



**Financial Statements  
(Together with Independent Auditors' Report)**

**For The Years Ended December 31, 2016 and 2015**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of the  
Vellore Christian Medical College Foundation, Inc.

We have audited the accompanying financial statements of The Vellore Christian Medical College Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vellore Christian Medical College Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
June 27, 2017

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C, 7 and 8)	\$ 369,270	\$ 483,772
Investments (Notes 2D, 2E, 3 and 4)	6,222,475	6,271,776
Pledges receivable (Notes 2F and 5)	48,503	75,030
Beneficial interest in trusts (Note 2G)	7,336	18,756
Prepaid expenses and other	8,510	12,819
Property and equipment, net (Notes 2H and 6)	<u>24,900</u>	<u>35,501</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,680,994</u></b>	<b><u>\$ 6,897,654</u></b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 8)	<u>\$ 216,455</u>	<u>\$ 246,941</u>
<b>TOTAL LIABILITIES</b>	<u>216,455</u>	<u>246,941</u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>NET ASSETS (Note 2B)</b>		
Unrestricted:		
Operating	379,647	227,064
Board designated (Note 10)	<u>2,487,680</u>	<u>2,469,796</u>
Total unrestricted	2,867,327	2,696,860
Temporarily restricted (Note 9)	1,590,084	1,924,388
Permanently restricted (Note 10)	<u>2,007,128</u>	<u>2,029,465</u>
<b>TOTAL NET ASSETS</b>	<u>6,464,539</u>	<u>6,650,713</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,680,994</u></b>	<b><u>\$ 6,897,654</u></b>

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

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	For the Year Ended December 31, 2016				For the Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING SUPPORT AND REVENUE:</b>								
Contributions								
Individuals	\$ 180,002	\$ 258,173	\$ 21,540	\$ 459,715	\$ 317,619	\$ 209,475	\$ 29,116	\$ 556,210
Groups	7,675	31,380	-	39,055	6,761	-	-	6,761
Foundations, corporations and trusts	362	196,104	-	196,466	160	182,475	-	182,635
Institutional members	11,190	87,958	-	99,148	42,575	139,247	-	181,822
Donated goods and services (Note 2l)	8,501	-	-	8,501	-	-	-	-
	<u>207,730</u>	<u>573,615</u>	<u>21,540</u>	<u>802,885</u>	<u>367,115</u>	<u>531,197</u>	<u>29,116</u>	<u>927,428</u>
Government grants	-	-	-	-	600,000	-	-	600,000
Other revenue	80	-	-	80	60	-	-	60
Investment earnings appropriated for operations (Note 9)	297,289	-	-	297,289	294,240	-	-	294,240
Net assets released from restrictions (Notes 2l and 9)	965,617	(965,617)	-	-	369,836	(369,836)	-	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<u>1,470,716</u>	<u>(392,002)</u>	<u>21,540</u>	<u>1,100,254</u>	<u>1,631,251</u>	<u>161,361</u>	<u>29,116</u>	<u>1,821,728</u>
<b>OPERATING EXPENSE (Note 2j):</b>								
Program services:								
India	869,788	-	-	869,788	985,982	-	-	985,982
USA	256,427	-	-	256,427	301,028	-	-	301,028
Total program services	<u>1,126,215</u>	<u>-</u>	<u>-</u>	<u>1,126,215</u>	<u>1,287,010</u>	<u>-</u>	<u>-</u>	<u>1,287,010</u>
Supporting services:								
Management and general	183,824	-	-	183,824	183,727	-	-	183,727
Fundraising	52,608	-	-	52,608	44,532	-	-	44,532
Total supporting services	<u>236,432</u>	<u>-</u>	<u>-</u>	<u>236,432</u>	<u>228,259</u>	<u>-</u>	<u>-</u>	<u>228,259</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,362,647</u>	<u>-</u>	<u>-</u>	<u>1,362,647</u>	<u>1,515,269</u>	<u>-</u>	<u>-</u>	<u>1,515,269</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>108,069</u>	<u>(392,002)</u>	<u>21,540</u>	<u>(262,393)</u>	<u>115,982</u>	<u>161,361</u>	<u>29,116</u>	<u>306,459</u>
<b>NON-OPERATING ACTIVITY:</b>								
Other non-operating expenses	-	-	-	-	(44,331)	-	-	(44,331)
Investment activity (Notes 2D and 3)	255,460	118,048	-	373,508	71,029	42,442	-	113,471
Transfers (Note 10)	43,877	-	(43,877)	-	-	-	-	-
Appropriations for operations (Note 9)	(236,939)	(60,350)	-	(297,289)	(265,186)	(29,054)	-	(294,240)
<b>TOTAL NON-OPERATING ACTIVITY</b>	<u>62,398</u>	<u>57,698</u>	<u>(43,877)</u>	<u>76,219</u>	<u>(238,488)</u>	<u>13,388</u>	<u>-</u>	<u>(225,100)</u>
<b>CHANGE IN NET ASSETS</b>	<u>170,467</u>	<u>(334,304)</u>	<u>(22,337)</u>	<u>(186,174)</u>	<u>(122,506)</u>	<u>174,749</u>	<u>29,116</u>	<u>81,359</u>
Net assets - beginning of year	<u>2,696,860</u>	<u>1,924,388</u>	<u>2,029,465</u>	<u>6,650,713</u>	<u>2,819,366</u>	<u>1,749,639</u>	<u>2,000,349</u>	<u>6,569,354</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,867,327</u>	<u>\$ 1,590,084</u>	<u>\$ 2,007,128</u>	<u>\$ 6,464,539</u>	<u>\$ 2,696,860</u>	<u>\$ 1,924,388</u>	<u>\$ 2,029,465</u>	<u>\$ 6,650,713</u>

