

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2016, and the related statements of activities and changes in net assets 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 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.

Opinion

In our opinion, the 2016 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016, 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.

Prior Period Summarized Comparative Information

The 2015 financial statements of the Foundation were audited by Lautze & Lautze, CPA's & Financial Advisors whose practice was combined with Marcum LLP as of June 1, 2016, and whose report dated October 13, 2015, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

San Francisco, California
November 22, 2016

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 190,536	\$ 2,684,325
Contributions receivable, net	32,406	34,656
Investments	1,502,136	1,434,415
Cash and cash equivalents held for long-term purposes	<u>850</u>	<u>28,287</u>
Total Assets	<u>\$ 1,725,928</u>	<u>\$ 4,181,683</u>
Net Assets		
Temporarily restricted	\$ 682,495	\$ 3,164,090
Permanently restricted	<u>1,043,433</u>	<u>1,017,593</u>
Total Net Assets	<u>1,725,928</u>	<u>4,181,683</u>
Total Liabilities and Net Assets	<u>\$ 1,725,928</u>	<u>\$ 4,181,683</u>

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

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Operating Revenue and Gains					
Contributions	\$ --	\$ --	\$ 25,840	\$ 25,840	\$ 1,796,560
Dividend and interest income	--	24,481	--	24,481	23,599
Net unrealized gain (loss) on investments	--	(9,333)	--	(9,333)	34,683
Net assets released from restrictions	<u>2,496,743</u>	<u>(2,496,743)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Operating Revenue and Gains	<u>2,496,743</u>	<u>(2,481,595)</u>	<u>25,840</u>	<u>40,988</u>	<u>1,854,842</u>
Expenses					
Program Expenses:					
Distributions to Cardinal Newman High School	2,476,878	--	--	2,476,878	67,764
Supporting services:					
Administration	<u>19,865</u>	<u>--</u>	<u>--</u>	<u>19,865</u>	<u>19,580</u>
Total Expenses Before Bad Debt Recoveries	2,496,743	--	--	2,496,743	87,344
Bad Debt Recoveries	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,000)</u>
Total Expenses and Bad Debt Recoveries	<u>2,496,743</u>	<u>--</u>	<u>--</u>	<u>2,496,743</u>	<u>86,344</u>
Change in Net Assets	--	(2,481,595)	25,840	(2,455,755)	1,768,498
Net Assets - Beginning	<u>--</u>	<u>3,164,090</u>	<u>1,017,593</u>	<u>4,181,683</u>	<u>2,413,185</u>
Net Assets - Ending	<u>\$ --</u>	<u>\$ 682,495</u>	<u>\$ 1,043,433</u>	<u>\$ 1,725,928</u>	<u>\$ 4,181,683</u>

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

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

**FOR THE YEARS ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (2,455,755)	\$ 1,768,498
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes	--	(2,510)
Bad debt recoveries	--	(1,000)
Net unrealized losses (gains) on investments	9,333	(34,683)
Changes in operating assets and liabilities:		
Contributions receivable	--	5,950
Net Cash Provided By (Used In) Operating Activities	<u>(2,446,422)</u>	<u>1,736,255</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	363,891	66,764
Purchase of investments	(440,945)	(20,929)
Change in cash and cash equivalents held for long-term purposes	27,437	(4,860)
Net Cash Provided By (Used In) Investing Activities	<u>(49,617)</u>	<u>40,975</u>
Cash Flows From Financing Activities		
Proceeds from contributions restricted for long-term purposes	2,250	5,260
Net Cash Provided by Financing Activities	<u>2,250</u>	<u>5,260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,493,789)</u>	<u>1,782,490</u>
Cash and Cash Equivalents - Beginning	<u>2,684,325</u>	<u>901,835</u>
Cash and Cash Equivalents - Ending	<u>\$ 190,536</u>	<u>\$ 2,684,325</u>

The accompanying notes are integral part of these financial statements.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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 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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CLASSIFICATION OF NET ASSETS (CONTINUED)

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.

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 or are intended for long term purposes 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 amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Foundation's investments consist of equity and bond mutual funds. 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 and changes in net assets. Investments received through gifts are recorded at estimated fair value at the date of donation.

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 and changes in net assets. 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 fair 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, 2016, there were no contributed services that would impact the financial statements as presented.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

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 income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code (IRC) and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a tax liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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, 2015, 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

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, representing the completion of the first phase of a two-phase project to amend not-for-profit (NFP) financial reporting requirements as set out in FASB ASC 958, *Not-for-Profit Entities*.

This standard eliminates:

- The distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions).
- Removes the current requirement to present or disclose the indirect method (reconciliation) when using the direct method of reporting cash flows.
- Requires NFPs to report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- Requires NFPs to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

NFPs will reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. This amendment eliminates the current option that, in the absence of explicit donor stipulations, had allowed an NFP to delay reporting of an expiration of a donor imposed restriction for the acquisition or construction of a long-lived asset by electing to report the expiration over time (as the asset is used or consumed) rather than when placed in service.

