

Extra Mile Education Foundation

Financial Statements

Years Ended December 31, 2015 and 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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EXTRA MILE EDUCATION FOUNDATION

YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

Board of Directors
Extra Mile Education Foundation

We have audited the accompanying financial statements of the Extra Mile Education Foundation (Foundation), a non-profit organization, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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.

Auditor's 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 audits 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 principles 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 December 31, 2015 and 2014 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.

Maher Duessel

Pittsburgh, Pennsylvania
August 10, 2016

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Cash and cash equivalents	\$ 18,794	\$ 15,298	\$ 6,464	\$ 6,464	\$ 7,210	\$ 49	\$ 32,468	\$ 21,811
Investments	1,724,746	1,767,685	15,721,670	15,733,211	772,395	812,827	18,218,811	18,313,723
Accounts receivable	706,243	335,083	3,750	-	-	-	709,993	335,083
Pledges receivable for:								
Endowment	-	-	-	3,750	-	-	-	3,750
Special programs	600,000	-	-	-	-	-	600,000	-
School subsidies:								
Due in one year	8,000	34,041	-	-	-	-	8,000	34,041
Due after one year	118,187	90,000	-	-	-	-	118,187	90,000
Scholarship:								
Due after one year	-	15,000	-	-	-	-	-	15,000
Other receivables	28	5	13,376	10,787	-	-	13,404	10,792
Furniture, fixtures and equipment, net of accumulated depreciation of \$19,272 in 2015 and \$18,522 in 2014	751	1,502	-	-	-	-	751	1,502
Prepaid expense	7,232	290	-	-	-	-	7,232	290
Due from/to other funds	1,095,063	7,162	(1,087,901)	-	(7,162)	(7,162)	-	-
Total Assets	\$ 4,279,044	\$ 2,266,066	\$ 14,657,359	\$ 15,754,212	\$ 772,443	\$ 805,714	\$ 19,708,846	\$ 18,825,992
Liabilities and Net Assets								
Liabilities:								
Accounts payable	\$ 64,763	\$ 121,023	\$ -	\$ -	\$ -	\$ -	\$ 64,763	\$ 121,023
Grants payable	608,786	232,496	-	-	-	-	608,786	232,496
Total Liabilities	673,549	353,519	-	-	-	-	673,549	353,519
Net Assets:								
Unrestricted	978,366	975,868	-	-	-	-	978,366	975,868
Unrestricted - board designated	-	-	932,110	1,046,401	772,443	805,714	1,704,553	1,852,115
Temporarily restricted	2,627,129	936,679	281,280	219,286	-	-	2,908,409	1,155,965
Permanently restricted	-	-	13,443,969	14,488,525	-	-	13,443,969	14,488,525
Total Net Assets	3,605,495	1,912,547	14,657,359	15,754,212	772,443	805,714	19,035,297	18,472,473
Total Liabilities and Net Assets	\$ 4,279,044	\$ 2,266,066	\$ 14,657,359	\$ 15,754,212	\$ 772,443	\$ 805,714	\$ 19,708,846	\$ 18,825,992