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

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(With Comparative Totals for 2015)**

	Program Services			Supporting Services			Total 2016	Total 2015
	India	USA	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ -	\$ 123,978	\$ 123,978	\$ 71,187	\$ 31,220	\$ 102,407	\$ 226,385	\$ 239,449
Payroll taxes and employee benefits (Note 11)	-	21,410	21,410	12,294	5,391	17,685	39,095	64,033
<b>Total Salaries and Related Costs</b>	-	145,388	145,388	83,481	36,611	120,092	265,480	303,482
Grants (Note 2K)	865,556	-	865,556	-	-	-	865,556	985,982
Travel	4,232	2,712	6,944	474	-	474	7,418	7,860
Occupancy	-	12,651	12,651	7,399	3,186	10,585	23,236	22,567
Telephone & Communications	-	5,299	5,299	2,489	1,009	3,498	8,797	8,737
Conferences and meetings	-	5,900	5,900	8,443	2,896	11,339	17,239	14,144
Payroll processing fees	-	806	806	463	203	666	1,472	5,536
Transaction processing services	-	5,052	5,052	-	-	-	5,052	8,283
Professional fees (Note 2I)	-	-	-	52,678	-	52,678	52,678	67,141
Office Expenses	-	3,096	3,096	7,927	-	7,927	11,023	8,423
Insurance	-	-	-	9,128	-	9,128	9,128	5,551
Printing and fundraising fees	-	66,491	66,491	334	2,998	3,332	69,823	57,116
Depreciation (Notes 2H and 6)	-	8,480	8,480	2,121	-	2,121	10,601	10,600
Other	-	552	552	8,887	5,705	14,592	15,144	9,847
<b>TOTAL EXPENSES</b>	<b>\$ 869,788</b>	<b>\$ 256,427</b>	<b>\$ 1,126,215</b>	<b>\$ 183,824</b>	<b>\$ 52,608</b>	<b>\$ 236,432</b>	<b>\$ 1,362,647</b>	<b>\$ 1,515,269</b>

