Mario Lemieux Foundation

Financial Statements as of and for the
Years Ended September 30, 2016 and 2015,
and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mario Lemieux Foundation:

We have audited the accompanying financial statements of the Mario Lemieux Foundation (the "Foundation"), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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 September 30, 2016 and 2015, and the results of its activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

January 12, 2017

MARIO LEMIEUX FOUNDATION

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	$ 1,185,471	$ 1,547,682
INVESTMENTS	4,931,951	4,541,007
OTHER RECEIVABLES	90,187	39,802
DEPOSITS	48,513	116,364
EQUIPMENT—Net of accumulated depreciation of $75,930 and $56,894 as of 2016 and 2015, respectively	55,034	68,430
TOTAL	$ 6,311,156	$ 6,313,285
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 6,054	$ 66,671
Accrued expenses	40,312	142,144
Deferred revenue	439,555	555,642
Grants and contract payable	3,661,107	4,444,648
Total liabilities	4,147,028	5,209,105
NET ASSETS:		
Unrestricted net assets:		
Unrestricted and undesignated	(645,884)	(541,071)
Board-designated	2,790,012	1,618,219
Temporarily restricted net assets	20,000	27,032
Total net assets	2,164,128	1,104,180
TOTAL	$ 6,311,156	$ 6,313,285

See notes to financial statements.

MARIO LEMIEUX FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:						
Contributions	$ 1,257,236	$ -	$ 1,257,236	$ 1,098,682	$ 40,000	$ 1,138,682
Golf tournament	-	-	-	871,665	-	871,665
Luncheon	207,575	-	207,575	196,066	-	196,066
Hockey camp	771,483	-	771,483	714,095	-	714,095
Other events and programs	339,244	20,000	359,244	363,620	-	363,620
Investment income (loss)	398,300	-	398,300	(108,659)	-	(108,659)
Other revenue	31,549	-	31,549	44,673	-	44,673
Net assets released from restrictions	27,032	(27,032)	-	12,968	(12,968)	-
Total revenues and support	3,032,419	(7,032)	3,025,387	3,193,110	27,032	3,220,142
EXPENSES:						
Direct costs of golf tournament	-	-	-	683,965	-	683,965
Direct costs of luncheon	86,161	-	86,161	103,262	-	103,262
Direct costs of hockey camp	442,238	-	442,238	403,018	-	403,018
Direct costs of other events and programs	329,761	-	329,761	295,313	-	295,313
Program grants	347,028	-	347,028	393,435	-	393,435
Management and general	741,215	-	741,215	718,208	-	718,208
Depreciation	19,036	-	19,036	20,401	-	20,401
Total expenses	1,965,439	-	1,965,439	2,617,602	-	2,617,602
INCREASE (DECREASE) IN NET ASSETS	1,066,980	(7,032)	1,059,948	575,508	27,032	602,540
NET ASSETS—Beginning of year	1,077,148	27,032	1,104,180	501,640	-	501,640
NET ASSETS—End of year	$ 2,144,128	$ 20,000	$ 2,164,128	$ 1,077,148	$ 27,032	$ 1,104,180

See notes to financial statements.

MARIO LEMIEUX FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 1,059,948	$ 602,540
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	19,036	20,401
Net realized and unrealized (gains) losses on investments	(311,241)	190,977
Changes in assets and liabilities:		
Receivables	(50,385)	373,749
Deposits	67,851	10,236
Accounts payable	(60,617)	20,598
Accrued expenses	(101,832)	32,924
Deferred revenue	(116,087)	240,556
Grants and contract payable	(783,541)	(753,911)
Net cash (used in) provided by operating activities	(276,868)	738,070
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and redemption of investments	1,097,460	1,789,584
Purchases of investments	(1,177,163)	(2,331,698)
Purchases of equipment	(5,640)	(56,376)
Net cash used in investing activities	(85,343)	(598,490)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(362,211)	139,580
CASH AND CASH EQUIVALENTS—Beginning of year	1,547,682	1,408,102
CASH AND CASH EQUIVALENTS—End of year	$ 1,185,471	$ 1,547,682
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—In-kind revenue	$ 113,000	$ 189,000

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Mario Lemieux Foundation (the "Foundation") is a not-for-profit organization incorporated in the Commonwealth of Pennsylvania that operates to fund promising medical research projects and to assist in other charitable programs throughout the United States of America.

