

TRIANGLE EDUCATION FOUNDATION

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Triangle Education Foundation

We have audited the accompanying financial statements of Triangle Education Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 organization'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 organization'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 Triangle Education Foundation as of June 30, 2016 and 2015, 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.

A handwritten signature in black ink that reads 'Kemper CPA Group LLP'.

Kemper CPA Group LLP
Avon, Indiana
November 16, 2016

TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 690,197	\$ 144,491
Due from Triangle Fraternity - related party	2,535	4,498
Student loans receivable, net	13,130	4,370
Contributions receivable, net	794,895	841,682
Investments	4,890,587	5,670,284
Note receivable, Triangle Fraternity - related party	32,339	42,154
Assets held for charitable gift annuity contract	51,994	56,371
Equipment, net	34,449	35,242
Total assets	\$ 6,510,126	\$ 6,799,092
LIABILITIES		
Accounts payable	\$ 54,040	\$ 24,933
Accrued payroll	27,681	28,176
Due to Triangle Fraternity - related party	23,762	14,610
Payable under charitable gift annuity contract	29,981	31,479
Other liabilities	1,910	2,000
Total liabilities	137,374	101,198
NET ASSETS		
Unrestricted		
General fund	860,618	1,119,096
Board designated	627,376	554,246
Total unrestricted	1,487,994	1,673,342
Temporarily restricted	4,884,758	5,024,552
Total net assets	6,372,752	6,697,894
Total liabilities and net assets	\$ 6,510,126	\$ 6,799,092

The accompanying notes are an integral part of these financial statements.

**TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES						
Contributions	\$ 630,271	\$ 337,429	\$ 967,700	\$ 370,138	\$ 1,810,729	\$ 2,180,867
Provision for uncollectible contributions receivable	-	(1,241)	(1,241)	-	(4,201)	(4,201)
Investment return, net	(77,974)	(314,985)	(392,959)	(580)	(3,201)	(3,781)
Change in the value of split-interest agreements	-	(1,527)	(1,527)	-	(309)	(309)
Other income	350	-	350	4,114	-	4,114
Net assets released from restrictions	<u>159,470</u>	<u>(159,470)</u>	<u>-</u>	<u>518,529</u>	<u>(518,529)</u>	<u>-</u>
Total revenues	<u>712,117</u>	<u>(139,794)</u>	<u>572,323</u>	<u>892,201</u>	<u>1,284,489</u>	<u>2,176,690</u>
OPERATING EXPENSES						
Program service	480,473	-	480,473	546,293	-	546,293
Supporting services						
Fundraising	289,205	-	289,205	263,504	-	263,504
Management and general	<u>127,787</u>	<u>-</u>	<u>127,787</u>	<u>118,634</u>	<u>-</u>	<u>118,634</u>
Total expenses	<u>897,465</u>	<u>-</u>	<u>897,465</u>	<u>928,431</u>	<u>-</u>	<u>928,431</u>
Change in net assets	(185,348)	(139,794)	(325,142)	(36,230)	1,284,489	1,248,259
NET ASSETS - beginning of the year	<u>1,673,342</u>	<u>5,024,552</u>	<u>6,697,894</u>	<u>1,709,572</u>	<u>3,740,063</u>	<u>5,449,635</u>
NET ASSETS - end of year	<u>\$ 1,487,994</u>	<u>\$ 4,884,758</u>	<u>\$ 6,372,752</u>	<u>\$ 1,673,342</u>	<u>\$ 5,024,552</u>	<u>\$ 6,697,894</u>

The accompanying notes are an integral part of these financial statements.

**TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (325,142)	\$ 1,248,259
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in value of split interest agreements	1,527	309
Depreciation and ammortization	7,693	5,019
Bad debt expense	1,241	4,201
Realized and unrealized losses on investments	444,326	64,033
Change in unamortized discount on contributions receivable	(35,666)	18,126
Contribution of stock	(93,709)	(29,172)
Changes in assets and liabilities:		
Due from Triangle Fraternity	1,963	14,484
Contributions receivable	46,787	(385,964)
Other assets	-	330
Accounts payable	29,107	(7,686)
Accrued payroll	(495)	11,671
Due to Triangle Fraternity	9,152	(55,311)
Other liabilities	(90)	2,000
Net cash flows from operating activities	<u>86,694</u>	<u>890,299</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	7,147,421	422,890
Purchase of investments	(6,683,735)	(1,260,670)
Proceeds from sale of investments held for charitable gift annuity contract	2,760	2,760
Collection of student loans	3,650	1,500
Issuance of student loans	(12,500)	(500)
Collection of note receivable	9,815	-
Issuance of note receivable	-	(42,154)
Capital expenditures	(6,901)	(17,325)
Net cash flows used for investing activities	<u>460,510</u>	<u>(893,499)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuity	(1,498)	(1,423)
Net cash flows used for financing activities	<u>(1,498)</u>	<u>(1,423)</u>
Net change in cash	545,706	(4,623)
CASH AND CASH EQUIVALENTS - beginning of year	<u>144,491</u>	<u>149,114</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 690,197</u>	<u>\$ 144,491</u>
Supplemental disclosure of cash flow information		
Bank fees expensed and paid	<u>\$ 12,766</u>	<u>\$ 9,022</u>

The accompanying notes are an integral part of these financial statements.

**TRIANGLE EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>				<u>2015</u>			
	<u>Program Services</u>	<u>Supporting Services</u>			<u>Program Services</u>	<u>Supporting Services</u>		
		<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>		<u>Fundraising</u>	<u>Management and General</u>	<u>Totals</u>
Salaries and benefits	\$ 126,477	\$ 208,821	\$ 66,245	\$ 401,543	\$ 123,085	\$ 202,120	\$ 64,187	\$ 389,392
Scholarships and grants	254,925	-	-	254,925	339,168	-	-	339,168
Meetings and travel	45,959	31,365	9,989	87,313	38,672	27,519	7,384	73,575
Printing, publications, postage and shipping	17,454	15,868	6,347	39,669	14,847	13,497	5,399	33,743
Donor relations	4,881	19,523	-	24,404	1,990	7,962	-	9,952
Occupancy, insurance, telephone and rent	7,811	3,124	4,687	15,622	8,118	3,247	4,870	16,235
Legal and accounting	6,442	-	15,031	21,473	6,170	-	14,395	20,565
Supplies and miscellaneous	13,447	8,965	22,411	44,823	12,235	8,156	20,391	40,782
Depreciation and ammortization	3,077	1,539	3,077	7,693	2,008	1,003	2,008	5,019
	<u>\$ 480,473</u>	<u>\$ 289,205</u>	<u>\$ 127,787</u>	<u>\$ 897,465</u>	<u>\$ 546,293</u>	<u>\$ 263,504</u>	<u>\$ 118,634</u>	<u>\$ 928,431</u>

The accompanying notes are an integral part of these financial statements.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 1 – NATURE OF ACTIVITIES

The mission of the Triangle Education Foundation (the Foundation) is to minister to the educational needs of members of Triangle Fraternity (the Fraternity). The Foundation provides (1) non-interest bearing loans to undergraduate students, (2) grants, (3) sponsors various seminars and (4) publishes educational materials.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The Foundation is required to report information regarding its financial position activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. The Foundation does not have any permanently restricted net assets. The net asset classes are based upon the existence or absence of restrictions on use that are placed by its donors, and are as follows:

Unrestricted Net Assets - Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets - Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents - The Foundation considers cash equivalents to include interest bearing, highly liquid investments with original maturities of 90 days or less when purchased but excludes cash equivalents held by investment managers and included in investments. Cash equivalents are carried at fair value and primarily consist of money market funds. Cash equivalents totaled \$537,781 and \$116,077, at June 30, 2016 and 2015, respectively.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable - Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Contributions receivable were discounted to present value using the United States Treasury Bill, Notes, or Bond rates, as applicable, with maturities commensurate to the time period of expected collection of the contributions. The rates used in the present value calculation ranged from 0.45% to 4.50%. Amortization of the resulting discount is recognized within contribution revenue.