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

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services			Supporting Services			Total
	India	USA	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ -	\$ 146,835	\$ 146,835	\$ 67,224	\$ 25,390	\$ 92,614	\$ 239,449
Payroll taxes and employee benefits (Note 11)	-	39,252	39,252	17,987	6,794	24,781	64,033
<b>Total Salaries and Related Costs</b>	-	186,087	186,087	85,211	32,184	117,395	303,482
Grants (Note 2K)	985,982	-	985,982	-	-	-	985,982
Travel	-	6,288	6,288	1,179	393	1,572	7,860
Occupancy	-	16,925	16,925	3,385	2,257	5,642	22,567
Telephone & Communications	-	5,917	5,917	2,081	739	2,820	8,737
Conferences and meetings	-	7,072	7,072	7,072	-	7,072	14,144
Payroll processing fees	-	3,394	3,394	1,555	587	2,142	5,536
Transaction processing services	-	5,798	5,798	1,657	828	2,485	8,283
Professional fees	-	3,241	3,241	63,709	191	63,900	67,141
Office Expenses	-	5,507	5,507	2,107	809	2,916	8,423
Insurance	-	-	-	5,551	-	5,551	5,551
Printing and fundraising fees	-	45,692	45,692	5,712	5,712	11,424	57,116
Depreciation (Notes 2H and 6)	-	8,480	8,480	2,120	-	2,120	10,600
Other	-	6,627	6,627	2,388	832	3,220	9,847
<b>TOTAL EXPENSES</b>	<b>\$ 985,982</b>	<b>\$ 301,028</b>	<b>\$ 1,287,010</b>	<b>\$ 183,727</b>	<b>\$ 44,532</b>	<b>\$ 228,259</b>	<b>\$ 1,515,269</b>

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

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from contributors	\$ 820,911	\$ 1,068,455
Cash received from government grants	-	600,000
Investment return	110,108	132,660
Grants paid to Vellore	(865,556)	(985,982)
Cash received from other revenue	80	60
Payments for other expenses	(492,746)	(565,160)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(427,203)</b>	<b>250,033</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	422,173	-
Purchases of investments	(109,472)	(167,449)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>312,701</b>	<b>(167,449)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(114,502)</b>	<b>82,584</b>
Cash and cash equivalents - beginning of year	483,772	401,188
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 369,270</b>	<b>\$ 483,772</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (186,174)	\$ 81,359
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	10,601	10,600
Realized and unrealized (gain) loss on investments	(263,400)	19,189
Subtotal	(438,973)	111,148
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	26,527	141,027
Beneficial interest in trusts	11,420	1,722
Prepaid expenses and other	4,309	(12,228)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(30,486)	8,364
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>\$ (427,203)</b>	<b>\$ 250,033</b>

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



**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES**

The Vellore Christian Medical College Foundation, Inc. (the “Foundation”) is a non-profit organization (formed in New York) exempt from federal taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation’s mission is to provide a focus for excellence and integrity at Christian Medical College, Vellore (“CMC”) through participation in and continuing support of CMC’s drive to provide universal access to quality medicine and compassionate healthcare.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. **Net Assets** – The Foundation maintains its net assets under the following three classes:

Unrestricted - Unrestricted net assets represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets include amounts designated for use by the Board.

Temporarily Restricted – net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for operations by the Board. When such stipulations end or are fulfilled, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

C. **Cash and Cash Equivalents** – Cash equivalents include all highly liquid instruments with maturities of three months or less when acquired

D. **Investments** – Investments are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur. Investment purchases and sales are recorded in a trade date basis. Dividend income is recognized on the date dividends are declared. Discounts/premiums received to par on fixed income securities are capitalized and accreted or amortized into income over the life of the securities. Any remaining discount/premium is accreted or amortized into income upon early maturity or sale of the instrument.

E. **Fair Value Measurements** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

F. **Pledges Receivable** – Pledges are recorded as revenue when the pledge is made. It is the Foundation’s practice to discount pledges receivable due in more than one year to present value unless the amount is immaterial. Historically, the Foundation has not experienced significant bad debt losses. The Foundation bases its allowance for doubtful accounts on its historical loss experience, the age of the receivables, and an evaluation of the creditworthiness of the donor. Pledges receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Foundation has determined that no allowance was necessary as of December 31, 2016 and 2015.

