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# SIGMA DELTA CHI FOUNDATION

Financial Statements

Together with Independent Auditors' Report

JULY 31, 2018 AND 2017

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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, 2018, 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, 2018, 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 fiscal year 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Greenwald CPAs, Inc.*

March 4, 2019

SIGMA DELTA CHI FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 JULY 31, 2018 AND 2017

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ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 884,248	\$ 375,292
Contributions receivable	22,920	20,000
Prepaid expenses	-	4,606
Investments	13,227,139	12,486,239
Beneficial interest in trust	25,000	25,000
Property and equipment, net	<u>273,557</u>	<u>272,525</u>
<i>Total assets</i>	<u>\$ 14,432,864</u>	<u>\$ 13,183,662</u>

LIABILITIES AND NET ASSETS

**LIABILITIES**

Accounts payable	\$ 12,254	\$ 12,148
Due to Society of Professional Journalists	467,052	35,507
Grants payable	-	28,705
<i>Total liabilities</i>	<u>479,306</u>	<u>76,360</u>

**NET ASSETS**

Unrestricted	11,722,538	11,080,035
Unrestricted - Board Designated	<u>162,349</u>	<u>147,531</u>
<i>Total unrestricted net assets</i>	11,884,887	11,227,566
Temporarily restricted	1,039,778	895,166
Permanently restricted	<u>1,028,893</u>	<u>984,570</u>
<i>Total net assets</i>	<u>13,953,558</u>	<u>13,107,302</u>
<i>Total liabilities and net assets</i>	<u>\$ 14,432,864</u>	<u>\$ 13,183,662</u>

**SIGMA DELTA CHI FOUNDATION**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2017

	2018			2017	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Contributions and grants	\$ 80,750	\$ 870,600	\$ -	\$ 951,350	\$ 648,355
Investment income	477,224	42,392	-	519,616	432,265
Net unrealized and realized gains	584,353	46,003	44,323	674,679	923,681
Miscellaneous income	91,998	-	-	91,998	17,789
Net assets released from restrictions	814,383	(814,383)	-	-	-
<i>Total revenue, gains, and other support</i>	<u>2,048,708</u>	<u>144,612</u>	<u>44,323</u>	<u>2,237,643</u>	<u>2,022,090</u>
<b>EXPENSES</b>					
Archibald Scholarship Fund	3,667	-	-	3,667	3,716
Dallas Pro Chapter Scholarship Fund	2	-	-	2	-
Freedom of Information Fund	559	-	-	559	525
Professional Development Fund	22,265	-	-	22,265	15,750
Pulliam Editorial Fellowship Fund	85,065	-	-	85,065	84,241
Facebook Training Fund	99,664	-	-	99,664	-
*Google Training Fund	678,958	-	-	678,958	545,531
*Pulliam General Fund	489,550	-	-	489,550	542,291
Quill Endowment Fund	-	-	-	-	14,505
Taishoff Fund	2,971	-	-	2,971	3,273
Terry Harper Memorial Fund	7,610	-	-	7,610	5,418
W.Eldridge Lowe Fund	1,076	-	-	1,076	-
<i>Total expenses</i>	<u>1,391,387</u>	<u>-</u>	<u>-</u>	<u>1,391,387</u>	<u>1,215,250</u>
<b>CHANGE IN NET ASSETS</b>	657,321	144,612	44,323	846,256	806,840
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>11,227,566</u>	<u>895,166</u>	<u>984,570</u>	<u>13,107,302</u>	<u>12,300,462</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,884,887</u>	<u>\$ 1,039,778</u>	<u>\$ 1,028,893</u>	<u>\$ 13,953,558</u>	<u>\$ 13,107,302</u>

\*Shared employee expenses (Note 9)

**SIGMA DELTA CHI FOUNDATION**

STATEMENTS OF REVENUE AND EXPENSES BY FUND

FOR THE YEAR ENDED JULY 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2017