The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Investments and Investment Return - Generally, investments are carried at fair value. In fiscal 2011, the Foundation received a contribution of closely held stock which was recognized at fair value at the time the gift was received. Subsequent to the initial measurement, no fair value information was made available to the Foundation. Therefore, the Foundation continues to carry the stock at initial value. The Foundation is required by accounting principles generally accepted in the United States of America to perform an analysis of the investments for impairment. However, due to lack of available information, no such analysis was able to be performed. No unrealized gain or loss related to the closely held stock is reported in the statement of activities for the years ending June 30, 2016 and 2015, and the effects on the accompanying financial statements related to the departure from accounting principles generally accepted in the United States of America has not been determined.

With respect to the investments that are carried at fair value, realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Changes in unrealized appreciation or depreciation of investments are reflected in the period such changes occur. Interest and dividend income is recorded when earned.

Investment income, net realized gains or losses and net unrealized gains or losses relating to securities comprising the investments are allocated to funds based upon the percentage relationship of each fund's investment balance to the aggregate investment balances for all funds.

Assets Held For Charitable Gift Annuity and Charitable Gift Annuity Liability - The Foundation received a contribution in which the donor retains a life interest. The assets are invested and administered by the Foundation and distributions are made to the beneficiary under the terms of the agreement. These funds are invested in a money market account and a mutual fund (small cap value fund) and the Foundation recorded its interest at fair value based on estimated future cash receipts. Subsequent adjustments to the assets' carrying values are reported as a change in value of the split-interest agreement.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Obligations under charitable gift annuities are recorded when incurred at the present value of the anticipated distributions to be made to the donor-designated beneficiary. Distributions are paid over the life of the beneficiary. Present value was determined using appropriate discount rates and actuarially determined life expectancies. Obligations under split-interest agreements are revalued annually at June 30 to reflect actuarial experience; the discount rate is not changed. The net of the revaluation, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest agreements.

Equipment - Equipment is recorded at cost. Equipment is capitalized if it has a useful life when acquired of more than one year. Donated assets are recorded at their fair market value at the time of their receipt. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years.

Accounting for Contributions - Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted net assets. Unconditional promises with payments due in future years have an implied restriction until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises to give are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Functional Allocation of Expenses - The costs of providing the programs and services of the Foundation have been presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Although the method used was appropriate, other methods may have provided different results.

Federal Income Tax - The Foundation is organized as a nonprofit corporation and is exempt from Federal and state income tax under section 501(c)(3) of the Internal Revenue Code, and related state laws. As such, the Foundation is generally exempt from income taxes. There was no unrelated business income for the years ended June 30, 2016 and 2015. The Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax (and a corresponding State of Indiana return) which is an informational return only. The Foundation is subject to routine audits for any tax periods in progress. The Foundation is no longer subject to U.S. federal and state tax examinations by taxing authorities for years before 2012.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken uncertain positions that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 3 – STUDENT LOANS RECEIVABLE

The Foundation conducts a loan program whereby undergraduate members may borrow up to \$3,000 interest-free. Monthly payments on the loans are deferred until three months after the borrower's graduation date. The Foundation had four loans outstanding at June 30, 2016 and 2015 in the amount of \$13,650 and \$4,800, respectively.

For student loans, the credit quality indicator is performance determined by delinquency status. Delinquency status is updated monthly. Allowances for estimated losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible.

