

Extra Mile Education Foundation

Financial Statements

Years Ended December 31, 2018 and 2017
with Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

EXTRA MILE EDUCATION FOUNDATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, the Foundation adopted ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” which amends the requirements for financial statements for nonprofit entities. The amendment changes how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Mahe Duessel

Pittsburgh, Pennsylvania
November 13, 2019

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	General Fund		Anniversary Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets										
Cash and cash equivalents	\$ 155,520	\$ 927,735	\$ 34,286	\$ 14,285	\$ 524,034	\$ 434,181	\$ 49	\$ 49	\$ 713,889	\$ 1,376,250
Investments	539,111	563,897	1,422,424	1,967,847	14,083,021	15,921,254	860,447	938,612	16,905,003	19,391,610
Accounts receivable	267,164	326,016	20,000	20,000	-	-	-	-	287,164	346,016
Pledges receivable for:										
Special programs:										
Due in one year	-	-	34,286	35,000	-	-	-	-	34,286	35,000
Due after one year	-	-	62,857	96,429	-	-	-	-	62,857	96,429
School subsidies:										
Due in one year	66,576	50,000	-	-	-	-	-	-	66,576	50,000
Due after one year	480,000	45,000	-	-	-	-	-	-	480,000	45,000
Other receivables	840	936	-	-	7,217	13,716	-	-	8,057	14,652
Furniture, fixtures and equipment, net of accumulated depreciation of \$23,355 in 2018 and \$21,516 in 2017	14,859	7,701	-	-	-	-	-	-	14,859	7,701
Prepaid expense	3,738	3,649	-	-	-	-	-	-	3,738	3,649
Due from/to other funds	1,079,447	695,635	(182,649)	(487,269)	(798,787)	(208,366)	(98,011)	-	-	-
Total Assets	\$ 2,607,255	\$ 2,620,569	\$ 1,391,204	\$ 1,646,292	\$ 13,815,485	\$ 16,160,785	\$ 762,485	\$ 938,661	\$ 18,576,429	\$ 21,366,307
Liabilities and Net Assets										
Liabilities:										
Accounts payable	\$ 19,767	\$ 21,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,767	\$ 21,739
Grants payable	718,058	875,004	-	-	-	-	-	-	718,058	875,004
Total Liabilities	737,825	896,743	-	-	-	-	-	-	737,825	896,743
Net Assets:										
Without donor restrictions:										
Undesignated	833,126	912,505	-	-	-	-	-	-	833,126	912,505
Board designated	-	-	-	-	516,042	810,450	762,485	938,661	1,278,527	1,749,111
Total without donor restrictions	833,126	912,505	-	-	516,042	810,450	762,485	938,661	2,111,653	2,661,616
With donor restrictions	1,036,304	811,321	1,391,204	1,646,292	13,299,443	15,350,335	-	-	15,726,951	17,807,948
Total Net Assets	1,869,430	1,723,826	1,391,204	1,646,292	13,815,485	16,160,785	762,485	938,661	17,838,604	20,469,564
Total Liabilities and Net Assets	\$ 2,607,255	\$ 2,620,569	\$ 1,391,204	\$ 1,646,292	\$ 13,815,485	\$ 16,160,785	\$ 762,485	\$ 938,661	\$ 18,576,429	\$ 21,366,307

