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# SIGMA DELTA CHI FOUNDATION

Financial Statements

Together with Independent Auditors' Report

JULY 31, 2016 AND 2015

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GREENWALT<sup>CPAs</sup>

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Sigma Delta Chi Foundation:

We have audited the accompanying financial statements of Sigma Delta Chi Foundation (the Foundation), which comprise the statement of financial position as of July 31, 2016, and the related statements of activities, revenues and expenses by fund, 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 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 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 Foundation as of July 31, 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.

## Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Greenwald CPAs, Inc.*

February 2, 2017

SIGMA DELTA CHI FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 JULY 31, 2016 AND 2015

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ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 224,220	\$ 86,512
Due from Society of Professional Journalists	95,149	-
Contributions receivable	3,581	-
Prepaid expenses	5,982	13,161
Investments	11,703,743	11,814,317
Beneficial interest in trusts	25,000	47,862
Property and equipment, net	<u>284,776</u>	<u>297,338</u>
<i>Total assets</i>	<u><u>\$ 12,342,451</u></u>	<u><u>\$ 12,259,190</u></u>

LIABILITIES AND NET ASSETS

**LIABILITIES**

Accounts payable	\$ 5,908	\$ -
Due to Society of Professional Journalists	-	10,821
Grants payable	<u>36,081</u>	<u>114,981</u>
<i>Total liabilities</i>	<u>41,989</u>	<u>125,802</u>

**NET ASSETS**

Unrestricted	10,435,861	10,498,410
Unrestricted - Board Designated	<u>127,998</u>	<u>100,933</u>
<i>Total unrestricted net assets</i>	10,563,859	10,599,343
Temporarily restricted	809,624	594,561
Permanently restricted	<u>926,979</u>	<u>939,484</u>
<i>Total net assets</i>	<u>12,300,462</u>	<u>12,133,388</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 12,342,451</u></u>	<u><u>\$ 12,259,190</u></u>

**SIGMA DELTA CHI FOUNDATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2016

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2015

	2016			2015	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Contributions and grants	\$ 186,086	\$ 273,090	\$ -	\$ 459,176	\$ 25,764
Investment income	439,647	38,251	-	477,898	484,374
Net unrealized and realized gain (loss)	43,688	118,209	(12,505)	149,392	(313,257)
Change in value of beneficial interest in trust	-	-	-	-	(1,741)
Lease management	25,333	-	-	25,333	27,293
Miscellaneous income	22,497	-	-	22,497	-
Net assets released from restrictions	214,487	(214,487)	-	-	-
<i>Total revenue, gains, and other support</i>	<u>931,738</u>	<u>215,063</u>	<u>(12,505)</u>	<u>1,134,296</u>	<u>222,433</u>
<b>EXPENSES</b>					
Archibald Scholarship Fund	4,954	-	-	4,954	3,940
Freedom of Information Fund	170	-	-	170	516
Professional Development Fund	21,000	-	-	21,000	21,000
Pulliam Editorial Fellowship Fund	265,394	-	-	265,394	135,750
Google Training Fund	78,447	-	-	78,447	-
*Pulliam General Fund	575,439	-	-	575,439	387,054
Quill Endowment Fund	14,270	-	-	14,270	13,962
Taishoff Fund	2,680	-	-	2,680	2,680
Terry Harper Memorial Fund	4,868	-	-	4,868	4,294
<i>Total expenses</i>	<u>967,222</u>	<u>-</u>	<u>-</u>	<u>967,222</u>	<u>569,196</u>
<b>CHANGE IN NET ASSETS</b>	(35,484)	215,063	(12,505)	167,074	(346,763)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>10,599,343</u>	<u>594,561</u>	<u>939,484</u>	<u>12,133,388</u>	<u>12,480,151</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,563,859</u>	<u>\$ 809,624</u>	<u>\$ 926,979</u>	<u>\$ 12,300,462</u>	<u>\$ 12,133,388</u>

\*Shared employee expenses (Note 8)