	ARCHIBALD SCHOLARSHIP FUND	DALLAS PRO CHAPTER SCHOLARSHIP FUND	FREEDOM OF INFORMATION FUND	NEW ENGLAND CHAPTER SCHOLARSHIP	PROFESSIONAL DEVELOPMENT FUND	PULLIAM EDITORIAL FELLOWSHIP FUND	FACEBOOK TRAINING FUND	GOOGLE TRAINING FUND	PULLIAM GENERAL FUND	QUILL ENDOWMENT FUND	TAISHOFF FUND	TERRY HARPER MEMORIAL FUND	W.ELDRIDGE LOWE FUND	2018 TOTAL	2017 TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>															
Contributions and grants	\$ -	\$ -	\$ -	\$ 600	\$ -	\$ 5,000	\$ 340,000	\$ 525,000	\$ 80,750	\$ -	\$ -	\$ -	\$ -	\$ 951,350	\$ 648,355
Investment income (loss)	5,006	1,848	26,693	496	35,336	(44)	-	-	440,188	-	3,635	5,285	1,173	519,616	432,265
Net unrealized and realized gains	7,317	2,700	39,011	725	51,390	56,778	-	-	464,901	37,109	5,312	7,723	1,713	674,679	923,681
Miscellaneous income	-	-	-	-	-	-	-	666	91,332	-	-	-	-	91,998	17,789
<i>Total revenue, gains, and other support</i>	<u>12,323</u>	<u>4,548</u>	<u>65,704</u>	<u>1,821</u>	<u>86,726</u>	<u>61,734</u>	<u>340,000</u>	<u>525,666</u>	<u>1,077,171</u>	<u>37,109</u>	<u>8,947</u>	<u>13,008</u>	<u>2,886</u>	<u>2,237,643</u>	<u>2,022,090</u>
<b>EXPENSES</b>															
Auditing and accounting	-	-	-	-	-	-	-	-	14,060	-	-	-	-	14,060	13,500
Awards	-	-	175	-	-	1,446	-	-	11,800	-	-	920	-	14,341	14,591
Bank and investment fees	6	2	34	-	45	-	-	-	769	-	5	7	1	869	306
Board related expenditures	-	-	-	-	-	120	-	-	4,973	-	-	-	-	5,093	3,146
Building maintenance	-	-	-	-	-	-	-	-	9,975	-	-	-	-	9,975	10,103
Computer services and consulting	-	-	-	-	-	-	-	-	27,743	-	-	-	-	27,743	13,794
Depreciation	-	-	-	-	-	-	-	-	13,327	-	-	-	-	13,327	12,251
Dues/subscriptions	-	-	-	-	-	-	-	-	1,472	-	-	-	-	1,472	1,607
Equipment rental	-	-	-	-	-	-	-	-	2,796	-	-	-	-	2,796	2,000
Events, meals and banquets	-	-	-	-	-	753	3,715	3,203	11,465	-	-	320	-	19,456	54,377
Facilities rental	-	-	-	-	-	-	-	-	508	-	-	-	-	508	4,372
Freelance labor	-	-	-	-	-	-	-	-	21,950	-	-	-	-	21,950	15,663
Fundraising	-	-	-	-	-	-	-	-	7,139	-	-	-	-	7,139	3,385
Grants	-	-	-	-	-	75,000	-	-	52,896	-	2,966	-	625	131,487	139,471
Internet connectivity	-	-	-	-	-	-	-	-	765	-	-	-	-	765	676
Lease management	-	-	-	-	-	-	-	-	9,479	-	-	-	-	9,479	441
Legal	-	-	-	-	-	-	-	-	12,833	-	-	-	-	12,833	16,957
Liability insurance	-	-	-	-	-	-	-	-	5,420	-	-	-	-	5,420	4,064
Management expense	-	-	-	-	-	-	58,333	-	-	-	-	-	-	58,333	-
Marketing	-	-	-	-	-	-	-	-	367	-	-	-	-	367	780
Merchant/credit card fees	-	-	-	-	-	-	-	-	850	-	-	-	-	850	961
Office supplies	-	-	-	-	-	-	-	-	3,584	-	-	-	-	3,584	2,932
Outside services	-	-	-	-	-	2,000	-	156,825	31,533	-	-	-	-	190,358	133,805
Participant travel	-	-	350	-	-	5,618	19,686	144,983	1,965	-	-	6,363	450	179,415	138,452
Postage and shipping	-	-	-	-	-	16	-	1,216	9,737	-	-	-	-	10,969	13,796
Printing	-	-	-	-	-	112	-	-	24,039	-	-	-	-	24,151	37,097
Shared employee (Note 9)	3,661	-	-	-	22,220	-	3,930	104,178	185,238	-	-	-	-	319,227	359,416
Software maintenance and upgrades	-	-	-	-	-	-	-	-	5,476	-	-	-	-	5,476	12,383
Telephone	-	-	-	-	-	-	-	-	3,358	-	-	-	-	3,358	3,806
Trainer fees	-	-	-	-	-	-	14,000	268,553	2,000	-	-	-	-	284,553	190,500
Utilities	-	-	-	-	-	-	-	-	10,002	-	-	-	-	10,002	8,016
Website maintenance	-	-	-	-	-	-	-	-	1,602	-	-	-	-	1,602	1,502
Workers compensation insurance	-	-	-	-	-	-	-	-	429	-	-	-	-	429	1,100
<i>Total expenses</i>	<u>3,667</u>	<u>2</u>	<u>559</u>	<u>-</u>	<u>22,265</u>	<u>85,065</u>	<u>99,664</u>	<u>678,958</u>	<u>489,550</u>	<u>-</u>	<u>2,971</u>	<u>7,610</u>	<u>1,076</u>	<u>1,391,387</u>	<u>1,215,250</u>
<b>CHANGE IN NET ASSETS BY FUND</b>	<u>\$ 8,656</u>	<u>\$ 4,546</u>	<u>\$ 65,145</u>	<u>\$ 1,821</u>	<u>\$ 64,461</u>	<u>\$ (23,331)</u>	<u>\$ 240,336</u>	<u>\$ (153,292)</u>	<u>\$ 587,621</u>	<u>\$ 37,109</u>	<u>\$ 5,976</u>	<u>\$ 5,398</u>	<u>\$ 1,810</u>	<u>\$ 846,256</u>	<u>\$ 806,840</u>