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Unrestricted Net Assets:								
Revenue and gains:								
Donations	\$ 1,008,008	\$ 1,450,492	\$ -	\$ -	\$ -	\$ -	\$ 1,008,008	\$ 1,450,492
Fundraising event income	276,782	344,688	-	-	-	-	276,782	344,688
Interest and dividends	2,670	1,169	-	-	10,569	7,783	13,239	8,952
Realized gains (losses)	5,607	340	-	-	258	69,444	5,865	69,784
Unrealized (depreciation) appreciation on investments	-	-	-	-	(44,098)	(44,972)	(44,098)	(44,972)
Net assets released from restrictions	422,514	255,516	973,610	935,105	-	-	1,396,124	1,190,621
Total revenue, net of losses	1,715,581	2,052,205	973,610	935,105	(33,271)	32,255	2,655,920	3,019,565
Expenses:								
Office expense	650,631	463,580	-	-	-	-	650,631	463,580
Grants	1,876,711	1,949,949	-	-	-	-	1,876,711	1,949,949
Specific purpose grants	157,949	85,917	-	-	-	-	157,949	85,917
Fundraising event expense	115,693	101,954	-	-	-	-	115,693	101,954
Total expenses	2,800,984	2,601,400	-	-	-	-	2,800,984	2,601,400
Change in unrestricted net assets before appropriation	(1,085,403)	(549,195)	973,610	935,105	(33,271)	32,255	(145,064)	418,165
Appropriated for grants	1,087,901	549,195	(1,087,901)	(520,545)	-	(28,650)	-	-
Change in unrestricted net assets	2,498	-	(114,291)	414,560	(33,271)	3,605	(145,064)	418,165
Temporarily Restricted Net Assets:								
Revenues:								
Donations	169,500	138,337	-	-	-	-	169,500	138,337
Restricted programs donations	1,943,464	105,591	-	-	-	-	1,943,464	105,591
Net assets transferred to permanently restricted	-	-	(3,750)	(6,250)	-	-	(3,750)	(6,250)
Net assets released from permanent restrictions	-	-	1,039,354	987,782	-	-	1,039,354	987,782
Net assets released from restrictions	(422,514)	(255,516)	(973,610)	(935,105)	-	-	(1,396,124)	(1,190,621)
Change in temporarily restricted net assets	1,690,450	(11,588)	61,994	46,427	-	-	1,752,444	34,839
Permanently Restricted Net Assets:								
Revenues:								
Investment income	-	-	294,442	298,935	-	-	294,442	298,935
Investment fees	-	-	(104,054)	(110,010)	-	-	(104,054)	(110,010)
Realized gains (losses)	-	-	742,475	804,165	-	-	742,475	804,165
Unrealized (depreciation) appreciation on investments	-	-	(941,815)	(54,597)	-	-	(941,815)	(54,597)
Net assets released from restrictions	-	-	(1,039,354)	(987,782)	-	-	(1,039,354)	(987,782)
Net assets transferred from temporarily restricted	-	-	3,750	6,250	-	-	3,750	6,250
Change in permanently restricted net assets	-	-	(1,044,556)	(43,039)	-	-	(1,044,556)	(43,039)
Change in Net Assets	1,692,948	(11,588)	(1,096,853)	417,948	(33,271)	3,605	562,824	409,965
Net Assets:								
Beginning of year	1,912,547	1,924,135	15,754,212	15,336,264	805,714	802,109	18,472,473	18,062,508
End of year	\$ 3,605,495	\$ 1,912,547	\$ 14,657,359	\$ 15,754,212	\$ 772,443	\$ 805,714	\$ 19,035,297	\$ 18,472,473

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	General Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash Flows From Operating Activities:								
Change in net assets	\$ 1,692,948	\$ (11,588)	\$ (1,096,853)	\$ 417,948	\$ (33,271)	\$ 3,605	\$ 562,824	\$ 409,965
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:								
Unrealized depreciation (appreciation) on investments	-	-	941,815	54,597	44,098	44,972	985,913	99,569
Realized (gains) losses	(5,607)	(340)	(742,475)	(804,165)	(258)	(69,444)	(748,340)	(873,949)
Depreciation expense	751	752	-	-	-	-	751	752
Change in operating assets and liabilities:								
Accounts receivable	(371,160)	165,921	(3,750)	-	-	-	(374,910)	165,921
Pledges receivable	(587,146)	106,959	-	-	-	-	(587,146)	106,959
Other receivables	(23)	-	(2,589)	293	-	-	(2,612)	293
Prepaid expense	(6,942)	(40)	-	-	-	-	(6,942)	(40)
Due from/to other funds	(1,087,901)	120,058	1,087,901	(127,220)	-	7,162	-	-
Accounts payable	(56,260)	36,687	-	-	-	-	(56,260)	36,687
Grants payable	376,290	(465,361)	-	-	-	-	376,290	(465,361)
Net cash (used in) provided by operating activities	(45,050)	(46,952)	184,049	(458,547)	10,569	(13,705)	149,568	(519,204)
Cash Flows From Investing Activities:								
Decrease (increase) in investments, net	48,546	39,105	(187,799)	456,045	(3,408)	13,706	(142,661)	508,856
Cash Flows From Financing Activities:								
Receipt of contributions restricted for long-term purposes	-	-	3,750	6,250	-	-	3,750	6,250
Net Increase (Decrease) in Cash and Cash Equivalents	3,496	(7,847)	-	3,748	7,161	1	10,657	(4,098)
Cash and Cash Equivalents:								
Beginning of year	15,298	23,145	6,464	2,716	49	48	21,811	25,909
End of year	\$ 18,794	\$ 15,298	\$ 6,464	\$ 6,464	\$ 7,210	\$ 49	\$ 32,468	\$ 21,811

