statements before the restatement.

As part of our audit of the June 30, 2017 financial statements, we also audited adjustments described in Note 7 that were applied to restate the June 30, 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2016 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2016 financial statements as a whole.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
February 5, 2018

STATEMENTS OF FINANCIAL POSITION
St. Agnes Foundation, Inc.
June 30, 2017 and 2016

ASSETS

ASSETS	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 1,115,049	\$ 2,081,551
Investments (Note 3)	16,865,828	14,933,108
Pledges Receivable, Net of Discount and Allowance (Note 2)	558,971	713,663
Interest Receivable	26,372	22,730
Furniture and Equipment (Note 4)	-	-
Total Assets	<u>\$ 18,566,220</u>	<u>\$ 17,751,052</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Due to St. Agnes Healthcare (Note 6)	\$ 202,299	\$ 670,792
Accounts Payable and Accrued Expenses	<u>32,397</u>	<u>147,148</u>
Total Liabilities	<u>234,696</u>	<u>817,940</u>

NET ASSETS

Unrestricted Net Assets	<u>13,689,904</u>	<u>12,348,464</u>
Temporarily Restricted Net Assets:		
Harry and Jeannette Weinberg Endowment	82,320	22,459
Cardiac Access	2,025	2,025
Other	69,098	77,136
Funds for the Benefit of St. Agnes Healthcare	<u>1,787,655</u>	<u>1,950,924</u>
Total Temporarily Restricted Net Assets	<u>1,941,098</u>	<u>2,052,544</u>
Permanently Restricted Net Assets:		
Harry and Jeannette Weinberg Endowment	2,368,568	2,200,150
Infinity Endowment	<u>331,954</u>	<u>331,954</u>
Total Permanently Restricted Net Assets	<u>2,700,522</u>	<u>2,532,104</u>
Total Net Assets	<u>18,331,524</u>	<u>16,933,112</u>
Total Liabilities and Net Assets	<u>\$ 18,566,220</u>	<u>\$ 17,751,052</u>

(See Independent Auditors' Report and Accompanying Notes)

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contribution Revenue:								
Special Events	\$ 508,139	\$ -	\$ -	\$ 508,139	\$ 500,185	\$ 4,000	\$ -	\$ 504,185
Annual and Planned Giving	356,044	-	-	356,044	364,605	-	-	364,605
Capital Campaign	-	9,485	-	9,485	-	36,364	-	36,364
Donations	4,079	138,719	-	142,798	-	273,061	-	273,061
Total Contribution Revenue	868,262	148,204	-	1,016,466	864,790	313,425	-	1,178,215
Investment Income (Loss):								
Interest and Dividends, Net	128,198	4,857	-	133,055	210,363	7,981	-	218,344
Realized Gain on Sale of Investments	492,915	11,510	64,052	568,477	112,345	12,183	-	124,528
Unrealized Gain (Loss) on Investments	1,180,817	28,911	160,876	1,370,604	(500,995)	(1,528)	(38,943)	(541,466)
Total Investment Income (Loss)	1,801,930	45,278	224,928	2,072,136	(178,287)	18,636	(38,943)	(198,594)
Net Assets Released from Restrictions	361,438	(304,928)	(56,510)	-	474,128	(393,925)	(80,203)	-
Total Support and Revenue	3,031,630	(111,446)	168,418	3,088,602	1,160,631	(61,864)	(119,146)	979,621
EXPENSES								
Program Services	468,835	-	-	468,835	656,786	-	-	656,786
Supporting Services:								
Costs of Direct Benefits to Donors	179,910	-	-	179,910	263,188	-	-	263,188
Fundraising	596,042	-	-	596,042	838,945	-	-	838,945
Management and General	445,403	-	-	445,403	391,412	-	-	391,412
Total Expenses	1,690,190	-	-	1,690,190	2,150,331	-	-	2,150,331
Change in Net Assets	1,341,440	(111,446)	168,418	1,398,412	(989,700)	(61,864)	(119,146)	(1,170,710)
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	12,348,464	2,052,544	2,532,104	16,933,112	13,338,164	4,433,704	331,954	18,103,822
Prior Period Adjustment (Note 7)	-	-	-	-	-	(2,319,296)	2,319,296	-
NET ASSETS - END OF YEAR	<u>\$13,689,904</u>	<u>\$ 1,941,098</u>	<u>\$ 2,700,522</u>	<u>\$18,331,524</u>	<u>\$12,348,464</u>	<u>\$ 2,052,544</u>	<u>\$ 2,532,104</u>	<u>\$16,933,112</u>