**SIGMA DELTA CHI FOUNDATION**

STATEMENTS OF REVENUE AND EXPENSES BY FUND

FOR THE YEAR ENDED JULY 31, 2016

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2015

	ARCHIBALD SCHOLARSHIP FUND	ETHICS FUND	FREEDOM OF INFORMATION FUND	NEW ENGLAND CHAPTER SCHOLARSHIP	PROFESSIONAL DEVELOPMENT FUND	PULLIAM EDITORIAL FELLOWSHIP FUND	GOOGLE TRAINING FUND	PULLIAM GENERAL FUND	QUILL ENDOWMENT FUND	TAISHOFF FUND	TERRY HARPER MEMORIAL FUND	W.ELDRIDGE LOWE FUND	2016 TOTAL	2015 TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>														
Contributions and grants	\$ -	\$ -	\$ -	\$ 1,502	\$ -	\$ -	\$ 270,500	\$ 186,086	\$ -	\$ -	\$ -	\$ 1,088	\$ 459,176	\$ 25,764
Investment income	4,515	1,585	22,953	426	31,337	94,727	-	299,690	14,270	3,324	4,875	196	477,898	484,374
Net unrealized and realized gain (loss)	(2,208)	(734)	(10,645)	(197)	(15,135)	239,886	-	(151,595)	93,836	(1,860)	(2,794)	838	149,392	(313,257)
Change in value of beneficial interest in trust	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,741)
Lease management	-	-	-	-	-	-	-	25,333	-	-	-	-	25,333	27,293
Miscellaneous income	-	-	-	-	-	-	-	22,497	-	-	-	-	22,497	-
<i>Total revenue, gains, and other support</i>	<u>2,307</u>	<u>851</u>	<u>12,308</u>	<u>1,731</u>	<u>16,202</u>	<u>334,613</u>	<u>270,500</u>	<u>382,011</u>	<u>108,106</u>	<u>1,464</u>	<u>2,081</u>	<u>2,122</u>	<u>1,134,296</u>	<u>222,433</u>
<b>EXPENSES</b>														
Auditing and accounting	-	-	-	-	-	-	-	13,150	-	-	-	-	13,150	13,050
Awards	-	-	-	-	-	-	-	-	-	-	-	-	-	87,044
Bank and investment fees	-	-	-	-	-	-	-	471	-	-	-	-	471	665
Board related expenditures	-	-	-	-	-	418	-	4,889	-	-	-	-	5,307	4,247
Building maintenance	-	-	-	-	-	-	-	8,976	-	-	-	-	8,976	8,550
Computer services and consulting	-	-	-	-	-	-	-	6,522	-	-	-	-	6,522	4,181
Depreciation expense	-	-	-	-	-	-	-	12,562	-	-	-	-	12,562	12,666
Dues/subscriptions	-	-	-	-	-	-	-	618	-	-	-	-	618	935
Equipment rental	-	-	-	-	-	-	-	2,046	-	-	-	-	2,046	1,269
Events, meals and banquets	-	-	-	-	-	-	-	27,798	-	-	1,500	-	29,298	217
Freelance Labor	-	-	-	-	-	-	-	13,216	-	-	-	-	13,216	-
Fundraising	-	-	-	-	-	-	-	476	-	-	-	-	476	4,599
Grants	-	-	170	-	-	124,166	-	52,150	-	2,680	-	-	179,166	193,245
Internet connectivity	-	-	-	-	-	-	-	933	-	-	-	-	933	563
Internal grant expense	-	-	-	-	-	132,138	-	-	14,270	-	-	-	146,408	-
Lease management	-	-	-	-	-	-	-	1,058	-	-	-	-	1,058	265
Legal	-	-	-	-	-	-	-	18,004	-	-	-	-	18,004	10,317
Liability insurance	-	-	-	-	-	-	-	4,690	-	-	-	-	4,690	3,120
Management expense	-	-	-	-	-	-	-	-	-	-	-	-	-	787
Marketing	-	-	-	-	-	-	-	999	-	-	-	-	999	-
Merchant/Credit Card Fees	-	-	-	-	-	-	-	500	-	-	-	-	500	-
Miscellaneous expense	-	-	-	-	-	-	-	250	-	-	-	-	250	44
Office supplies	-	-	-	-	-	-	292	3,300	-	-	-	-	3,592	1,769
Outside services	-	-	-	-	-	1,500	9,079	31,511	-	-	-	-	42,090	5,527
Participant travel	-	-	-	-	-	7,155	9,277	29,831	-	-	3,368	-	49,631	5,256
Postage and shipping	-	-	-	-	-	17	-	10,285	-	-	-	-	10,302	355
Printing	-	-	-	-	-	-	-	42,322	-	-	-	-	42,322	-
Shared employee expenses (Note 9)	4,954	-	-	-	21,000	-	37,299	267,720	-	-	-	-	330,973	192,430
Software maintenance and upgrades	-	-	-	-	-	-	-	6,470	-	-	-	-	6,470	3,288
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000
Telephone	-	-	-	-	-	-	-	3,862	-	-	-	-	3,862	2,469
Trainer Fees	-	-	-	-	-	-	22,500	500	-	-	-	-	23,000	-
Utilities	-	-	-	-	-	-	-	9,160	-	-	-	-	9,160	7,436
Website expense/maintenance	-	-	-	-	-	-	-	1,170	-	-	-	-	1,170	902
<i>Total expenses</i>	<u>4,954</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>21,000</u>	<u>265,394</u>	<u>78,447</u>	<u>575,439</u>	<u>14,270</u>	<u>2,680</u>	<u>4,868</u>	<u>-</u>	<u>967,222</u>	<u>569,196</u>
<b>CHANGE IN NET ASSETS BY FUND</b>	<u>\$ (2,647)</u>	<u>\$ 851</u>	<u>\$ 12,138</u>	<u>\$ 1,731</u>	<u>\$ (4,798)</u>	<u>\$ 69,219</u>	<u>\$ 192,053</u>	<u>\$ (193,428)</u>	<u>\$ 93,836</u>	<u>\$ (1,216)</u>	<u>\$ (2,787)</u>	<u>\$ 2,122</u>	<u>\$ 167,074</u>	<u>\$ (346,763)</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, grants and other	\$ 408,276	\$ 60,557
Cash paid to suppliers and Society of Professional Journalists	(1,031,294)	(837,918)
Investment income	477,898	484,374
	<u>                    </u>	<u>                    </u>
<i>Net cash and cash equivalents used in operating activities</i>	<u>(145,120)</u>	<u>(292,987)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(256,142)	(254,975)
Sales and maturities of investments	516,108	268,650
Receipt of beneficial interest in trust	22,862	-
	<u>                    </u>	<u>                    </u>
<i>Net cash and cash equivalents provided by investing activities</i>	<u>282,828</u>	<u>13,675</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	137,708	(279,312)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>86,512</u>	<u>365,824</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 224,220</u></u>	<u><u>\$ 86,512</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND  
 CASH EQUIVALENTS USED IN OPERATING ACTIVITIES**