The Foundation determined the allowance for estimated losses on student loans receivable by looking at historical default rates and analyzing the aging of the past due loans. The balance of student loans receivable was collectively evaluated for impairment. Currently, all four loans outstanding at June 30, 2016 are performing. The allowance for doubtful accounts at June 30, 2016 and 2015 was \$520 and \$430, respectively.

Note 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 335,876	\$ 334,805
Due in one to five years	438,502	557,118
Due in more than five years	4,998	400
Amounts currently past due (based on original payment plans)	40,337	5,643
	<u>819,713</u>	<u>897,966</u>
Less: unamortized discount	(4,621)	(40,287)
Less: allowance for uncollectible contributions	(20,197)	(15,997)
Contributions receivable, net	<u>\$ 794,895</u>	<u>\$ 841,682</u>

Note 5 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,557,748	\$ 1,038,932
Equities	2,806,390	3,953,652
Fixed income	401,199	552,450
	<u>4,765,337</u>	<u>5,545,034</u>
Closely held stock, at cost	125,250	125,250
Total investments	<u>\$ 4,890,587</u>	<u>\$ 5,670,284</u>

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 5 – INVESTMENTS (continued)

Investments, other than the closely-held stock, are held with one investment firm.

The following schedule summarizes the investment return (including interest on cash) for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividend income, net	\$ 51,367	\$ 60,252
Realized gain on sale of investments	30,400	232,155
Unrealized loss on investments	<u>(474,726)</u>	<u>(296,188)</u>
Investment return, net	<u>\$ (392,959)</u>	<u>\$ (3,781)</u>

Note 6 – ASSETS HELD FOR CHARITABLE GIFT ANNUITY

Assets held related to the charitable gift annuity at June 30, are as follows:

	<u>2016</u>	<u>2015</u>
Money market accounts	\$ 2,739	\$ 1,046
Equities	38,306	44,230
Fixed income	<u>10,949</u>	<u>11,095</u>
	<u>\$ 51,994</u>	<u>\$ 56,371</u>

A liability is recorded for the amount payable under the charitable gift annuity contract of \$29,981 and \$31,479 at June 30, 2016 and 2015, respectively. The liability represents the actuarially determined present value of the estimated future payments to be made to the beneficiary using a discount of 4.13%.

Note 7 - EQUIPMENT

Equipment is comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 22,473	\$ 15,573
Computer software	34,200	34,200
Office equipment	<u>13,835</u>	<u>13,835</u>
	70,508	63,608
Accumulated depreciation and amortization	<u>(36,059)</u>	<u>(28,366)</u>
Equipment, net	<u>\$ 34,449</u>	<u>\$ 35,242</u>

For the years ended June 30, 2016 and 2015, the depreciation expense was \$7,693 and \$5,019, respectively.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 8 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Equity securities – Valued at the closing price reported on the active markets on which the individual securities are traded.

Corporate bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of the 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 different fair value measurements at the reporting date. The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels at the years ended June 30, 2016 and 2015.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 8 – FAIR VALUE MEASUREMENTS (continued)

	2016
	Quoted Prices for Identical Assets in Active Markets (Level 1)
Assets held for charitable gift annuity contract	
Money market funds	\$ 2,739
Equities	38,306
Fixed income	10,949
Total assets held for charitable gift annuity contract	\$ 51,994
Investments	
Money market funds	\$ 1,555,398
Equities	2,808,389
Fixed income	401,199
Total investments at fair value	\$ 4,764,986
	2015
Assets held for charitable gift annuity contract	
Money market funds	\$ 1,046
Equities	44,230
Fixed income	11,095
Total assets held for charitable gift annuity Contract	\$ 56,371
Investments	
Money market funds	\$ 1,038,932
Equities	3,953,652
Fixed income	552,450
Total investment at fair value	\$ 5,545,034

Note 9 – RETIREMENT BENEFITS

The Foundation has a SIMPLE IRA plan which covers substantially all full-time employees. Plan participants may elect to contribute up to the annual allowable amount as determined by the Internal Revenue Service. The Foundation matched employees' contributions of \$7,814 and \$8,779 for the years ended June 30, 2016 and 2015, respectively. The Foundation's contributions to the plan vest at the time they are made.