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

1. ORGANIZATION

The Extra Mile Education Foundation (Foundation) established January 1, 1990, is a Pennsylvania non-profit corporation formed exclusively for charitable, educational, and scientific purposes. The Foundation promotes the interests of inner-city and other schools that are operated by the Catholic Diocese of Pittsburgh (Diocese) or Roman Catholic parishes of the Diocese. All of its efforts are directed toward seeking community support for the educational needs and improvements in educational opportunities of children attending the following two inner-city parish schools: Saint Benedict the Moor, Hill District and Sister Thea Bowman Academy, Wilkinsburg. In addition, the Foundation provides scholarship support in accordance with its mission to children attending East Catholic, North Side Catholic, Saint Bartholomew, Saint Maria Goretti, Saint Raphael, and Saint Rosalia Schools. Note 6 describes future funding strategies from the Foundation.

The Foundation's Board of Directors (Board) consists of twenty-one members. No director, by reason of their directorship, is entitled to any salary or other compensation from the Foundation.

The Foundation has received a determination letter from the Internal Revenue Service, effective as of November 13, 2006, stating it as an organization qualified under Section 501(c)(3) of the Internal Revenue Code (IRC) to be exempt from federal income taxes and, furthermore, has public charity status under Section 170(b)(1)(A)(vi). Further, the Foundation annually files a Form 990.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Foundation reports its financial activities in three funds, the General Fund, the Inner-City Endowment Fund, and the Education Impact Fund. Grants made by, and administrative costs of, the Foundation are recorded in the General Fund.

The Education Impact Fund benefits students transitioning from middle school to high school and was created as part of the Foundation's Ninth Grade Matters initiative.

The Inner-City Endowment Fund is designated for grants to the inner-city elementary schools supported by the Foundation.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Investment and Spending Policies

The Foundation invests its endowment funds to provide optimum total returns over an extended period in a manner that is intended to produce a return/risk profile with emphasis on capital preservation while assuming a moderate level of investment risk. Investment decisions are made with emphasis on quality, diversification of risk, and the need to increase purchasing power. Investments may be made either directly or through co-mingled or mutual funds or partnerships. Limits regarding sector diversifications or individual securities are determined by the investment managers, the Foundation's Investment Committee and asset allocation guidelines are provided for in the investment policy adopted by the Board.

With respect to the Inner-City Fund, the Board elected, beginning with year 2000, a spending policy under Act 141 of the Commonwealth of Pennsylvania. The policy allows the Foundation, subject to approval of its Board, to spend annually between 2% and 7% of the three-year average fair value of the endowment investment portfolio as of the end of the preceding three years. For 2015 and 2014, the approved percentage for the Inner-City Endowment Fund was 7.0% unless otherwise restricted. Total allowable distributions of \$1,039,354 and \$987,782, respectively, for 2015 and 2014, are shown as net assets released from permanent restrictions from the Inner-City Endowment Fund.