ASU 2016-14 also requires enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Qualitative information that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position.
- Quantitative information and additional qualitative information in the notes as necessary, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Amounts of expenses by both their natural classification and their functional classification and the methods used to allocate costs among program and support functions.
- Underwater endowment funds.

NFP entities are required to adopt this standard for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

NOTE 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 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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – FAIR VALUE MEASUREMENT AND INVESTMENTS (CONTINUED)

EQUITY AND BOND FUNDS (CONTINUED)

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 in accordance with ASC 820-10-35-54B and are not categorized in the fair value hierarchy.

The underlying investments within Christian Brothers' managed funds include stocks, bonds, asset backed securities, commercial mortgage backed securities, collateralized mortgage obligations and U.S. government and agency obligations.

The following tables set forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share as of June 30, 2016:

	<u>Total</u>
CUIT Core Equity Index Fund	\$ 601,850
CUIT International Equity Fund	291,757
CUIT Intermediate Diversified Bond Fund	268,005
CUIT Opportunistic Bond Fund	266,403
CUIT Small Cap Equity Index Fund	<u>74,121</u>
Total	<u><u>\$ 1,502,136</u></u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 – FAIR VALUE MEASUREMENT AND INVESTMENTS (CONTINUED)

Description	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
CUIT Core Equity Index Fund	\$ 601,850	\$ --	None	None
CUIT International Equity Fund	291,757	--	None	None
CUIT Intermediate Diversified Bond Fund	268,005	--	None	None
CUIT Opportunistic Bond Fund	266,403	--	None	None
CUIT Small Cap Equity Index Fund	<u>74,121</u>	<u>--</u>	None	None
Total	<u>\$ 1,502,136</u>	<u>\$ --</u>		

The following is a description of the investments.

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.

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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 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 OPPORTUNISTIC BOND FUND

The CUIT Opportunistic Bond Fund seeks current income and to provide relatively low correlation to equity assets. While it will generally offer short duration bond exposure similar to its benchmark, the Barclays 1-5 Year Government Credit Index, its sub-advisors will have substantial discretion to modify effective duration and to implement strategies utilizing a wide range of bond, equity and derivative strategies.

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 (losses) for the year ended June 30, 2016:

CUIT Intermediate Diversified Bond Fund	\$ 13,771
CUIT Core Equity Index Fund	5,430
CUIT Opportunistic Bond Fund	529
CUIT Small Cap Equity Index Fund	(5,327)
CUIT International Equity Fund	<u>(23,736)</u>
Total	<u>\$ (9,333)</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable at June 30, 2016, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Due Thereafter	Total
Contributions receivable	\$ 321,117	\$ 15,000	\$ 10,000	\$ 346,117
Allowance for doubtful contributions receivable	<u>(313,711)</u>	<u>--</u>	<u>--</u>	<u>(313,711)</u>
Total	<u>\$ 7,406</u>	<u>\$ 15,000</u>	<u>\$ 10,000</u>	<u>\$ 32,406</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016, are restricted for the benefit of CNHS and may be expended for:

Scholarships	\$ 496,704
Traffic safety	139,542
Building projects	<u>46,249</u>
Total	<u>\$ 682,495</u>

NOTE 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, 2016, amount to \$1,043,433 and are restricted for the benefit of CNHS.

NOTE 6 – ENDOWMENT

The Foundation's endowment consists of approximately 25 individual funds established for a variety of purposes. The 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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – ENDOWMENT (CONTINUED)

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, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 496,688</u>	<u>\$ 1,043,433</u>	<u>\$ 1,540,121</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, 2016, there were no funds with deficiencies.

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.

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – ENDOWMENT (CONTINUED)

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, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning	<u>\$ 484,474</u>	<u>\$ 1,017,593</u>	<u>\$ 1,502,067</u>
Investment return:			
Investment income	21,547	--	21,547
Net unrealized depreciation	<u>(9,333)</u>	<u>--</u>	<u>(9,333)</u>
Total Investment Return	<u>12,214</u>	<u>--</u>	<u>12,214</u>
Contributions	<u>--</u>	<u>25,840</u>	<u>25,840</u>
Net Change	<u>12,214</u>	<u>25,840</u>	<u>38,054</u>
Endowment Net Assets - Ending	<u>\$ 496,688</u>	<u>\$ 1,043,433</u>	<u>\$ 1,540,121</u>

ANGELA MERICI AND JOHN HENRY NEWMAN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – ENDOWMENT (CONTINUED)

Permanently restricted endowment net assets include contributions receivable, net of \$32,405 at June 30, 2016.

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>\$ 1,043,433</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>\$ 496,688</u>
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NOTE 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, 2016, as follows:

Science Building	\$ 2,208,346
Building Projects	268,531
Supporting services-administration	<u>19,866</u>
Total	<u>\$ 2,496,743</u>

NOTE 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.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through November 22, 2016, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.