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	General Fund		Anniversary Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net Assets Without Donor Restrictions:										
Revenue and gains:										
Donations	\$ 881,629	\$ 969,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 881,629	\$ 969,462
Fundraising event income	204,317	204,070	-	-	-	-	-	-	204,317	204,070
Interest and dividends	16,368	10,840	-	-	-	-	19,794	15,728	36,162	26,568
Realized gains (losses)	46,183	(2,045)	-	-	-	-	30,252	-	76,435	(2,045)
Net assets released from restrictions	555,021	370,765	183,172	487,269	1,030,390	1,018,718	-	-	1,768,583	1,876,752
Total revenue and gains	1,703,518	1,553,092	183,172	487,269	1,030,390	1,018,718	50,046	15,728	2,967,126	3,074,807
Expenses:										
Program	2,404,605	2,024,527	183,172	487,269	-	-	-	-	2,587,777	2,511,796
Management and general	390,822	362,416	-	-	-	-	-	-	390,822	362,416
Fundraising	330,901	285,112	-	-	-	-	-	-	330,901	285,112
Total expenses	3,126,327	2,672,055	183,172	487,269	-	-	-	-	3,309,499	3,159,324
Change in net assets without donor restrictions before appropriation for grants	(1,422,809)	(1,118,963)	-	-	1,030,390	1,018,718	50,046	15,728	(342,373)	(84,517)
Appropriated for grants	1,422,809	1,006,949	-	-	(1,324,798)	(1,006,949)	(98,011)	-	-	-
Increase (decrease) in net assets without donor restrictions before unrealized (depreciation) appreciation on investments	-	(112,014)	-	-	(294,408)	11,769	(47,965)	15,728	(342,373)	(84,517)
Unrealized (depreciation) appreciation on investments	(79,379)	46,153	-	-	-	-	(128,211)	123,056	(207,590)	169,209
Change in net assets without donor restrictions	(79,379)	(65,861)	-	-	(294,408)	11,769	(176,176)	138,784	(549,963)	84,692
Net Assets With Donor Restrictions:										
Donations	630,004	130,940	-	-	-	-	-	-	630,004	130,940
Restricted programs donations	150,000	15,000	-	-	-	-	-	-	150,000	15,000
Investment income	-	-	58,151	24,879	349,960	292,769	-	-	408,111	317,648
Investment fees	-	-	-	-	(93,967)	(91,361)	-	-	(93,967)	(91,361)
Realized gains (losses)	-	-	37,355	62,624	2,924,662	551,374	-	-	2,962,017	613,998
Unrealized (depreciation) appreciation on investments	-	-	(167,422)	(21,642)	(4,201,157)	1,666,762	-	-	(4,368,579)	1,645,120
Net assets released from restrictions	(555,021)	(370,765)	(183,172)	(487,269)	(1,030,390)	(1,018,718)	-	-	(1,768,583)	(1,876,752)
Change in net assets with donor restrictions	224,983	(224,825)	(255,088)	(421,408)	(2,050,892)	1,400,826	-	-	(2,080,997)	754,593
Change in Net Assets	145,604	(290,686)	(255,088)	(421,408)	(2,345,300)	1,412,595	(176,176)	138,784	(2,630,960)	839,285
Net Assets:										
Beginning of year	1,723,826	2,014,512	1,646,292	2,067,700	16,160,785	14,748,190	938,661	799,877	20,469,564	19,630,279
End of year	\$ 1,869,430	\$ 1,723,826	\$ 1,391,204	\$ 1,646,292	\$ 13,815,485	\$ 16,160,785	\$ 762,485	\$ 938,661	\$ 17,838,604	\$ 20,469,564

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	Program Services		Management and General		Fundraising		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Grants	\$ 2,223,985	\$ 1,278,842	\$ -	\$ -	\$ -	\$ -	\$ 2,223,985	\$ 1,278,842
Special purpose grants	180,620	745,685	-	-	-	-	180,620	745,685
Anniversary fund grants	183,172	487,269	-	-	-	-	183,172	487,269
Personnel expenses	-	-	172,189	155,923	231,906	207,081	404,095	363,004
Professional fees	-	-	48,959	74,759	-	-	48,959	74,759
Public relations	-	-	91,081	64,629	-	-	91,081	64,629
Special event expenses	-	-	-	-	75,303	55,064	75,303	55,064
Occupancy	-	-	23,692	22,967	23,692	22,967	47,383	45,934
Office expenses	-	-	10,450	7,366	-	-	10,450	7,366
Information technology	-	-	6,039	5,576	-	-	6,039	5,576
Subscription and membership	-	-	3,755	5,598	-	-	3,755	5,598
Travel	-	-	1,550	2,330	-	-	1,550	2,330
Depreciation	-	-	1,839	1,493	-	-	1,839	1,493
Miscellaneous expense	-	-	31,268	21,775	-	-	31,268	21,775
Total expenses	<u>\$ 2,587,777</u>	<u>\$ 2,511,796</u>	<u>\$ 390,822</u>	<u>\$ 362,416</u>	<u>\$ 330,901</u>	<u>\$ 285,112</u>	<u>\$ 3,309,499</u>	<u>\$ 3,159,324</u>