In 2014, the Foundation established a Rabbi Trust for the benefit of the Foundation's president. Under the terms of the trust agreement, the Foundation is required to contribute a minimum of \$2,000 annually into the trust. For the years ended June 30, 2016 and 2015, the Foundation has contributed or committed to contribute \$6,000 and \$2,000, respectively.

**TRIANGLE EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 10 – RISKS AND UNCERTAINTIES

The Foundation's investments (Note 5) and assets held under charitable gift annuities (Note 6) are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Note 11 – CONCENTRATIONS

The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any credit losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

During the year ended June 30, 2016, contributions from three donors represented 20% of total contribution revenue. Amounts due from two donors represented 51% of contributions receivable at June 30, 2016.

During the year ended June 30, 2015, contributions from two donors represented 48% of total contribution revenue. Amounts due from two donors represented 55% of contributions receivable at June 30, 2015.

Note 12 – TRANSACTIONS WITH RELATED PARTIES

Triangle Fraternity (the Fraternity), a national college fraternity, is a legally separate entity from the Foundation. However, one of the Directors of the Foundation is a Director on the Board of the Fraternity. The accounts of the Fraternity have not been combined with the Foundation in the accompanying financial statements.

The significant transactions and balances between the Foundation and the Fraternity are as follows:

Lease Commitment - Effective July 1, 2012, the Foundation entered into a five-year lease agreement to lease office space from the Fraternity to function as its national headquarters. The lease includes shared facility expenses which are paid to the Fraternity as discussed below.

Future annual rental payments required under this lease at June 30, 2016 are as follows:

For the Year Ending June 30,	
2017	\$ 8,050
	<u>\$ 8,050</u>

The annual rental expense under the Fraternity lease for the years ended June 30, 2016 and 2015 was \$8,050 for both years.

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Note 12 – TRANSACTIONS WITH RELATED PARTIES (continued)

Note receivable - On June 30, 2015, the Fraternity issued in favor of the Foundation a note in the amount of \$42,154. This note was purchased by the Foundation for \$42,154 as an investment for its endowment fund. The Fraternity used proceeds received from sale of the note to pay to the Foundation the Fraternity's unpaid invoices presented by the Foundation to the Fraternity during the fiscal year ended June 30, 2015 for the Fraternity's share of costs of donor management software purchased by the Foundation for the benefit of the Foundation and the Fraternity in fiscal year ended June 30, 2015.

The note obligates the Fraternity to pay to the Foundation endowment fund twelve quarterly payments of \$3,880 at a stated interest rate of 3% plus prime. The note matures in June 2018. Future principal payments under the note are as follows:

For the Year Ending June 30,		
2017	\$	17,408
2018		14,931
	\$	<u>32,339</u>

Reimbursements to Fraternity - The Foundation and Fraternity share certain personnel, facilities, and equipment. Following is a summary of reimbursements paid to the Fraternity for expenses the Fraternity incurred on behalf of the Foundation for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Employee costs	\$ 13,185	\$ 14,120
Occupancy costs	14,996	12,312
Other operating costs	6,921	3,412
	<u>\$ 35,102</u>	<u>\$ 29,844</u>

Due to the Fraternity - The Foundation has amounts due to the Fraternity of \$21,818 and \$12,386 at June 30, 2016 and 2015, as a result of the reimbursement activities noted above.

Additionally, the Foundation raised funds under the Capital Campaign on behalf of the Fraternity. Funds payable to the Fraternity under this arrangement total \$1,944 at June 30, 2016 and 2015.

Due from the Fraternity - The Foundation has amounts due from the Fraternity of \$2,535 and \$4,498 at June 30, 2016 and 2015, respectively.