(See Independent Auditors' Report and Accompanying Notes)

STATEMENTS OF CASH FLOWS
St. Agnes Foundation, Inc.
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,398,412	\$ (1,170,710)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Realized Gain on Sale of Investments	(568,477)	(124,528)
Unrealized (Gain) Loss on Investments	(1,370,604)	541,466
Net Changes in:		
Accounts Receivable	-	9,083
Pledges Receivable	154,692	844,928
Interest Receivable	(3,642)	(6,107)
Due to St. Agnes Healthcare	(468,493)	268,414
Accounts Payable and Accrued Expenses	(114,751)	41,666
	<u>(972,863)</u>	<u>404,212</u>
Net Cash (Used in) Provided by Operating Activities		
INVESTING ACTIVITIES		
Purchases of Investments	(5,712,736)	(7,605,431)
Sales of Investments	5,719,097	7,583,605
	<u>6,361</u>	<u>(21,826)</u>
Net Cash Provided by (Used in) Investing Activities		
Net Change in Cash and Cash Equivalents	(966,502)	382,386
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,081,551</u>	<u>1,699,165</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,115,049</u>	<u>\$ 2,081,551</u>

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

St. Agnes Foundation, Inc. (Foundation) is a not-for-profit, nonstock corporation established to solicit, receive, hold, invest, and reinvest gifts and bequests, which are made primarily for the benefit of St. Agnes Healthcare (SAHC), including the surrounding communities, in support of SAHC's health-related activities. The Foundation and SAHC are members of Ascension Health, a Catholic, national, multi-unit, not-for-profit corporation. The members of the Foundation Board of Directors are appointed by SAHC.

ACCOUNTING STANDARDS CODIFICATION

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board. The Codification is the single source of authoritative GAAP in the United States.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions. Such restrictions expire either by the passage of time or actions of the Foundation. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions. Such restrictions neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(See Independent Auditors' Report)

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 5, 2018, the date the financial statements were available to be issued.

REVENUE RECOGNITION

Pledges and contributions are recorded when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received and unconditional promises to give are measured at their fair values and reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Special event revenue is recognized when the event takes place.

CASH AND CASH EQUIVALENTS

The Foundation maintains its cash in bank deposit and brokerage accounts which, at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents. The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities, which are exposed to various risks, such as interest rate, credit and overall volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Financial Position.

PLEDGES RECEIVABLE

Unconditional promises to give cash and other assets are reported at fair value as pledges receivable at the date the promise is received. Long-term pledges are discounted to net present value, less an allowance for doubtful accounts, which is based on management's assessment of uncollectible amounts of pledges receivable.

INVESTMENTS

Investments are reported at fair value in the Statements of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. See Note 3 for a discussion of fair value measurements.

(See Independent Auditors' Report)

FURNITURE AND EQUIPMENT

Furniture and equipment are stated at cost or, if donated, the estimated fair value at the date of donation. The Foundation capitalizes all items over \$5,000 that have a useful life greater than one year. Lesser amounts are expensed. Depreciation is computed utilizing the straight-line method over the useful lives of the assets.

INCOME TAXES

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give from donors. Pledges receivable at June 30, 2017 and 2016 were as follows:

	2017	2016
Pledges Receivable	\$ 653,125	\$ 990,264
Less: Allowance for Uncollectible Pledges	73,188	242,377
Less: Discount on Non-Current Pledges	20,966	34,224
Pledges Receivable, Net	\$ 558,971	\$ 713,663

(See Independent Auditors’ Report)

Amounts are due as follows:

	2017	2016
Less than One Year	\$ 462,640	\$ 513,884
One to Five Years	24,065	119,484
Greater than Five Years	72,266	80,295
	\$ 558,971	\$ 713,663

Pledges receivable which are due in more than one year have been discounted using rates ranging between 4.12% and 7.54%.