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	General Fund		Anniversary Fund		Inner-City Endowment Fund		Education Impact Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cash Flows From Operating Activities:										
Change in net assets	\$ 145,604	\$ (290,686)	\$ (255,088)	\$ (421,408)	\$ (2,345,300)	\$ 1,412,595	\$ (176,176)	\$ 138,784	\$ (2,630,960)	\$ 839,285
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:										
Unrealized depreciation (appreciation) on investments	79,379	(46,153)	167,422	21,642	4,201,157	(1,666,762)	128,211	(123,056)	4,576,169	(1,814,329)
Realized (gains) losses	(46,183)	2,045	(37,355)	(62,624)	(2,924,662)	(551,374)	(30,252)	-	(3,038,452)	(611,953)
Depreciation expense	1,839	1,493	-	-	-	-	-	-	1,839	1,493
Change in operating assets and liabilities:										
Accounts receivable	58,852	62,815	-	(20,000)	-	-	-	-	58,852	42,815
Pledges receivable	(451,576)	71,243	34,286	34,285	-	-	-	-	(417,290)	105,528
Other receivables	96	(800)	-	-	6,499	(4,838)	-	-	6,595	(5,638)
Prepaid expense	(89)	(89)	-	-	-	-	-	-	(89)	(89)
Due from/to other funds	(383,812)	350,733	(304,620)	1,389,255	590,421	(1,739,988)	98,011	-	-	-
Accounts payable	(1,972)	(30,065)	-	-	-	-	-	-	(1,972)	(30,065)
Grants payable	(156,946)	411,947	-	-	-	-	-	-	(156,946)	411,947
Net cash (used in) provided by operating activities	(754,808)	532,483	(395,355)	941,150	(471,885)	(2,550,367)	19,794	15,728	(1,602,254)	(1,061,006)
Cash Flows From Investing Activities:										
Decrease (increase) in investments, net	(8,410)	(507,547)	415,356	(1,926,865)	561,738	2,230,795	(19,794)	(15,728)	948,890	(219,345)
(Increase) decrease in furniture, fixtures and equipment	(8,997)	(9,194)	-	-	-	-	-	-	(8,997)	(9,194)
Net cash provided by (used in) investing activities	(17,407)	(516,741)	415,356	(1,926,865)	561,738	2,230,795	(19,794)	(15,728)	939,893	(228,539)
Net Increase (Decrease) in Cash and Cash Equivalents	(772,215)	15,742	20,001	(985,715)	89,853	(319,572)	-	-	(662,361)	(1,289,545)
Cash and Cash Equivalents:										
Beginning of year	927,735	911,993	14,285	1,000,000	434,181	753,753	49	49	1,376,250	2,665,795
End of year	\$ 155,520	\$ 927,735	\$ 34,286	\$ 14,285	\$ 524,034	\$ 434,181	\$ 49	\$ 49	\$ 713,889	\$ 1,376,250

See accompanying notes to financial statements.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 Northside Catholic, East Catholic, Saint John Bosco, Sacred Heart, Saint Raphael, Saint Rosalia, and Saint Maria Goretti. Note 6 describes future funding strategies from the Foundation.

The Foundation's Board of Directors (Board) consists of twenty 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

Basis of Accounting

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues and support are recorded when earned, and expenses are recognized when incurred.