Basis of Accounting—The accounts of the Foundation are maintained on the accrual basis of accounting.

The Foundation follows the provisions of Financial Accounting Standard Boards (FASB) Accounting Standards Codification ("Codification") topic, *Not-for-Profit Entities*. This topic maintains standards for external financial reporting of not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, according to externally (donor) imposed restrictions, if any. This topic further requires that unconditional promises to give (pledge) be recorded as receivables and revenues and contributions received be distinguished between each net asset category in accordance with donor-imposed restrictions.

Use of Estimates—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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties—The Foundation utilizes various investment instruments. Investment securities in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Cash and Cash Equivalents—Cash and cash equivalents include cash deposits in interest-bearing accounts. Substantially, all of the Foundation's cash and cash equivalents are maintained at one financial institution with amounts that may exceed federally insured amounts at times. No collateral or other security is provided on these deposits, other than deposits insured by the Federal Deposit Insurance Corporation. The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments—Investments are recorded at fair value. The fair value of all securities is determined by quoted market prices.

Pledges and Contributions Receivable—Pledges and contributions are recorded as revenue when an unconditional promise to give is received. Pledges subject to conditions are recorded as revenue when the conditions limiting the transfer of assets have been satisfied, typically when the promise becomes irrevocable. Pledges are recorded at fair value at the date of donation. Pledges receivable are recorded at the present value of estimated future cash flows. The discount rates used to compute present value are a risk-free rate of return at the time of the pledge appropriate for the expected term of the promise to give. There were no long-term pledges during 2016 and 2015.

Equipment—Purchased equipment is recorded at cost, and contributed equipment is recorded at its estimated fair value at the time of receipt. Depreciation is provided on the straight-line method over the estimated useful lives. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expenses as incurred.

The Foundation reviews the carrying amount of equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to the future net undiscounted flows expected to be generated by the assets. If this comparison indicates that the assets are not recoverable, the impairment loss recognized is the amount by which the carrying amount of the assets exceeds the related estimated fair value. Based upon management's analysis, there were no impairments for the years ended September 30, 2016 and 2015.

Deferred Revenue—Deferred revenue represents amounts received in advance of special events and unexpended proceeds from grants that must be refunded if not expended. Deferred revenue is recognized as special events occur or grant proceeds are expended.

Net Assets—The Foundation classifies and reports net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets—Net assets over which the Foundation's Board of Directors (the "Board") has discretionary control to use in carrying on the operations of the Federation.

Unrestricted Board-Designated Net Assets—Net assets that have been designated by the Board to provide support for activities that further the Foundation's mission.

Temporarily Restricted Net Assets—Net assets that are expendable only for purposes specified by the donor or grantor. Any expenditure in excess of available funds is provided by unrestricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in either unrestricted or temporarily restricted net assets, unless their use is restricted by explicit donor restrictions or by law.

Expiration of Donor-Imposed Restrictions—The Foundation follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same fiscal year as received as unrestricted support.

Endowment—The Foundation follows the provisions of the Codification topic, *Presentation of Financial Statements for Not-for-Profit Entities*, as it relates to the presentation of Board-designated endowment funds. A portion of the Foundation's net assets is Board designated.

Income Taxes—The Foundation is organized under Section 501(c)(3) of the Internal Revenue Code (IRC) and, as such, is exempt from income taxes. In addition, the Foundation has been determined not to be a private foundation under Section 509 of the IRC. The Foundation follows the guidance for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based upon its technical merits. Recognizable tax positions are then measured to determine the amount of benefit recognized in the financial statements. The Foundation files U.S. federal, state, and local information returns and no returns are currently under examination. The statute of limitations on the Foundation's U.S. federal tax returns remains open for the year ended September 30, 2013, through the present. The Foundation continues to evaluate its tax positions pursuant to the principles of such guidance and has determined that there are no uncertain tax positions.