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. **Beneficial Interest in Trusts** – The Foundation has been named a beneficiary in two charitable remainder unitrusts. In one trust, the Foundation will receive 50% of the balance of the trust after the passing of a named beneficiary. In the second trust, the Foundation will receive 33% of the balance of the trust after the passing of a named beneficiary. The second trust was received during 2016. As of December 31, 2016 and 2015, the Foundation’s interest in these trusts amounted to \$7,336 and \$18,756, respectively.
- H. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment is depreciated on a straight-line basis over the estimated useful life of the asset. The Foundation capitalizes property and equipment having a cost of \$1,000 or more and a useful life of at least one year.
- I. **Contributions** – The Foundation report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporally restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In-kind contributions are recorded at their fair value on the date received. Contributed services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of contributed legal services is reported as an in-kind contribution and expense in the accompanying statement of activities and amounted to \$8,501 for the year ended June 30, 2016.
- J. **Functional Allocation of Expenses** – The Foundation allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified as belonging to a specific program and/or supporting services are allocated directly according to their natural expenditure classification.
- K. **Grant Expense** – Grants made, including unconditional promises to give, are recognized as an expense in the period made.
- L. **Use of 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 disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- M. **Reclassification** – Certain items in the December 31, 2015, financial statements have been reclassified to conform to the December 31, 2016, presentation and had no impact on the change in net assets for the year ended December 31, 2015.

**NOTE 3—INVESTMENTS**

Investments consist of financial assets carried at fair value at the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equities	\$ 3,686,658	\$ 3,603,434
Money Market Funds	606,639	613,739
Fixed Income	1,665,066	1,805,145
Mutual Funds	<u>264,112</u>	<u>249,458</u>
	<u>\$ 6,222,475</u>	<u>\$ 6,271,776</u>

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 3—INVESTMENTS (Continued)**

Investments are subject to market volatility, which could substantially change the carrying value in the near term. Investment activity consisted of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 139,786	\$ 162,144
Realized and unrealized gains (losses)	263,400	(19,189)
Investment fees	(29,678)	(29,484)
	\$ 373,508	\$ 113,471

**NOTE 4—FAIR VALUE MEASUREMENTS**

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible, in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equities, money market funds, and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in fixed income are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets carried at fair value at December 31, 2016, are classified in the table below as follows:

**ASSETS CARRIED AT FAIR VALUE**

	Level 1	Level 2	Total
Equities	\$ 3,686,658	\$ -	\$ 3,686,658
Money Market Funds	606,639	-	606,639
Fixed Income	-	1,665,066	1,665,066
Mutual Funds	264,112	-	264,112
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ 4,557,409</b>	<b>\$ 1,665,066</b>	<b>\$ 6,222,475</b>

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4—FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at December 31, 2015, are classified in the table below as follows:

ASSETS CARRIED AT FAIR VALUE

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 3,603,434	\$ -	\$ 3,603,434
Money Market Funds	613,739	-	613,739
Fixed Income	-	1,805,145	1,805,145
Mutual Funds	<u>249,458</u>	<u>-</u>	<u>249,458</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 4,466,631</u></b>	<b><u>\$ 1,805,145</u></b>	<b><u>\$ 6,271,776</u></b>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2016 and 2015, there were no such transfers.

**NOTE 5—PLEDGES RECEIVABLE**

As of December 31, 2016 and 2015, pledges receivable are scheduled to be received as follows:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 48,503	\$ 74,280
Amount due in two to five years	<u>-</u>	<u>750</u>
	<b><u>\$ 48,503</u></b>	<b><u>\$ 75,030</u></b>

**NOTE 6—PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Furniture, fixtures, and equipment	\$ 98,544	\$ 98,544	5 years
Total cost	98,544	98,544	
Less: accumulated depreciation	<u>(73,644)</u>	<u>(63,043)</u>	
	<b><u>\$ 24,900</u></b>	<b><u>\$ 35,501</u></b>	

Depreciation expense amounted to \$10,601 and \$10,600 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 7—CONCENTRATION**

Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with banks that at times exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2016 and 2015, there was approximately \$123,000 and \$148,000, respectively, held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

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**NOTE 8—COMMITMENTS AND CONTINGENCIES**

A. The Foundation has a lease agreement for the rental of its New York office space which expires in 2017. Approximate minimum annual rentals related to this lease amount to \$11,000 due in 2017.

Occupancy expense amounted to \$23,102 and \$22,567 for the years ended December 31, 2016 and 2015, respectively.

B. The Foundation believes it has no uncertain income tax positions as of December 31, 2016 and 2015, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Foundation had approximately \$180,000 held for CMC in an agency agreement as of December 31, 2016 and 2015. Such amounts are recorded as cash and cash equivalents and accounts payable and accrued expenses in the accompanying statements of financial position.