**INCREASE IN CASH AND CASH EQUIVALENTS**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions, grants and other	\$ 1,040,428	\$ 716,874
Cash paid to suppliers and Society of Professional Journalists	(970,508)	(1,139,252)
Investment income	519,616	432,265
	<u>589,536</u>	<u>9,887</u>
<i>Net cash and cash equivalents provided by operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(316,247)	(227,847)
Sales and maturities of investments	250,026	369,032
Purchases of property and equipment	(14,359)	-
	<u>(80,580)</u>	<u>141,185</u>
<i>Net cash and cash equivalents provided by (used in) investing activities</i>		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	508,956	151,072
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>375,292</u>	<u>224,220</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 884,248</u>	<u>\$ 375,292</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND  
 CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS	\$ 846,256	\$ 806,840
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Depreciation	13,327	12,251
Net unrealized and realized gain on investments	(674,679)	(923,681)
<i>(Increase) decrease in operating assets:</i>		
Due from Society of Professional Journalists	-	67,149
Contributions receivable	(2,920)	(16,419)
Prepaid expenses	4,606	1,376
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	106	6,240
Due to Society of Professional Journalists	431,545	35,507
Grants payable	(28,705)	20,624
<i>Total adjustments</i>	<u>(256,720)</u>	<u>(796,953)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 589,536</u>	<u>\$ 9,887</u>



# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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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, grants, 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, 2017, 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 \$289,267 and \$307,248 at July 31, 2018 and 2017, respectively.

At July 31, 2018 and 2017, the Foundation maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000 by approximately \$419,000 and \$57,000, respectively.