Grants Awarded—Grants made, including unconditional promises to give, are recognized as expenses at their discounted values when approved by the Board. Grants and contract payable extending beyond 12 months are discounted at rates ranging from 2.0% to 3.6%. The discount accretion is recorded as grant expense and is included in program grants in the statements of activities and changes in net assets. Conditional promises to give are recognized as the conditions are substantially met.

In-Kind Transactions—In addition to cash contributions, the Foundation receives in-kind contributions. All amounts recorded as in-kind contributions are recorded as in-kind expenditures. In-kind contributions are recorded at their estimated fair market value on the date of receipt. Additionally, volunteers have donated significant amounts of time to the Foundation in various capacities. However, these services have not been reflected in the financial statements, since they neither require specialized skills nor would have been typically purchased had they not been donated.

Retirement Plan—Substantially all the employees of the Foundation are eligible to participate in a Foundation-sponsored defined contribution retirement plan. Each year, the Foundation determines the amount of any discretionary contributions, including profit-sharing contributions, to be made and then accrues and pays such contributions based upon a percentage of each enrolled employee's salary.

Recent Accounting Pronouncements - In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued Accounting Standards Update (ASU) 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities"* (ASU 2016-14). This new ASU is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:

  - Self-imposed limits on the use of resources without donor-imposed restrictions

  - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources

  - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date

  - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date

  - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Foundation is assessing the impact this standard will have on its financial statements.

Subsequent Events—Management has evaluated subsequent events through January 12, 2017, the date on which the financial statements were available to be issued.

2. MAJOR SPECIAL EVENTS

The Foundation hosts a golf tournament that solely benefits the Foundation. The 2015 tournament featured a two-day Pro-Am event, with celebrities playing one additional day. The events were not open to the public. The Foundation elected to suspend the 2016 tournament; therefore, no event occurred in 2016.

The Foundation sponsors a hockey camp event that allows a small group of individuals to participate in a four-day fantasy camp where they sign a fantasy camp contract and get to play hockey in authentic gear and equipment and receive instruction from former National Hockey League players.

The Foundation also holds an annual luncheon that benefits the Austin's Playroom projects.

3. INVESTMENTS

Investments, including Board-designated endowments, as of September 30, 2016 and 2015, as held by Bank of New York Mellon Wealth Management, are as follows:

	2016	**2015**
Mutual funds	$ 1,681,142	$ 1,368,054
Fixed-income mutual funds	1,723,311	1,692,289
Equity securities	1,527,498	1,480,664
Total	$ 4,931,951	$ 4,541,007

The fair values of the investments, which exceed 10% of the total assets as of September 30, 2016 and 2015, are as follows:

	2016	**2015**
Mellon Intermediate Bond Fund	$ 1,689,989	$ 1,618,988

Investment income (loss) for the years ended September 30, 2016 and 2015, included the following:

	2016	**2015**
Interest and dividends	$ 87,059	$ 82,318
Net realized gains	74,645	240,356
Net unrealized gains (losses)	236,596	(431,333)
Total	$ 398,300	$ (108,659)

4. FAIR VALUE MEASUREMENT

The Foundation applies the provisions of the Codification topic, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under GAAP and, among other things, requires enhanced disclosures about assets and liabilities recognized at fair value.

This topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. This topic requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The topic hierarchy is defined as follows:

Level 1—Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Valuations are based on quoted prices for similar assets or liabilities in active markets, or on quoted prices in markets that are not active, but for which significant inputs are observable, either directly or indirectly.

Level 3—Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at September 30, 2016 and 2015.

The Foundation's financial instruments consist primarily of cash and cash equivalents, deposits, investments, accounts payable, accrued expenses, and grants and contract payable. The carrying amount of cash and cash equivalents, deposits, accounts payable, and accrued expenses approximates fair value due to the short-term nature of such instruments. Grant and contract payable are discounted and recorded net of reserves, as applicable, which therefore approximate net realizable value.