	<u>2016</u>	<u>2015</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 167,074</u>	<u>\$ (346,763)</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND              CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Depreciation	12,562	12,666
Net unrealized and realized (gain) loss on investments	(149,392)	313,257
Change in value of beneficial interest in trust	-	1,741
<i>(Increase) decrease in operating assets:</i>		
Due from Society of Professional Journalists	(95,149)	-
Contributions receivable	(3,581)	7,500
Prepaid expenses	7,179	(12,630)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	5,908	-
Due to Society of Professional Journalists	(10,821)	(41,528)
Grants payable	(78,900)	(227,230)
<i>Total adjustments</i>	<u>(312,194)</u>	<u>53,776</u>
<b>NET CASH AND CASH EQUIVALENTS USED IN              OPERATING ACTIVITIES</b>	<u>\$ (145,120)</u>	<u>\$ (292,987)</u>



# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

Sigma Delta Chi Foundation (the Foundation) commenced operations in May 1961 and was incorporated in November 1962 under the laws of the State of Illinois. The Foundation's purpose is to aid, encourage and promote education and training in the field of journalism. The Foundation's primary sources of revenue include contributions and investment income.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### FINANCIAL STATEMENT PRESENTATION AND SUMMARIZED COMPARATIVE INFORMATION

Under the Accounting Standards for the Preparation of Financial Statements of Not-For-Profit Organizations, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended July 31, 2015, from which the summarized information was derived.

#### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation's cash equivalents were \$66,372 and \$72,932 at July 31, 2016 and 2015, respectively.

SIGMA DELTA CHI FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS

The Accounting Standards for Fair Value Measurements, which defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. These standards also establishes a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Fair values measured on a recurring basis at July 31 are as follows:

<u>2016</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate Bonds	\$ 103,954	\$ 103,954	\$ -	\$ -
Mutual Funds:				
Bond	1,734,588	1,734,588	-	-
Equities	5,271,847	5,271,847	-	-
Total mutual funds	7,110,389	7,110,389	-	-
Common Stock	4,359,224	4,359,224	-	-
Other	234,130	234,130	-	-
Total investments	11,703,743	11,703,743	-	-
Beneficial interest in trust	25,000	-	25,000	-
Total assets measured at fair value	<u>\$ 11,728,743</u>	<u>\$ 11,703,743</u>	<u>\$ 25,000</u>	<u>\$ -</u>

