

**ANGELA MERICI AND JOHN HENRY
NEWMAN FOUNDATION, INC.**

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

Year Ended June 30, 2015
(With Summarized Comparative Totals for 2014)

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LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Angela Merici and John Henry Newman Foundation, Inc.
Santa Rosa, California

We have audited the accompanying financial statements of *Angela Merici and John Henry Newman Foundation, Inc.* (the Foundation), which comprise the statement of financial position as of June 30, 2015, 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.

Auditor's 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 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 Foundation'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 Foundation'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.

To the Board of Directors
Angela Merici and John Henry Newman Foundation, Inc.

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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lautze & Lautze

San Francisco, California
October 13, 2015



ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Summarized Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 2,684,325	\$ 901,835
Contributions receivable, net	34,656	42,355
Investments	1,434,415	1,445,568
Cash and cash equivalents held for long-term purposes	<u>28,287</u>	<u>23,427</u>
Total assets	<u>\$ 4,181,683</u>	<u>\$ 2,413,185</u>
 NET ASSETS		
Net assets:		
Temporarily restricted	\$ 3,164,090	\$ 1,397,902
Permanently restricted	<u>1,017,593</u>	<u>1,015,283</u>
Total net assets	<u>4,181,683</u>	<u>2,413,185</u>
Total liabilities and net assets	<u>\$ 4,181,683</u>	<u>\$ 2,413,185</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

(With Summarized Comparative Totals for 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, gains and other support:					
Contributions	\$ -	\$ 1,794,250	\$ 2,310	\$ 1,796,560	\$ 350,336
Dividend and interest income	-	23,599	-	23,599	22,342
Net unrealized gains on investments	-	34,683	-	34,683	192,598
Net assets released from restrictions	87,344	(87,344)	-	-	-
Total revenue, gains and other support	87,344	1,765,188	2,310	1,854,842	565,276
Expenses:					
Program expenses:					
Distributions to Cardinal Newman High School	67,764	-	-	67,764	-
Supporting services:					
Administration	19,580	-	-	19,580	18,678
Total expenses before bad debt losses (recoveries)	87,344	-	-	87,344	18,678
Bad debt losses (recoveries)	-	(1,000)	-	(1,000)	142,826
Total expenses and bad debt losses (recoveries)	87,344	(1,000)	-	86,344	161,504
Change in net assets	-	1,766,188	2,310	1,768,498	403,772
Net assets:					
Beginning of year	-	1,397,902	1,015,283	2,413,185	2,009,413
End of year	\$ -	\$ 3,164,090	\$ 1,017,593	\$ 4,181,683	\$ 2,413,185

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

(With Summarized Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,768,498	\$ 403,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(2,510)	(340,820)
Change in discount on contributions receivable	-	(9,516)
Bad debt losses (recoveries)	(1,000)	142,826
Net unrealized gains on investments	(34,683)	(192,598)
Decrease in assets:		
Contributions receivable	5,950	-
	<u>1,736,255</u>	<u>3,664</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	66,764	-
Purchase of investments	(20,929)	(27,963)
Change in cash and cash equivalents held for long-term purposes	(4,860)	(20,525)
	<u>40,975</u>	<u>(48,488)</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	5,260	341,320
	<u>5,260</u>	<u>341,320</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,782,490	296,496
Cash and cash equivalents:		
Beginning of year	901,835	605,339
	<u>901,835</u>	<u>605,339</u>
End of year	<u>\$ 2,684,325</u>	<u>\$ 901,835</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Angela Merici and John Henry Newman Foundation, Inc. (the Foundation) was originally incorporated on May 3, 2005 as a California non-profit corporation for the specific purpose of supporting religious, charitable and educational activities exclusively for Cardinal Newman High School (CNHS) and Ursuline High School (UHS). The Foundation's Board consisted of members from both CNHS and UHS. Unless all or any specified portion of a contribution is restricted for the benefit of either CNHS or UHS, the net assets of the Foundation are to be held and distributed equally to CNHS and UHS.

In November 2010, UHS announced that it was closing the school at the conclusion of the 2010/11 school year. As a result of the closure of UHS, the Foundation has undertaken the task of requesting redirection of donors' contributions that were made exclusively for the benefit of UHS. These donations have now all been redirected. The Foundation is now in existence for the specific purpose of supporting religious, charitable and educational activities exclusively for CNHS, which will include, but not be limited to, holding and managing assets and property for educational purposes in furtherance of the objectives and priorities established by the Board of Directors of the Foundation.

Basis of Accounting

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

U.S. GAAP requires that the Foundation report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Foundation are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the Foundation's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition or construction of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents restricted as to their use are not included as equivalents, regardless of liquidity.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues or gains in the period such promises are made by the donor. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional contributions receivable which are due beyond one accounting cycle are recorded at the present value of the contribution, using discount rates established in the year in which the promises are received. The interest portion earned in future periods is recorded as contributions in the periods earned.