The valuation of investments, by significant category is as follows:

Equities—Valued at the closing price reported on the active market on which the individual securities are traded.

Equity and Fixed-Income Mutual Funds—Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The Foundation evaluates the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets.

The valuations of the Foundation's investments as of September 30, 2016 and 2015, according to the fair value hierarchy, are summarized as follows:

	2016	
	Level 1	**Total**
Fixed-income mutual funds	$ 1,723,311	$ 1,723,311
Equity securities—U.S. common stocks:		
Information technology	327,397	327,397
Health care	260,943	260,943
Financials	211,410	211,410
Consumer discretionary	181,588	181,588
Consumer staples	184,375	184,375
Industrials	134,321	134,321
Energy	80,855	80,855
Others	146,609	146,609
Total equity securities	1,527,498	1,527,498
Mutual funds:		
International—developed	456,738	456,738
Large cap funds	401,369	401,369
Mid cap funds	341,615	341,615
Emerging markets	240,609	240,609
Small cap	194,937	194,937
Others	45,874	45,874
Total mutual funds	1,681,142	1,681,142
Total investments at fair value	$ 4,931,951	$ 4,931,951

	2015	
	Level 1	**Total**
Fixed-income mutual funds	$ 1,692,289	$ 1,692,289
Equity securities—U.S. common stocks:		
Information technology	260,997	260,997
Health care	228,477	228,477
Financials	193,613	193,613
Consumer discretionary	167,548	167,548
Consumer staples	162,065	162,065
Industrials	135,000	135,000
Energy	114,488	114,488
Others	105,866	105,866
Total equity securities	1,368,054	1,368,054
Mutual funds:		
International—developed	415,661	415,661
Large cap funds	353,796	353,796
Mid cap funds	286,096	286,096
Emerging markets	203,479	203,479
Small cap	176,766	176,766
Others	44,866	44,866
Total mutual funds	1,480,664	1,480,664
Total investments at fair value	$ 4,541,007	$ 4,541,007

Transfers between Levels—The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, transfers are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended September 2016 and 2015, there were no transfers between levels.

The valuation methods as described within this note may produce a fair value calculation that may not be indicative of net realizable value or reflective of 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.

5. GRANTS AND CONTRACT PAYABLE

	2016	2015
Grant payable in amount of $2,900,000 to the University of Pittsburgh Cancer Institute to support cutting edge cancer research, payable on an intermittent basis at the discretion of the Foundation through September 30, 2021 (net of discount of $75,084 and $136,063 as of September 30, 2016 and 2015, respectively)	$1,474,916	$1,713,937
Grant payable in amount of $500,000 to the University of Pittsburgh Cancer Institute to support the renovation of a terrace at the Hillman Cancer Center, payable on intermittent basis at the discretion of Foundation through September 30, 2022 (net of discount of $14,713 and $21,830 as of September 30, 2016 and 2015, respectively)	285,287	328,170
Grant payable in the amount of $1,000,000 to the Children's Home to construct a Family Living Center, payable on an intermittent basis through June 2019 (net of discount of $37,214 and $59,052 as of September 30, 2016 and 2015, respectively)	562,786	740,948
Grant payable in the amount of $2,500,000 to Children's Hospital of Pittsburgh to the establishment of the Mario Lemieux Lymphoma Center for Children and Young Adults to support research, collaboration and support for difficult to treat and rare lymphomas, payable in seven equal payments by the Foundation through July 2021 (net of discount of $110,325 and $163,346 as of September 30, 2016 and 2015, respectively)	1,318,246	1,622,368
Grant payable in the amount of $40,000 to a Board approved campaign to support cancer research, payable in two equal payments by the Foundation through December 2016 (net of discount of $128 and $775 as of September 30, 2016 and 2015, respectively).	19,872	39,225
Total	$3,661,107	$4,444,648

Future grant and contract payments, net of discount as of September 30, 2016, are as follows:

2017	$ 927,143
2018	907,143
2019	907,143
2020	707,142
2021	350,000
Thereafter	100,000
	3,898,571
Less discounts (imputed of 2.0% to 3.6%)	(237,464)
Grants and contract payable	$ 3,661,107

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2016 and 2015, represented amounts restricted for us by a donor for a playroom project.