Fund Accounting

The Foundation reports its financial activities in four funds: the General Fund, the Anniversary 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

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Anniversary Fund was established to raise funding in support of programmatic, capital, and scholarship needs of critical importance. 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.

Net Asset Classes

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:

Net assets without donor restrictions – Used to accumulate all undesignated and Board-designated resources. This class represents expendable funds that are available for support of the Foundation's operations. A portion of the Foundation's net assets without donor restrictions has been internally designated for charitable needs by the Foundation's Board to provide income for a future designated period. Any drawdown of these funds must be approved by the Board.

At December 31, 2018 and 2017, the Foundation held in the Inner-City Endowment Fund Board-designated funds totaling \$516,042 and \$810,450, respectively, which are designated by the Board as operational reserves. The Foundation also held Board-designated funds in the Education Impact Fund totaling \$762,485 and \$938,661 at December 31, 2018 and 2017, respectively. Such funds are designated for supporting the post-elementary education of alumni graduating from Extra Mile supported schools.

Net assets with donor restrictions – Represents the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that can be either fulfilled and removed by actions of the Foundation pursuant to those stipulations or are to be maintained in perpetuity, but permit the Foundation to use up or expend part or all of the income derived from the donated assets. Pledges made to the endowment fund are included in net assets with donor restrictions. When net assets with donor restrictions are expended for their stipulated purpose, they are reported in the statements of activities as net assets released from restrictions.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 2018 and 2017, the approved percentage for the Inner-City Endowment Fund was 7.0% unless otherwise restricted. Total allowable distributions of \$1,030,390 and \$1,018,718, respectively, for 2018 and 2017, are shown as net assets released from 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 Board-designated net assets. At December 31, 2018 and 2017, the accumulated balance in the Inner-City Endowment Fund as Board-designated net assets totaled \$516,042 and \$810,450, 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 2018 and 2017, the Foundation had the following endowment-related activities:

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Inner-City Endowment Fund		
	2018	2017
Investment return:		
Investment income	\$ 3,281,121	\$ 839,305
Net appreciation/(depreciation)	(4,201,157)	1,666,762
Investment expense	(93,967)	(91,361)
Total net investment return	(1,014,003)	2,414,706
Donations received	-	-
Amounts distributed	(734,377)	(2,746,937)
Change in endowment funds	(1,748,380)	(332,231)
Endowment Funds:		
Beginning of year	16,355,435	16,687,666
End of year	<u>\$ 14,607,055</u>	<u>\$ 16,355,435</u>
Endowment Funds:		
Cash	\$ 524,034	\$ 434,181
Investments	14,083,021	15,921,254
Total Endowment Funds	<u>\$ 14,607,055</u>	<u>\$ 16,355,435</u>
Endowment Funds:		
Without donor restrictions	\$ 810,454	\$ 798,681
With donor restrictions	13,796,601	15,556,754
Total Endowment Funds	<u>\$ 14,607,055</u>	<u>\$ 16,355,435</u>

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.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Concentration of Credit Risk

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash, investments, 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 is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

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 net asset classes.

Cash and Cash Equivalents

The Foundation considers all money market accounts and 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 classified as net assets with donor restrictions upon receipt if so restricted by the donor. At December 31, 2018 and 2017, 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

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

years ended December 31, 2018 and 2017, the Foundation recognized contributed goods and services of \$84,665 and \$96,112, respectively.

Liquidity and Availability

The Foundation manages its liquid resources by focusing on investment and fundraising efforts to ensure the entity has adequate investment returns and raised funds to cover granting activities being conducted. The Foundation prepares detailed budgets and has been very active in fiscal management to ensure the entity remains liquid.

Endowment funds consist of donor-restricted and board-designated funds. Income from donor-restricted endowments is used based on donor stipulations. Donor-restricted endowment funds are not available for general use. In addition, Board-designated endowment funds are not included as available for general use as a formal board action would be required to spend from the corpus of these funds.