NOTE 3 INVESTMENTS

Investments at June 30, 2017 and 2016 consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Common Stocks	\$ 4,431,721	\$ 8,131,179	\$ 4,504,348	\$ 6,973,670
Mutual Funds	3,146,055	3,358,920	3,142,216	3,086,606
Fixed Income	5,405,948	5,375,729	4,769,569	4,872,832
	\$ 12,983,724	\$ 16,865,828	\$ 12,416,133	\$ 14,933,108

Investment income (loss) for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Interest and Dividends, Net	\$ 133,055	\$ 218,344
Realized Gain on Sale of Investments	568,477	124,528
Unrealized Gain (Loss) on Investments	1,370,604	(541,466)
Total	\$ 2,072,136	\$ (198,594)

The Fair Value Measurements and Disclosures Topic of the Codification establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments and other financial instruments at fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

(See Independent Auditors' Report)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Below is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Common Stocks: Valued at quoted prices in an active market.

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Foundation at year end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. NAV is a quoted price in an active market.

Fixed Income: Valued based on yields currently available or comparable securities of issuers with similar credit ratings.

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.

(See Independent Auditors' Report)

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017 and 2016:

	2017		
	Level 1	Level 2	Total
Common Stocks:			
Materials	\$ 55,091	\$ -	\$ 55,091
Industrials	1,375,184	-	1,375,184
Consumer Discretionary	2,867,966	-	2,867,966
Consumer Staples	114,816	-	114,816
Energy	70,598	-	70,598
Financials	1,637,892	-	1,637,892
Health Care	341,225	-	341,225
Information Technology	1,668,407	-	1,668,407
	<u>8,131,179</u>	<u>-</u>	<u>8,131,179</u>
Mutual Funds:			
Fixed Income Fund	1,146,331	-	1,146,331
Small Cap Core	508,123	-	508,123
Small Cap Growth	567,911	-	567,911
International	1,087,721	-	1,087,721
REIT	48,834	-	48,834
	<u>3,358,920</u>	<u>-</u>	<u>3,358,920</u>
Fixed Income:			
U.S. Treasury Bonds	-	3,484,126	3,484,126
Municipal Bonds	-	241,875	241,875
Corporate Bonds	-	1,495,119	1,495,119
Asset Backed Securities	-	154,609	154,609
	<u>-</u>	<u>5,375,729</u>	<u>5,375,729</u>
	<u>\$ 11,490,099</u>	<u>\$ 5,375,729</u>	<u>\$ 16,865,828</u>

(See Independent Auditors' Report)

	2016		Total
	Level 1	Level 2	
Common Stocks:			
Materials	\$ 46,373	\$ -	\$ 46,373
Industrials	1,038,029	-	1,038,029
Consumer Discretionary	2,419,484	-	2,419,484
Consumer Staples	164,634	-	164,634
Energy	82,288	-	82,288
Financials	1,695,915	-	1,695,915
Health Care	317,129	-	317,129
Information Technology	1,209,818	-	1,209,818
	<u>6,973,670</u>	<u>-</u>	<u>6,973,670</u>
Mutual Funds:			
Fixed Income Fund	1,176,277	-	1,176,277
Small Cap Core	495,100	-	495,100
Small Cap Growth	487,915	-	487,915
International	927,314	-	927,314
	<u>3,086,606</u>	<u>-</u>	<u>3,086,606</u>
Fixed Income:			
U.S. Treasury Bonds	-	3,699,327	3,699,327
Municipal Bonds	-	101,412	101,412
Corporate Bonds	-	957,349	957,349
Asset Backed Securities	-	114,744	114,744
	<u>-</u>	<u>4,872,832</u>	<u>4,872,832</u>
	<u>\$ 10,060,276</u>	<u>\$ 4,872,832</u>	<u>\$ 14,933,108</u>