7. BOARD-DESIGNATED ENDOWMENT

The Foundation’s unrestricted net assets include a Board-designated investment fund established primarily for support of the Foundation’s mission. As permitted by GAAP, amounts designated by governing boards for specific purposes may be included in unrestricted current funds, or those amounts may be accounted for in other funds, such as endowment funds. These designated funds are known as quasi endowments when accounted for as part of endowment funds and are classified and reported based on the existence or absence of donor-imposed restrictions. No donor-imposed restriction exists for the portion of the net assets designated by the Board.

Interpretation of Relevant Law—The Board follows its investment policy, which governs its endowment fund. The Foundation follows a total return policy. However, the long-term preservation of the real value of the assets is taken into consideration when the Board elects a spending amount. On an annual basis, the Foundation elects a spending rate as approved by the Board. The Foundation has adopted a written investment policy, of which a section specifically relates to its endowment fund. The Foundation considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund

2. Preserving the spending power of the assets

3. Obtaining maximum investment return with reasonable risk and operational consideration

4. Complying with applicable laws

The change in Board-designated endowment fund for the years ended September 30, 2016 and 2015, is as follows:

Balance—September 30, 2014	$ 1,178,120
Board appropriations	500,000
Investment loss	(52,581)
Investment management fees	(7,320)
Balance—September 30, 2015	1,618,219
Board appropriations	1,000,000
Investment gain	183,217
Investment management fees	(11,424)
Balance—September 30, 2016	$ 2,790,012

Return Objectives and Risk Parameters—The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable level of funding to programs supported by its endowment while seeking to enhance the purchasing power of the fund's corpus by striving for long-term growth. Endowment assets include Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark of equity, fixed income, and alternative investment peer groups.

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 both capital appreciation (realized and unrealized) and current yield (interest and dividends). The objective of the Foundation's long-term investment portfolio is to generate an annual total rate of return sufficient to produce the following results:

1. To preserve the real (inflation-adjusted) value of the portfolios. This objective is consistent with the Foundation's goal of supporting its operations and objectives in perpetuity.

2. To minimize rate-of-return volatility as compared to portfolios of similar investment objective. This objective provides for consistent support of the Foundation's operations in a variety of market conditions.

3. To the extent possible, increase the real (inflation-adjusted) value of the portfolios. This will allow the Foundation to increase its operational support over time.

The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment advisors, at the discretion of the Board, are given guidelines to the percentage that can be committed to a particular investment or investment category.

Spending Policy and Investment Objectives Related to Spending Policy—The Board of the Foundation is responsible for approving spending and monitoring the investment objectives of this endowment fund.

8. LEASE

During September 2014, the Foundation entered into a new lease agreement that commenced on February 16, 2015, and expires on April 30, 2025. The lease stipulates rental payments of $4,823 per month during the term of the lease.

Future minimum lease payments as of September 30, 2016, are as follows:

2017	$ 57,879
2018	57,879
2019	57,879
2020	57,879
2021	57,879
Thereafter	207,400
Total	$496,795

Rental expense totaled approximately $58,030 and $47,300 during 2016 and 2015, respectively.

9. RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan covering substantially all full-time employees. Employer contributions totaled approximately $30,000 for the years ended September 30, 2016 and 2015.

10. LINE OF CREDIT

The Foundation maintains a $250,000 demand line-of-credit agreement with Bank of New York Mellon, bearing interest at monthly London InterBank Offered Rate, plus 2.5%. The agreement is collateralized by certain cash and investments in accounts, which are also held in custody by Bank of New York Mellon, in its capacity of custodian for the Foundation's accounts. The agreement is due on demand and interest on any borrowings is due monthly. There were no borrowings outstanding as of September 30, 2016 and 2015.

11. COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the Foundation under various federal and state programs are subject to adjustment based upon review by the granting agencies. The Foundation does not anticipate that adjustments, if any, arising from such reviews will have a material effect on the financial statements.

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