SIGMA DELTA CHI FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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 establish 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>2018</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>
U.S. Government securities	\$ 13,740	\$ 13,740	\$ -	\$ -
Mutual Funds:				
Bond	1,344,432	1,344,432	-	-
Equities	9,078,642	9,078,642	-	-
Total mutual funds	10,423,074	10,423,074	-	-
Common Stock	2,553,995	2,553,995	-	-
Other	236,330	236,330	-	-
Total investments	13,227,139	13,227,139	-	-
Beneficial interest in trust	25,000	-	25,000	-
Total assets measured at fair value	<u>\$ 13,252,139</u>	<u>13,227,139</u>	<u>\$ 25,000</u>	<u>\$ -</u>

**SIGMA DELTA CHI FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

FAIR VALUE MEASUREMENTS, CONTINUED

<u>2017</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	\$ 100,316	\$ 100,316	\$ -	\$ -
Mutual Funds:				
Bond	1,548,678	1,548,678	-	-
Equities	<u>6,133,026</u>	<u>6,133,026</u>	-	-
Total mutual funds	7,782,020	7,782,020	-	-
Common Stock	4,453,033	4,453,033	-	-
Other	<u>251,186</u>	<u>251,186</u>	-	-
Total investments	12,486,239	12,486,239	-	-
Beneficial interest in trust	<u>25,000</u>	-	<u>25,000</u>	-
Total assets measured at fair value	<u>\$ 12,511,239</u>	<u>12,486,239</u>	<u>\$ 25,000</u>	<u>\$ -</u>

The cost basis for these investments was \$8,749,096 and \$8,575,107 as of July 31, 2018 and 2017, 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 which substantially increase the useful lives of existing assets are capitalized at cost or fair market value, if donated. The Foundation has a partial interest in the land, building, and building improvements it shares with the Society of Professional Journalists (the Society). See Note 5.

The Foundation capitalizes additions of property in excess of \$1,000 cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the depreciable assets. Repairs and maintenance costs are expensed in the period incurred.

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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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 \$162,349 and \$147,531 of net assets for a scholarship fund at July 31, 2018 and 2017, 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, 2018 AND 2017

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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>2018</u>	<u>2017</u>
Program services	\$ 979,273	\$ 668,601
Management and general	330,975	407,327
Fundraising	<u>81,139</u>	<u>139,322</u>
	<u>\$ 1,391,387</u>	<u>\$ 1,215,250</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 March 4, 2019, which is the date the financial statements were available to be issued.

### 2. BENEFICIAL INTEREST IN TRUST

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 at July 31, 2018 and 2017.

### 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 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, 2018 AND 2017

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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, 2018:

<u>2018</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 546,329	\$ 984,570	\$ 1,530,899
Contributions	5,000	-	5,000
Investment return:			
Income	39,616	-	39,616
Net appreciation	42,915	44,323	87,238
Total investment return	82,531	44,323	126,854
Appropriation of endowment net assets for expenditure	(24,483)	-	(24,483)
Endowment net assets, end of year	<u>\$ 609,377</u>	<u>\$ 1,028,893</u>	<u>\$ 1,638,270</u>

3. ENDOWMENT FUNDS, CONTINUED

Changes in Endowment Net Assets for the Year Ended July 31, 2017:

<u>2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 488,836	\$ 926,979	\$ 1,415,815
Investment return:			
Income	66,106	-	66,106
Net appreciation (depreciation)	(3,353)	57,591	54,238
Total investment return	62,753	57,591	120,344
Appropriation of endowment net assets for expenditure	(5,260)	-	(5,260)
Endowment net assets, end of year	\$ 546,329	\$ 984,570	\$ 1,530,899

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, 2018 and 2017.

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.