The Board approved that if less than 7.0% of the average fair value of the inner-city endowment investment portfolio at the end of the preceding three years is needed to fund grants, the difference is to remain with the Inner-City Endowment Fund as unrestricted – Board-designated net assets. At December 31, 2015 and 2014, the accumulated balance in the Inner-City Endowment Fund as unrestricted – Board-designated net assets totaled \$932,110 and \$1,046,401, respectively.

The endowment assets used by the Foundation to provide income for the maintenance and granting activities of the Foundation are composed of cash and investments held by the Foundation. During 2015 and 2014, the Foundation had the following endowment-related activities:

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Inner-City Endowment Fund		
	2015	2014
Investment return:		
Investment income	\$ 1,034,328	\$ 1,103,393
Net depreciation	(941,815)	(54,597)
Investment expense	(104,054)	(110,010)
Total net investment return	(11,541)	938,786
Donations received	-	6,250
Amounts distributed	-	(647,765)
Change in endowment funds	(11,541)	297,271
Endowment Funds:		
Beginning of year	15,739,675	15,442,404
End of year	\$ 15,728,134	\$ 15,739,675
Endowment Funds:		
Cash	\$ 6,464	\$ 6,464
Investments	15,721,670	15,733,211
Total Endowment Funds	\$ 15,728,134	\$ 15,739,675

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash, investments in marketable securities, accounts receivable, and pledges receivable. As a matter of policy, the Foundation only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

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NOTES TO FINANCIAL STATEMENTS

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Investments

Investments are reported at fair value, based on quoted market prices and other assumptions made by market participants as further described in Note 3. Realized and unrealized gains or losses are determined based on specific identification by comparison of asset cost to net proceeds received at the time of disposal or changes in the difference between fair values and cost, respectively. Realized and unrealized gains or losses are reflected in the applicable unrestricted, temporarily, or permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investment purchases with maturities of three months or less to be cash equivalents.

Pledges Receivable

The Foundation records the receivable for unconditional pledges, and corresponding revenue, at estimated net realizable value when the commitment is made. Pledges receivable are recorded based on written commitments of the donors. Pledges receivable are reclassified to permanently restricted net assets upon receipt if so designated by the donor. At December 31, 2015 and 2014, pledges receivable balances have been considered to be fully collectible by management; accordingly, no allowance for doubtful accounts has been provided.

Contributed Services

Contributions of services are recognized if the services rendered (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation reports such contributions at their estimated fair value when received. For the years ended December 31, 2015 and 2014, the Foundation recognized contributed goods and services of \$100,200 and \$57,452, respectively.

Grants Payable

The Foundation recognizes a liability and corresponding expense for grants in the amount expected to be paid when approved by the Board of Directors. As of December 31, 2015 and 2014, such liabilities are recorded based on the amounts expected to be paid. Grants payable at December 31, 2015 and 2014 is \$608,786 and \$232,496, respectively. The grants payable balance, reported as of December 31, 2015, is expected to be paid by the Foundation during 2016.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

Accounting for Net Assets

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net asset balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions, a portion of which is internally designated for charitable needs. Unrestricted net assets designated by the Board of Trustees (Board) provide income for a future designated period.

Temporarily restricted net assets – Gifts received with explicit donor restrictions that specify when or how the assets are to be used are reported as temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that require the principal of the gift to be maintained permanently by the Foundation with the income earned thereon to be used based on the donors' stipulations. Pledges made to the endowment fund are also included in permanently restricted net assets.

Pending Standards Update

The Financial Accounting Standards Board (FASB) has issued amendments of the FASB Accounting Standard Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on the Foundation's financial statements:

ASU-2015-07, "*Fair Value Measurement – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*," effective for the Foundation's financial statements for the year ending December 31, 2017. This amendment removes the requirement to categorize investments for which the fair value is measured using the net asset value per share practical expedient. The amendment also removes certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

ASU-2016-02, "*Leases (Topic 842)*," effective for the Foundation's financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statements of financial position for the rights and obligations created by

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all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Management has not yet determined the impact of these amendments on the Foundation's financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. INVESTMENTS

The following is the composition at cost and fair value of investments held by the General, Inner-City Endowment, and Education Impact Funds at December 31, 2015 and 2014. Cost represents the original purchase price adjusted for the amortization of purchase discounts or premiums.