SIGMA DELTA CHI FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

<u>2015</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate Bonds	\$ 212,321	\$ 212,321	\$ -	\$ -
Mutual Funds:				
Bond	1,645,109	1,645,109	-	-
Equities	<u>5,159,247</u>	<u>5,159,247</u>	<u>-</u>	<u>-</u>
Total mutual funds	6,804,356	6,804,356	-	-
Common Stock	4,431,258	4,431,258	-	-
Other	<u>366,382</u>	<u>366,382</u>	<u>-</u>	<u>-</u>
Total investments	11,814,317	11,814,317	-	-
Beneficial interest in trusts	<u>47,862</u>	<u>-</u>	<u>47,862</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 11,862,179</u>	<u>11,814,317</u>	<u>\$ 47,862</u>	<u>\$ -</u>

Investment cost basis was \$8,723,220 and \$8,931,877 as of July 31, 2016 and 2015, respectively.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. See Note 4. Fair value for beneficial interest in trust is determined as a percentage interest of total contributed shares held by the trust with underlying observable assets generated by market transactions. See Note 2. These valuation methods have not changed from the prior year.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Currently, the Foundation's only capital assets consist of a partial interest in the land, building, and building improvements it shares with the Society of Professional Journalists (the Society). See Note 5.

Depreciation is provided utilizing the straight-line method over the estimated useful lives of the depreciable assets.

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### NET ASSETS

The Foundation maintains the following classifications of net assets:

#### Unrestricted

These include revenue and expenses from the regular operations of the Foundation, the uses of which are at the discretion of management and the Board of Directors. The board has designated \$127,998 and \$100,933 of net assets for a scholarship fund at July 31, 2016 and 2015, respectively.

#### Temporarily Restricted

These include contributions and grant revenues used to meet expenses in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. See Note 6.

#### Permanently Restricted

Permanently restricted net assets consist of a portion of the investments held by the Foundation in which there are donor imposed restrictions limiting the use of the assets or its economic benefit that neither expire with the passage of time nor can be removed by satisfying a specific purpose. Earnings or losses on permanently restricted investments are considered temporarily restricted net assets. See Note 7.

#### SUPPORT AND REVENUE

In accordance with the Not-for-Profit Revenue Recognition Accounting Standards, donations and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

The Foundation reports 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 restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period promised and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### EXPENSE ALLOCATION

Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditures and cost allocation based on estimates of time and usage by Foundation personnel and programs. The Foundation had the following expense allocation for the years ended July 31:

	<u>2016</u>	<u>2015</u>
Program services	\$ 496,508	\$ 373,263
Management and general	339,215	124,433
Fundraising	<u>131,499</u>	<u>71,500</u>
	<u>\$ 967,222</u>	<u>\$ 569,196</u>

#### TAX STATUS

The Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision is made for federal or state income taxes or income tax effects. The Foundation is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 2, 2017, which is the date the financial statements were available to be issued.

### 2. BENEFICIAL INTEREST IN TRUSTS

The Foundation is the beneficiary of an irrevocable annuity trust. Fair value for the beneficial interest in trust is determined as a percentage of interest of total contributed shares held by the trust with underlying observable assets generated by market transactions. The fair value of the beneficial interest in the trust is \$25,000 and \$47,862 at July 31, 2016 and 2015, respectively.

### 3. ENDOWMENT FUNDS

The Foundation's Endowment consist of donor-restricted contributions that were made to provide a source of income for operations and to provide for grants to aid, encourage and promote education and training in the field of journalism. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 3. ENDOWMENT FUNDS, CONTINUED

#### INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted Endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent Endowment. In accordance with SPMIFA, 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

Changes in Endowment Net Assets for the Year Ended July 31, 2016:

<u>2016</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 435,614	\$ 939,484	\$ 1,375,098
Investment return:			
Income	36,246	-	36,246
Net appreciation (depreciation)	118,209	(12,505)	105,704
Total investment return	154,455	(12,505)	141,950
Appropriation of endowment net assets for expenditure	(101,233)	-	(101,233)
Endowment net assets, end of year	<u>\$ 488,836</u>	<u>\$ 926,979</u>	<u>\$ 1,415,815</u>

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 3. ENDOWMENT FUNDS, CONTINUED

Changes in Endowment Net Assets for the Year Ended July 31, 2015:

<u>2015</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 354,858	\$ 951,294	\$ 1,306,152
Investment return:			
Income	48,600	-	48,600
Net appreciation	49,571	(11,810)	37,761
Total investment return	98,171	(11,810)	86,361
Appropriation of endowment net assets for expenditure	(17,415)	-	(17,415)
Endowment net assets, end of year	\$ 435,614	\$ 939,484	\$ 1,375,098

#### FUNDS WITH DEFICIENCIES

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies would be reported in unrestricted net assets. There were no deficiencies of this nature as of July 31, 2016 and 2015.

#### RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

#### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation realized and unrealized gain or loss.

#### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation had adopted a spending policy of up to 4.5% of the balance of invested assets based upon a rolling average of the previous four quarters.

For the Quill Endowment Fund, the Foundation has a policy whereby the interest earned on the endowment account is disbursed for possible appropriation by the Board. Once appropriated for a particular reason, the funds then become unrestricted in nature.

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**4. INVESTMENTS**

The following schedules summarize the investment return and its classification in the statements of activities for the years ended July 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2016 <u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 439,647	\$ 38,251	\$ -	\$ 477,898
Net unrealized gain (loss) on investments	(864)	110,075	(11,128)	98,083
Net realized gain (loss) on investments	<u>44,551</u>	<u>8,134</u>	<u>(1,377)</u>	<u>51,309</u>
Total return on investments	<u>\$ 483,335</u>	<u>\$ 156,460</u>	<u>\$ (12,505)</u>	<u>\$ 627,290</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2015 <u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 434,040	\$ 50,334	\$ -	\$ 484,374
Net unrealized gain (loss) on investments	(356,199)	48,732	(12,251)	(319,718)
Net realized gain on investments	<u>5,985</u>	<u>35</u>	<u>441</u>	<u>6,461</u>
Total return on investments	<u>\$ 83,826</u>	<u>\$ 99,101</u>	<u>\$ (11,810)</u>	<u>\$ 171,117</u>



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5. PROPERTY AND EQUIPMENT

The Foundation's property and equipment as of July 31 are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 10,915	\$ 10,915
Buildings and improvements	435,454	435,454
	446,369	446,369
Accumulated depreciation	(161,593)	(149,031)
	<u>\$ 284,776</u>	<u>\$ 297,338</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of July 31:

	<u>2016</u>	<u>2015</u>
Archibald Scholarship Fund	\$ 42,165	\$ 47,119
Ethics Fund	38,230	37,464
Freedom of Information Fund	167,924	145,140
New England Chapter Scholarship	11,710	10,002
Pulliam Editorial Fellowship Fund	-	64,043
Google Training Fund	192,052	-
Quill Endowment Fund	286,019	192,183
Taishoff Fund	34,893	34,249
Terry Harper Memorial Fund	11,631	16,499
Interest in Atkins Trust	25,000	25,000
Interest in W. Eldridge Lowe Trust	-	22,862
Total	<u>\$ 809,624</u>	<u>\$ 594,561</u>

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**7. PERMANENTLY RESTRICTED NET ASSETS**

Contributions held in perpetuity as of July 31, the income from which is available to support:

	<u>2016</u>	<u>2015</u>
Freedom of Information Fund	\$ 385,513	\$ 396,158
Pulliam Editorial Fellowship Fund	241,000	241,000
Pulliam General Fund	7,300	7,300
Taishoff Fund	43,166	45,026
Quill Endowment Fund	250,000	250,000
Total	<u>\$ 926,979</u>	<u>\$ 939,484</u>

**8. NET ASSETS RELEASED FROM RESTRICTIONS**

For the years ended July 31, the following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Archibald Scholarship Fund	\$ 4,954	\$ 3,940
Freedom of Information Fund	170	516
Terry Harper Memorial Fund	4,868	4,294
Pulliam Editorial Fellowship Fund	98,346	-
Pulliam General Fund	38	257
Google Training Fund	78,447	-
Taishoff Fund	2,680	2,680
Quill Endowment Fund	-	13,962
Interest in W. Eldridge Lowe Trust received	24,984	-
Total	<u>\$ 214,487</u>	<u>\$ 25,649</u>

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### 9. RELATED PARTY TRANSACTIONS

The Foundation is closely associated with the Society. The Board of Directors of the Society elects some members of the Board of Directors of the Foundation and the two organizations have certain common board members. The Society provides employees and services to the Foundation for which the Society is reimbursed and, as stated earlier, also shares ownership of the Society's headquarter facilities.

The Foundation contributed \$102,320 and \$116,782 to the Society during fiscal years 2016 and 2015, respectively, to further the Foundation's and Society's exempt purposes. At July 31, 2016, the Society owed the Foundation \$95,149 for contributions received by the Society for purposes of the Foundation's mission. At July 31, 2015, the Foundation owed \$10,821 for various expenses paid on its behalf. For fiscal years 2016 and 2015, the Foundation incurred \$464,200 and \$237,420, respectively, in reimbursable expenses to the Society.