NOTE 4 FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2017	2016
Furniture and Equipment	\$ 59,494	\$ 59,494
Less: Accumulated Depreciation	(59,494)	(59,494)
	<u>\$ -</u>	<u>\$ -</u>

(See Independent Auditors' Report)

NOTE 5 **ENDOWMENT FUNDS**

The Foundation’s permanent endowment consists of various donor restricted funds established to provide a source of income for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Foundation has interpreted the Maryland 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 Foundation 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 Foundation (in a manner consistent with the standard of prudence prescribed by UPMIFA). Earnings and investment gains which exceed the Foundation’s Board-approved spending limit are classified as temporarily restricted until such time as those funds are appropriated. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) Duration and preservation of the fund
- (2) Purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) Investment policies of the Foundation

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 82,320	\$ 2,700,522	\$ 2,782,842

(See Independent Auditors’ Report)

CHANGES IN ENDOWMENT FUNDS FOR THE YEAR ENDED JUNE 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, July 1, 2016	\$ -	\$ 22,459	\$ 2,532,104	\$ 2,554,563
Investment Return:				
Investment Income	-	19,440	-	19,440
Net Realized and Unrealized Appreciation	-	40,421	224,928	265,349
Total Investment Return	-	59,861	224,928	284,789
Appropriation of Endowment Assets for Expenditure	-	-	(56,510)	(56,510)
Endowment Funds, June 30, 2017	<u>\$ -</u>	<u>\$ 82,320</u>	<u>\$ 2,700,522</u>	<u>\$ 2,782,842</u>

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 22,459</u>	<u>\$ 2,532,104</u>	<u>\$ 2,554,563</u>

CHANGES IN ENDOWMENT FUNDS FOR THE YEAR ENDED JUNE 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, July 1, 2015	\$ (10,304)	\$ -	\$ 2,651,250	\$ 2,640,946
Investment Return:				
Investment Income	10,304	11,804	-	22,108
Net Realized and Unrealized Appreciation (Depreciation)	-	10,655	(38,943)	(28,288)
Total Investment Return	10,304	22,459	(38,943)	(6,180)

(See Independent Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Appropriation of Endowment Assets for Expenditure	-	-	(80,203)	(80,203)
Endowment Funds, June 30, 2016	\$ -	\$ 22,459	\$ 2,532,104	\$ 2,554,563

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2017 and 2016.

RETURN OBJECTIVES AND RISK PARAMETERS

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 preserve the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide long-term growth, interest and dividends. The Foundation expects its endowment funds, over time, to provide an average rate of return approximating the spending rate plus the consumer price index 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 Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The spending policy for each endowment is based upon the donor-specified terms. The Harry and Jeannette Weinberg endowment allows distributions up to 5% of the average fund principal during the preceding year. In any fiscal year in which the Foundation chooses not to distribute some or all of the distributable amount for that fiscal year, the Foundation is permitted to accumulate and carry-forward the undistributed amounts. Earnings of the fund

(See Independent Auditors' Report)

in excess of amounts distributable shall be retained and added to principal for purposes of preserving and/or enhancing the purchasing power of future permitted distributions. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets.

NOTE 6 RELATED PARTY TRANSACTIONS

SAHC provides certain administrative and accounting services to the Foundation. The Foundation reimburses SAHC for the estimated cost of services provided. For the fiscal years ended June 30, 2017 and 2016, these services totaled \$45,000 per year and are recorded as management and general expenses on the Statements of Activities. At June 30, 2017 and 2016, the Foundation has recorded liabilities of \$202,299 and \$670,792, respectively, related to these services as well as other reimbursable salary and benefit costs of Foundation employees paid by SAHC on behalf of the Foundation. Amounts due to SAHC are non-interest bearing and have no set repayment terms.

NOTE 7 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2017, the Foundation determined that permanently restricted net assets were misclassified as temporarily restricted net assets. The Foundation has restated prior year financial statements to correct this error. The effect of this restatement was to reduce temporarily restricted net assets and increase permanently restricted net assets by \$2,319,296 as of July 1, 2015.

(See Independent Auditors' Report)