	December 31, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash equivalents	\$ 2,469,619	\$ 2,469,619	\$ -
Mutual funds - equity	5,383,745	6,565,034	1,181,289
Mutual funds - fixed	943,912	926,870	(17,042)
Common stock	2,616,277	3,260,566	644,289
Bond funds	2,601,516	2,694,194	92,678
Capital appreciation funds	744,637	772,395	27,758
Other investments	1,496,735	1,530,133	33,398
	<u>\$ 16,256,441</u>	<u>\$ 18,218,811</u>	<u>\$ 1,962,370</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	December 31, 2014		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash equivalents	\$ 2,191,088	\$ 2,191,088	\$ -
Mutual funds - equity	5,256,968	6,808,797	1,551,829
Mutual funds - fixed	735,850	736,195	345
Common stock	2,897,637	3,899,267	1,001,630
Bond funds	2,508,061	2,698,413	190,352
Capital appreciation funds	740,972	812,827	71,855
Other investments	1,034,864	1,167,136	132,272
	<u>\$ 15,365,440</u>	<u>\$ 18,313,723</u>	<u>\$ 2,948,283</u>

Fair Value Measurement

In accordance with accounting principles generally accepted in the United States of America, all investments of the Foundation are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon “measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.” Level 2 is defined as inputs based upon “measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.” Level 3 is defined as inputs based upon “significant unobservable inputs, as they trade infrequently or not at all.”

The following table summarizes the fair value measurement categories of investments held as of December 31, 2015 and 2014:

	Fair Value Measurements at Reporting Date Using:		
	Level 1	Level 3	Total
December 31, 2015	\$ 17,728,911	\$ 489,900	\$ 18,218,811
December 31, 2014	17,647,367	666,356	18,313,723

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Level 3 investments held by the Foundation include a close ended Delaware limited partnership that invests in hedge and private equity funds, a Delaware limited liability company that is a fund of hedge funds which invests in the public equity markets in the United States of America, and an investment in gas rights. Both the limited partnership and limited liability companies' fair values are calculated as the net asset value of the funds less the fund's liabilities, including accrued fees and expenses. The share reported by the Foundation is proportionate to the Foundation's relative capital contribution. Currently, the Foundation has no intentions of liquidating the investments in the other investments held at December 31, 2015. The Foundation also holds an investment in gas rights, which does not comprise a significant portion of the Foundation's portfolio.

The following table summarizes the changes in fair values associated with Level 3 assets:

	Other Investments	Gas Rights	Total Level 3 Assets
Balance as of December 31, 2013	\$ 800,705	\$ 12,000	\$ 812,705
Unrealized losses	(146,349)	-	(146,349)
Balance as of December 31, 2014	654,356	12,000	666,356
Sales	(174,109)	-	(174,109)
Unrealized losses	(2,347)	-	(2,347)
Balance as of December 31, 2015	<u>\$ 477,900</u>	<u>\$ 12,000</u>	<u>\$ 489,900</u>

4. DIOCESAN SUPPORT TO THE FOUNDATION

In addition to contributions provided to the inner-city elementary schools by the Foundation, the Diocese provided direct support totaling \$150,000 in both 2015 and 2014 to the inner-city elementary schools. The Diocese also contributed services to the Foundation totaling \$12,689 in 2015 and \$24,658 in 2014 for office support.