**NOTE 9—TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2016 and 2015:

	2016	2015
Health programs	\$ 60,830	\$ 152,973
Education programs	34,372	119,155
Assisted living residence	360,514	427,339
Capital/other programs	42,427	177,536
Time restricted	7,336	20,478
Unappropriated endowment earnings	1,084,605	1,026,907
	\$ 1,590,084	\$ 1,924,388

Net assets released from restrictions amounted to \$965,617 and \$369,836 during the years ended December 31, 2016 and 2015, respectively. In addition, \$60,350 and \$29,054 of accumulated endowment earnings were appropriated for operations during the years ended December 31, 2016 and 2015, respectively, and classified as unrestricted.

**NOTE 10—ENDOWMENT NET ASSETS**

The Foundation recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). In addition, the Foundation recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the endowment’s market value. The investments of the Foundation include those assets of donor restricted funds that it must hold in perpetuity or for a donor specified period as well as board designated funds. In accordance with NYPMIFA, any unappropriated earnings on endowment funds that would otherwise be considered unrestricted by the donor should be reflected as temporarily restricted until appropriated by the Board of Directors.

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**NOTE 10—ENDOWMENT NET ASSETS (Continued)**

The Foundation's Board has interpreted NYPMIFA as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The Foundation's Board has approved a spending policy that appropriates for spending 5% of the average fair value of the prior five years.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The Foundation has not incurred such deficiencies in its endowment funds as of December 31, 2016 and 2015.

The Foundation has adopted investment and spending policies that attempt to achieve total investment return, or aggregate return from appreciation or depreciation of capital, earnings from dividends, and interest income. The Foundation evaluates investment managers' performance against weighted market indices and volatility metrics.

During the year ended December 31, 2016, the Foundation discovered information that indicated that \$43,877 of permanently restricted net assets was allowed to be spent. The amount is reflected as a transfer in the accompanying statements of activities.

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	<u>Unrestricted (Board Designated)</u>	<u>Temporarily Restricted (Un- Appropriated Earnings)</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 2,469,796	\$ 1,026,907	\$ 2,029,465	\$ 5,526,168
Investment activity	254,823	118,048	-	372,871
Contributions	-	-	21,540	21,540
Appropriated for spending	(236,939)	(60,350)	-	(297,289)
Transfers	<u>-</u>	<u>-</u>	<u>(43,877)</u>	<u>(43,877)</u>
Endowment assets, end of year	<u>\$ 2,487,680</u>	<u>\$ 1,084,605</u>	<u>\$ 2,007,128</u>	<u>\$ 5,579,413</u>

As of December 31, 2016, earnings on permanently restricted net assets are available as follows:

Income restricted as to use	\$ 1,672,937
Income unrestricted as to use	<u>334,191</u>
	<u>\$ 2,007,128</u>

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**NOTE 10—ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets for the year ended December 31, 2015, are as follows:

	Unrestricted (Board Designated)	Temporarily Restricted (Un- Appropriated Earnings)	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 2,645,039	\$ 1,013,519	\$ 2,000,349	\$ 5,658,907
Investment activity	89,943	42,442	-	132,385
Contributions	-	-	29,116	29,116
Appropriated for spending	<u>(265,186)</u>	<u>(29,054)</u>	<u>-</u>	<u>(294,240)</u>
Endowment assets, end of year	<u>\$ 2,469,796</u>	<u>\$ 1,026,907</u>	<u>\$ 2,029,465</u>	<u>\$ 5,526,168</u>

As of December 31, 2015, earnings on permanently restricted net assets are available as follows:

Income restricted as to use	\$ 1,695,274
Income unrestricted as to use	<u>334,191</u>
	<u>\$ 2,029,465</u>

**NOTE 11—PENSION PLAN**

The Foundation participates in a defined contribution retirement plan with the United Church of Christ for all of its qualified employees. Contributions to the plan are based upon a percentage of earnings of all eligible employees. Pension expense for the years ended December 31, 2016 and 2015, amounted to approximately \$4,500 and \$18,000, respectively.

**NOTE 12—SUBSEQUENT EVENTS**

The Foundation has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through June 27, 2017, the date the financial statements were available to be issued.