Financial assets (cash and cash equivalents, investments, accounts receivable, pledges receivable due within one year, and other receivables) available for general expenditures, including future endowment draw amounts approved by the Board, within one year of the balance sheet date, comprise the following:

	2018	2017
Financial assets, at year-end	\$ 18,014,975	\$ 21,213,528
Less: assets with donor-imposed restrictions	(15,184,094)	(17,666,519)
Less: Board-designated endowment funds	(1,278,527)	(1,749,111)
Plus: Board-approved future draw on endowment	541,715	555,357
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,094,069</u>	<u>\$ 2,353,255</u>

Grants Payable

The Foundation recognizes a liability and corresponding expense for grants in the amount expected to be paid when approved by the Board. Grants payable at December 31, 2018 and 2017 are \$718,058 and \$875,004, respectively. Grants payable balances are expected to be paid within one year.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Functional Allocation of Expenses

The Foundation charges expenses that are directly identifiable to program services, management and general, and fundraising. Expenses related to more than one function are allocated to programs and support services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other functional classification but provide overall support and direction for the Foundation.

Adopted Standards

For the year ended December 31, 2018, the Foundation adopted ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The implementation of this standard was applied retrospectively to the comparative amounts presented for the year ended December 31, 2017.

Beginning net assets for 2018 and 2017 that were previously reported as unrestricted have been reflected as net assets without donor restrictions. Beginning net assets for 2018 and 2017 that have been previously reported as temporarily restricted and permanently restricted have been reclassified as net assets with donor restrictions.

Pending Standards Updates

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 standards on the Foundation’s financial statements:

ASU 2016-02, *“Leases (Topic 842),”* is effective for the financial statements for the year ending December 31, 2022. This standard will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by 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.

ASU 2018-08, *“Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958),”* is effective for the financial statements for the year

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

ending December 31, 2019. This standard provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

Reclassification

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

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, Anniversary, Inner-City Endowment, and Education Impact Funds at December 31, 2018 and 2017. Cost represents the original purchase price adjusted for the amortization of purchase discounts or premiums.

	December 31, 2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds - equity	\$ 8,708,673	\$ 8,470,645	\$ (238,028)
Mutual funds - fixed	1,834,986	1,778,810	(56,176)
Common stock	1,518,797	1,476,732	(42,065)
Bond funds	2,510,324	2,556,442	46,118
Capital appreciation funds	827,496	860,447	32,951
Other investments	1,910,126	1,761,927	(148,199)
	<u>\$ 17,310,402</u>	<u>\$ 16,905,003</u>	<u>\$ (405,399)</u>

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds - equity	\$ 7,188,918	\$ 10,121,011	\$ 2,932,093
Mutual funds - fixed	1,217,806	1,209,814	(7,992)
Common stock	1,704,334	2,620,443	916,109
Bond funds	2,824,183	2,972,328	148,145
Capital appreciation funds	777,449	938,611	161,162
Other investments	1,508,150	1,529,403	21,253
	<u>\$ 15,220,840</u>	<u>\$ 19,391,610</u>	<u>\$ 4,170,770</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.”

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The following table summarizes the fair value measurement categories of investments held as of December 31, 2018 and 2017:

Fair Value Measurements at Reporting Date Using:		
	December 31, 2018	December 31, 2017
Level 1	\$ 16,544,935	\$ 19,005,234
Level 3	12,000	12,000
Investments measured at net asset value*	348,068	374,376
Investments at fair value	<u>\$ 16,905,003</u>	<u>\$ 19,391,610</u>

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

Level 3 investments held by the Foundation include an investment in gas rights, which does not comprise a significant portion of the Foundation's portfolio.

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which the fair value is measured using the net asset value per share practical expedient:

	2018	2017
Mellon Optima L/S Strategy Fund LLC	<u>\$ 348,068</u>	<u>\$ 374,376</u>

The Mellon Optima L/S Strategy Fund LLC (Mellon Fund) is valued at net asset value per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using the method are met.