5. CONDITIONAL PLEDGES

As of December 31, 2015 and 2014, the conditional pledges to the Inner-City Endowment Fund totaled \$50,000, all of which is conditional based on its being dictated within the donor's will. Accounting standards generally accepted in the United States of America do not permit the recognition of conditional pledges until such time that the condition is met.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

6. FUNDING OF SCHOOL SUBSIDIES

At its meeting in December 2015, the Foundation's Board budgeted to fund operating and capital improvement subsidies to two inner-city elementary schools (Saint Benedict the Moor and Sister Thea Bowman Academy) through June 2017. The unrestricted assets on hand in the General Fund as of December 31, 2015 and 2014 are insufficient to meet this funding level by approximately \$1,851,283 and \$1,341,885, respectively. Consistent with prior years, this deficiency is expected to be met through donations, pledges, endowment fund investment income, and/or capital redemptions.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 126,188	\$ 124,041
Pledges receivable for scholarships	-	15,000
Capital improvements	91,158	141,461
Scholarships	369,562	401,471
Development grant	-	65,000
Pre-kindergarten program	-	6,181
Program evaluation	-	5,025
Learning program	34,856	60,516
Science program	8,216	15,449
Tuition assistance/science	-	256
Transition program	278,698	100,000
*Campaign funds	1,717,700	-
Miscellaneous programs	751	2,279
	<u>2,627,129</u>	<u>936,679</u>
<u>Inner-City Endowment Fund:</u>		
Pledges receivable for endowment	-	3,750
Scholarship reserve	281,280	215,536
	<u>281,280</u>	<u>219,286</u>
	<u>\$ 2,908,409</u>	<u>\$ 1,155,965</u>

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

*Campaign funds were solicited by the Foundation during the 2015 calendar year as part of their 25th Anniversary Campaign. These funds are temporarily restricted, as their intended purpose is for identified programmatic elements, expanded subsidies and scholarships, and predetermined capital projects. The funds are planned for use throughout 2016 for this purpose.

In addition to the temporarily restricted net assets noted above, at December 31, 2015 and 2014, the Foundation held in the Inner-City Endowment Fund Board-designated funds totaling \$932,110 and \$1,046,401, respectively, which are designated by the Board as operational reserves. The Foundation also held unrestricted – Board-designated funds in the Education Impact Fund totaling \$772,443 and \$805,714 at December 31, 2015 and 2014, respectively. Such funds are designated for supporting the post-elementary education of alumni graduating from Extra Mile supported schools.

8. NET ASSETS RELEASED FROM TEMPORARY RESTRICTIONS

During fiscal years 2015 and 2014, temporarily restricted net assets were released from donor or time restrictions by satisfying the restricted purposes as follows:

	<u>2015</u>	<u>2014</u>
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 37,853	\$ 23,000
Capital improvements	179,803	108,959
Scholarships	46,909	37,640
Development	65,000	25,000
Learning program	25,660	51,387
Pre-kindergarten program	6,181	-
School evaluation	7,233	-
Science program	5,025	2,759
Teacher development	213	5,378
Transition program	46,302	-
Miscellaneous programs	2,335	1,393
	<u>422,514</u>	<u>255,516</u>
<u>Inner-City Endowment Fund:</u>		
Spending policy transfers for school support	973,610	935,105
	<u>\$ 1,396,124</u>	<u>\$ 1,190,621</u>

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

In addition to the net assets released from temporary restrictions noted above, the Foundation transferred from temporary restrictions \$3,750 and \$6,250 of permanently restricted pledges collected during 2015 and 2014, respectively.

9. EMPLOYEE BENEFIT PLAN

Pension Plan

The Foundation contributes to a simplified employee pension plan covering all full-time employees. Total pension expense was \$22,660 and \$24,510 for the years ended December 31, 2015 and 2014, respectively.

10. OPERATING LEASES

During 2015, the Foundation entered into an operating lease agreement for office space that extends through September 2020.

The following is a schedule of future minimum lease payments required the lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 42,275
2017	43,343
2018	44,411
2019	45,479
2020	34,443
Total	<u>\$ 209,951</u>

Rent expense approximated \$11,000 for the year ended December 31, 2015.