Grants to Fraternity - The Foundation provided grants to the Fraternity to help fund the educational and leadership aspects of the Fraternity's operations as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Leadership Advantage	\$ 2,000	\$ 2,000
Membership Education Forum	4,155	4,109
Leadership School	12,100	13,802
Program Assessment	4,500	-
President's Academy	12,525	14,597
Director of Leadership Program	32,102	12,500
Educational Leadership Consultant Program	30,879	51,648
	<u>\$ 98,261</u>	<u>\$ 47,008</u>

**TRIANGLE EDUCATION FOUNDATION
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Note 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2016</u>	<u>2015</u>
Multi-year unrestricted pledges receivable	\$ 295,756	\$ 266,114
Hasley Scholarship Fund	26,404	30,935
Hong Scholarship Fund	436,861	492,907
Larson Scholarship Fund	35,645	40,914
Kahlert Scholarship Fund	258,522	301,082
Mortin Scholarship Fund	91,168	103,144
Sabbagh Scholarship Fund	51,197	56,091
Sevcik Scholarship Fund	14,104	16,404
Rust Scholarship Fund	86,845	101,007
Kapadia Scholarship Fund	305,388	347,545
Bye Scholarship Fund	73,469	84,947
Gargani Education Fund	52,126	57,894
Favor Scholarship Fund	64,404	74,599
James W Ashbrook Scholarship Fund	16,602	16,602
Echelberger Leadership Fund	35,768	40,234
Better Man Program	14,064	14,139
Foglesong Scholarship Fund	60,859	61,457
Henderson Scholarship Fund	21,430	24,651
Miller Presidential Leadership Academy	254,551	234,593
Wakerly Leadership Advantage Conference Fund	41,349	47,746
Michigan Chapter Education Fund	25,729	28,393
Rose-Hulman Chapter Education Fund	33,858	31,782
Oklahoma Chapter Education Fund	43,371	47,435
Pitt Chapter Education Fund	19,460	20,999
Marquette Chapter Education Fund	576,789	652,501
Penn State Chapter Education Fund	29,927	34,152
South Dakota Mines Chapter Education Fund	99,225	89,782
MSOE Chapter Education Fund	29,866	30,160
Armour Chapter Education Fund	94,715	98,481
Ohio State Chapter Education Fund	573,417	662,280
Purdue University 1953 Chapter Education Fund	33,679	36,150
Colorado St Chapter Education Fund	30,658	27,351
Iowa St Chapter Education Fund	82,409	73,407
Purdue University 1958 Chapter Education Fund	39,910	45,898
Stocco Scholarship Fund	24,962	25,000
Kahlert Academic Recognition Award	93,198	99,000
Troup Scholars	22,535	22,436
Garatoni Chapter Education Fund	405,000	405,000
Michigan St Chapter Education Fund	134,796	148,307
Toledo Chapter Education Fund	8,903	3,403
Missouri Mines Chapter Education Fund	1,125	990
Kentucky Chapter House	12,434	-
Pierre & SE Leroy	10,096	-
Illinois Chapter Education Fund	34,993	-
J McClelland Mschool	24,844	-
Kansas Chapter Education Fund	94,712	-
Ness A C Armour Chapter Education Fund	26,691	-
Kansas St Chapter Education Fund	40,944	28,640
	<u>\$ 4,884,758</u>	<u>\$ 5,024,552</u>

**TRIANGLE EDUCATION FOUNDATION
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Note 13 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from donor restrictions as follows during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished		
Education programming, scholarships, awards and administrative expenses	\$ 122,290	\$ 347,344
Time restrictions expired	<u>37,180</u>	<u>171,185</u>
	<u>\$ 159,470</u>	<u>\$ 518,529</u>

Note 14 – SUBSEQUENT EVENTS

The Foundation has evaluated events or transactions through November 16, 2016, which is the date the financial statements were available to be issued. No material subsequent events were identified which would require disclosure and/or adjustment to the financial statements as of June 30, 2016.