The Foundation uses the allowance method to account for uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Investments

The Foundation's investments consist of equity and bond mutual fund investments. The investments are managed as a single diversified portfolio governed by the Foundation's investment policy. All investments are held in funds managed by Christian Brothers Investments Services, Inc. (Christian Brothers). Realized and unrealized gains and losses are included in the statement of activities. Investments received through gifts are recorded at estimated fair value at the date of donation.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions

The Foundation recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities. Such transactions are recorded as *net assets released from restrictions* and are reported separately from other transactions.

Contributed Goods and Services

Donated materials and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Foundation records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

For the year ended June 30, 2015, there were no contributed services that would materially impact the financial statements as presented.

Investment Income

Realized and unrealized gains and losses and investment income (losses) derived from investment transactions are included as income in the year earned.

Income Taxes

The Foundation is a qualified organization exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code and §23701d of the California Revenue and Taxation Code, respectively.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.

The Foundation's evaluation on June 30, 2015, revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2010 through 2014 tax years remain subject to examination by the California Franchise Tax Board. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Concentrations of Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, contributions receivable, and investments. The Foundation maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Concentrations of credit risk with respect to contributions receivable are limited because the promises are from numerous individuals. The Foundation attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Foundation's investments with highly rated corporate and financial institutions. Management believes that the Foundation is not exposed to any significant credit risk related to concentrations.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of June 30, 2014, and for the year then ended, from which the summarized information was derived.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. FAIR VALUE MEASUREMENT AND INVESTMENTS

The Foundation's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value.

Equity and Bond Funds: These funds are managed by an institutional fund manager, Christian Brothers. Christian Brothers' funds are not publicly traded; therefore readily determinable fair values for the funds are not available. The estimated fair value of these investments are provided by Christian Brothers, and then reviewed and evaluated by management and the Board. Due to the inherent uncertainty of these estimates, the estimated fair values may differ from the values that would have been used had a ready market existed. Management has classified the fair values of each fund based on the most significant inputs used to value the underlying holdings. The fair value of such investments is determined using the net asset value (NAV) per share as a practical expedient. The underlying investments included within Christian Brothers' managed funds include stocks, bonds, private partnership interests, hedge funds, collateralized mortgage obligations, government securities, options, and swap agreements. These equity and bond funds are classified within Level 2 of the fair value hierarchy.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. FAIR VALUE MEASUREMENT AND INVESTMENTS (CONTINUED)

The following table provides information as of June 30, 2015, about the Foundation's investments measured at fair value on a recurring basis.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
CUIT Core Equity Index Fund	\$ 665,648	\$ -	\$ 665,648	\$ -
CUIT Intermediate Diversified Bond Fund	495,794	-	495,794	-
CUIT International Equity Fund	198,945	-	198,945	-
CUIT Small Cap Equity Index Fund	74,028	-	74,028	-
	<u>\$ 1,434,415</u>	<u>\$ -</u>	<u>\$ 1,434,415</u>	<u>\$ -</u>

The Foundation's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstance that caused the transfer. The Foundation had no transfers into or out of the levels within the fair value hierarchy during the year ended June 30, 2015.

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using net asset value per share as of June 30, 2015:

<u>Description</u>	<u>Total Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
CUIT Core Equity Index Fund	\$ 665,648	\$ -	None	None
CUIT Intermediate Diversified Bond Fund	495,794	-	None	None
CUIT International Equity Fund	198,945	-	None	None
CUIT Small Cap Equity Index Fund	74,028	-	None	None
	<u>\$ 1,434,415</u>	<u>\$ -</u>		

CUIT Core Equity Index Fund

The CUIT Core Equity Index Fund invests in many of the companies that make up the S&P 500 Index, which includes the stocks of 400 large U.S industrial companies, 20 transportation stocks, 40 financial stocks and 40 public utilities. Index stocks excluded from this portfolio due to Christian Brothers' Socially Responsible Investment Principles are replaced by the investment manager with stocks that have similar investment characteristics.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. FAIR VALUE MEASUREMENT AND INVESTMENTS (CONTINUED)

CUIT Intermediate Diversified Bond Fund

The CUIT Intermediate Diversified Bond Fund combines economic and fundamental research in seeking to capture inefficiencies in the valuation of market sectors and individual securities. This fundamental research is combined with a disciplined program of risk control and duration management in seeking above-market returns over the long term.

CUIT International Equity Fund

The CUIT International Equity Fund invests in stocks generally above \$1.5 billion in market capitalization, and are selected based upon two complementary styles of investing: 1) a concentrated, low turnover approach of investing in regional and global leaders in industries with high and sustainable earnings, and 2) a more diversified portfolio of intrinsically undervalued companies with strong management and sustainability of earnings. For the entire fund portfolio, emphasis is placed on individual stock research and selection.