The objective of the investments measured at net asset value includes seeking capital appreciation and current income. 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 Mellon Funds held at December 31, 2018.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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 2018 and 2017 to the inner-city elementary schools. The Diocese also contributed services to the Foundation totaling \$10,284 in 2018 and \$4,179 in 2017 for office support.

5. Conditional Pledges

As of December 31, 2018 and 2017, 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.

6. Funding of School Subsidies

At its meeting in December 2017, 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 2019. The net assets without donor restrictions on hand in the General Fund as of December 31, 2018 and 2017 are insufficient to meet this funding level by approximately \$2,093,301 and \$1,646,185, respectively. Consistent with prior years, this deficiency is expected to be met through donations, pledges, endowment fund investment income, and/or capital redemptions.

On March 27, 2018, the Foundation's Board approved providing operational support, with the start of the 2018-2029 school year, to the newly named Northside Catholic Assumption Academy in the Brighton Heights community of Pittsburgh. The school is a merger of Northside Catholic School in Brighton Heights and Assumption Catholic School in Bellevue.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

A budget of \$500,000 will be met through donations, pledges, endowment fund investment income, and/or capital redemptions.

7. 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 by the lease:

Year Ending December 31,	Amount
2019	\$ 45,479
2020	34,443
Total	<u>\$ 79,922</u>

Rent expense approximated \$47,000 and \$46,000 for the years ended December 31, 2018 and 2017, respectively.

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Subject to expense for a specified purpose (or purpose and time):		
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 546,575	\$ 95,000
Capital improvements	188,714	178,986
Scholarships	161,912	367,612
Transition program	14,954	155,703
Early childhood program	12,431	14,020
Early intervention tutors	76,718	-
Grow-Up Great	10,000	-
Northside education	25,000	-
	<u>1,036,304</u>	<u>811,321</u>
<u>Anniversary Fund:</u>		
*Campaign funds	<u>1,391,204</u>	<u>1,646,292</u>
<u>Inner-City Endowment Fund:</u>		
Scholarship reserve	<u>491,529</u>	<u>416,213</u>
Total subject to purpose and time restrictions	<u>2,919,037</u>	<u>2,873,826</u>
Subject to the Foundation's spending policy and appropriation:		
<u>Inner-City Endowment Fund:</u>		
Investment in perpetuity	<u>12,807,914</u>	<u>14,934,122</u>
Total net assets with donor restrictions	<u>\$ 15,726,951</u>	<u>\$ 17,807,948</u>

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

EXTRA MILE EDUCATION FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

9. Net Assets Released From Donor Restrictions

During fiscal years 2018 and 2017, net assets with donor restrictions were released from donor or time restrictions by satisfying the restricted purposes as follows:

	<u>2018</u>	<u>2017</u>
Subject to expense for a specified purpose (or purpose and time):		
<u>General Fund:</u>		
Pledges receivable for school subsidies	\$ 48,424	\$ 71,243
Capital improvements	120,276	41,107
Scholarships	205,700	-
Learning program	-	2,727
Science program	-	2,351
Transition program	140,750	251,607
Early childhood program	1,589	980
Early intervention tutors	23,282	-
Summer Intervention Program	15,000	-
Miscellaneous programs	-	750
	<u>555,021</u>	<u>370,765</u>
<u>Anniversary Fund:</u>		
Campaign funds	<u>183,172</u>	<u>487,269</u>
Total subject to purpose and time restrictions	<u>738,193</u>	<u>858,034</u>
Subject to the Foundation's spending policy and appropriation:		
<u>Inner-City Endowment Fund:</u>		
Spending policy transfers for school support	<u>1,030,390</u>	<u>1,018,718</u>
	<u>\$ 1,768,583</u>	<u>\$ 1,876,752</u>

10. Employee Benefit Plan

The Foundation contributes to a simplified employee pension plan covering all full-time employees. Total pension expense was \$25,620 and \$18,742 for the years ended December 31, 2018 and 2017, respectively.