**SIGMA DELTA CHI FOUNDATION**

## NOTES TO FINANCIAL STATEMENTS

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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:

<b><u>2018</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Dividends and interest	\$ 473,519	\$ 42,392	\$ -	\$ 515,911
Net unrealized gain (loss) on investments	582,675	(59,954)	44,186	566,907
Net realized loss on investments	<u>1,678</u>	<u>105,957</u>	<u>137</u>	<u>107,772</u>
Total return on investments	<u>\$ 1,057,872</u>	<u>\$ 88,395</u>	<u>\$ 44,323</u>	<u>\$ 1,190,590</u>

<b><u>2017</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Dividends and interest	\$ 396,725	\$ 39,245	\$ -	\$ 435,970
Net unrealized gain on investments	821,753	50,754	58,101	930,608
Net realized loss on investments	<u>(6,376)</u>	<u>(41)</u>	<u>(510)</u>	<u>(6,927)</u>
Total return on investments	<u>\$ 1,212,102</u>	<u>\$ 89,958</u>	<u>\$ 57,591</u>	<u>\$ 1,359,651</u>

**5. PROPERTY AND EQUIPMENT**

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

	<b><u>2018</u></b>	<b><u>2017</u></b>
Land	\$ 10,915	\$ 10,915
Furniture and equipment	14,359	-
Buildings and improvements	<u>435,454</u>	<u>435,454</u>
	460,728	446,369
Accumulated depreciation	<u>(187,171)</u>	<u>(173,844)</u>
	<u>\$ 273,557</u>	<u>\$ 272,525</u>



**SIGMA DELTA CHI FOUNDATION**

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**JULY 31, 2018 AND 2017**

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**6. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Archibald Scholarship Fund	\$ 34,782	\$ 38,449
Dallas Pro Chapter Scholarship Fund	46,765	42,674
Freedom of Information Fund	214,276	188,142
New England Chapter Scholarship	14,601	12,903
Facebook Training Fund	240,339	-
Google Training Fund	68,230	221,522
Quill Endowment Fund	360,607	325,750
Taishoff Fund	35,178	34,515
Terry Harper Memorial Fund	-	6,211
Interest in Atkins Trust	25,000	25,000
Total	<u>\$ 1,039,778</u>	<u>\$ 895,166</u>

**7. PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Freedom of Information Fund	\$ 475,142	\$ 436,130
Pulliam Editorial Fellowship Fund	241,000	241,000
Pulliam General Fund	7,300	7,300
Taishoff Fund	55,451	50,140
Quill Endowment Fund	250,000	250,000
Total	<u>\$ 1,028,893</u>	<u>\$ 984,570</u>

# SIGMA DELTA CHI FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 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>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Archibald Scholarship Fund	\$ 3,667	\$ 3,716
Dallas Pro Chapter Scholarship Fund	2	-
Freedom of Information Fund	559	525
Terry Harper Memorial Fund	7,610	5,418
Pulliam Editorial Fellowship Fund	20,084	20,084
Pulliam General Fund	871	869
Facebook Training Fund	99,661	-
Google Training Fund	678,958	545,531
Taishoff Fund	2,971	3,273
Total	<u>\$ 814,383</u>	<u>\$ 579,416</u>

### 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 \$43,000 and \$35,000 to the Society during fiscal years 2018 and 2017, respectively, to further the Foundation's and Society's exempt purposes. At July 31, 2018 and 2017, the Foundation owed \$389,052 and \$35,507 for various expenses paid on its behalf. At July 31, 2018, the Foundation had grants payable to the Society of \$78,000. For fiscal years 2018 and 2017, the Foundation incurred \$615,345 and \$615,315, respectively, in reimbursable expenses to the Society.

The Society also began leasing the first floor of their building on November 1, 2018. The Society shares half of this revenue with the Foundation. The lease expires in 2022 and requires monthly payments of \$3,852. In fiscal year 2018, the Foundation received lease income of \$22,052.

### 10. RECLASSIFICATIONS

Certain items in the fiscal year 2017 financial statements have been retroactively reclassified to conform to the fiscal year 2018 presentation. These reclassifications had no effect on net assets at July 31, 2017.