CUIT Small Cap Equity Index Fund

The CUIT Small Cap Equity Index Fund replicates the price and yield performance of the Russell 2000 Index, an index of 2,000 small company stocks that is created by taking the largest 3,000 companies in the United States and eliminating the largest 1,000 of those companies.

Net Unrealized Gains

The following analysis summarizes the net unrealized gains for the year ended June 30, 2015:

CUIT Core Equity Index Fund	\$ 38,385
CUIT International Equity Fund	4,395
CUIT Small Cap Equity Index Fund	(7,347)
CUIT Intermediate Diversified Bond Fund	<u>(750)</u>
	<u>\$ 34,683</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3. CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2015, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Due Thereafter	Total
Contributions receivable	\$ 320,867	\$ 15,000	\$ 12,500	\$ 348,367
Allowance for doubtful contributions receivable	(313,711)	-	-	(313,711)
	\$ 7,156	\$ 15,000	\$ 12,500	\$ 34,656

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015, are restricted for the benefit of CNHS and may be expended for:

Science building	\$ 2,205,696
Scholarships	475,883
Building projects	188,237
Traffic safety	159,301
Portable classrooms	100,317
Inherent time restriction	26,064
Inherent time restriction - Scholarships	8,592
	\$ 3,164,090

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include gifts with respect to which donors have stipulated, as a condition in the gift instrument, that the principal is to be held indefinitely. Permanently restricted net assets at June 30, 2015, amount to \$1,017,593 and are restricted for the benefit of CNHS.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. ENDOWMENT

The Foundation's endowment consists of approximately 25 individual funds established for a variety of purposes. Its endowments include only donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted California's enacted version of 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 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

The composition of endowment net asset by type of fund as of June 30, 2015, is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 484,474</u>	<u>\$ 1,017,593</u>	<u>\$ 1,502,067</u>

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. Deficiencies of this nature are reported in unrestricted net assets. At June 30, 2015, there were no funds with deficiencies.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. ENDOWMENT (CONTINUED)

Endowment funds shall be invested with the objectives of safety of corpus, growth, total return, and may be invested in any number of authorized investment tools that meet these objectives. The investment goal of these funds is to generate sufficient total return on assets to permit (a) distribution of 5% of assets annually, and (b) allocation to the donated funds of an additional percentage equal to inflation plus 1% for real growth. Actual returns in any given year may vary from this amount.

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 of 65% equities, 32% fixed income securities and 3% cash and cash equivalents.

The Board of Directors has implemented a total return (current yield plus appreciation) spending policy. The policy is designed to provide a meaningful and growing payout to CNHS while preserving the endowment's assets on an inflation-adjusted basis. At the beginning of each year the Investment Management Committee will recommend to the Board of Directors a distribution figure for the endowment guided by the following formula:

$$\text{Total Return} - \text{Fees} - \text{Inflation Rate} - 1\% \text{ Growth Reserve} = \text{Payout}$$

Fees include investment charges. The inflation rate is the Consumer Price Index.

At the discretion of the Board, the spending policy may be temporarily suspended during unusual market conditions.

Changes in endowment net assets for the year ended June 30, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 495,622</u>	<u>\$ 1,015,283</u>	<u>\$ 1,510,905</u>
Investment return:			
Investment income	20,933	-	20,933
Net unrealized appreciation	<u>34,683</u>	<u>-</u>	<u>34,683</u>
Total investment return	55,616	-	55,616
Distribution of assets	(66,764)	-	(66,764)
Contributions	<u>-</u>	<u>2,310</u>	<u>2,310</u>
Net change	<u>(11,148)</u>	<u>2,310</u>	<u>(8,838)</u>
Endowment net assets, end of year	<u>\$ 484,474</u>	<u>\$ 1,017,593</u>	<u>\$ 1,502,067</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

6. ENDOWMENT (CONTINUED)

Permanently restricted endowment net assets include contributions receivable, net, of \$34,655 at June 30, 2015.

The following is a description of amounts classified as permanently restricted net assets and temporarily restricted net assets:

Permanently restricted net assets:

The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 1,017,593</u>
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Temporarily restricted net assets:

The portion of endowment funds subject to a time restriction under UPMIFA:	
With purpose restrictions	<u>\$ 484,474</u>

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended June 30, 2015, as follows:

Supporting services-administration	\$ 19,580
Endowment distributions for scholarships	66,764
Scholarship	<u>1,000</u>
	<u>\$ 87,344</u>

8. RELATED PARTY TRANSACTIONS

Since its inception, the Foundation has largely been operated by the staff of CNHS. The salaries of these employees and other indirect costs of operating the Foundation were paid by CNHS and no portion of these costs has been allocated to the Foundation.

9. SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through October 13, 2015, the date the financial statements were available to be issued.