



Bethlehem University Foundation

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**For the Years Ended
August 31, 2019 and 2018**

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Financial Statements

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Bethlehem University Foundation, Inc.
Beltsville, Maryland**

We have audited the accompanying financial statements of The Bethlehem University Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, 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.

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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Independent Auditors' Report

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bethlehem University Foundation, Inc. as of August 31, 2019 and 2018, 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 discussed in Note 1 to the financial statements, as of August 31, 2019, The Bethlehem University Foundation, Inc. has adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Gaithersburg, Maryland

November 25, 2019

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Financial Position
August 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 442,316	\$ 369,891
Investments - Notes 3 and 4	25,688,955	26,987,028
Pledges receivable, net	1,246,332	1,512,446
Prepaid expenses	3,417	-
Total Assets	\$ 27,381,020	\$ 28,869,365
Liabilities and Net Assets		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 14,443	\$ 17,285
Deferred rent	12,214	10,850
Total Liabilities	26,657	28,135
<u>Net assets:</u>		
Without donor restrictions	363,316	503,492
With donor restrictions - Note 7	26,991,047	28,337,738
Total net assets	27,354,363	28,841,230
Total Liabilities and Net Assets	\$ 27,381,020	\$ 28,869,365

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Activities
For the years ended August 31, 2019 and 2018

<u>Revenue and support:</u>	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
Contributions	\$ 198,870	\$ 1,263,743	\$ 1,462,613	\$ 516,986	\$ 2,736,922	\$ 3,253,908
In-kind contributions	15,600	-	15,600	15,300	-	15,300
Investment income, net of investment fees of \$97,792 and \$96,680, respectively	310	642,841	643,151	374	2,856,960	2,857,334
Special events	201,393	-	201,393	204,394	-	204,394
Net assets released from restriction - Note 7	<u>3,253,275</u>	<u>(3,253,275)</u>	<u>-</u>	<u>2,014,790</u>	<u>(2,014,790)</u>	<u>-</u>
Total revenue and support	3,669,448	(1,346,691)	2,322,757	2,751,844	3,579,092	6,330,936
<u>Expenses:</u>						
Grants and related expenses	3,215,832	-	3,215,832	1,683,113	-	1,683,113
Management and general	306,825	-	306,825	365,461	-	365,461
Fundraising	<u>286,967</u>	<u>-</u>	<u>286,967</u>	<u>333,444</u>	<u>-</u>	<u>333,444</u>
Total expenses	<u>3,809,624</u>	<u>-</u>	<u>3,809,624</u>	<u>2,382,018</u>	<u>-</u>	<u>2,382,018</u>
Change in net assets	(140,176)	(1,346,691)	(1,486,867)	369,826	3,579,092	3,948,918
Net assets, beginning of year	<u>503,492</u>	<u>28,337,738</u>	<u>28,841,230</u>	<u>133,666</u>	<u>24,758,646</u>	<u>24,892,312</u>
Net assets, end of year	<u>\$ 363,316</u>	<u>\$ 26,991,047</u>	<u>\$ 27,354,363</u>	<u>\$ 503,492</u>	<u>\$ 28,337,738</u>	<u>\$ 28,841,230</u>

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2019

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>
Administrative costs allocated:				
Salaries	\$ 14,155	\$ 108,182	\$ 160,630	\$ 282,967
Benefits	2,074	19,851	30,886	52,811
Payroll taxes	1,058	9,911	12,606	23,575
Total administrative costs allocated	17,287	137,944	204,122	359,353
Advertising	-	300	-	300
Communications	-	10,560	-	10,560
Contract service fees	-	30,181	2,390	32,571
Dues	-	4,015	30	4,045
Endowment awards - Note 9	974,212	-	-	974,212
Event expense	-	-	51,685	51,685
Hospitality	-	13,125	-	13,125
Legal	-	55	-	55
Licenses	-	144	-	144
Office supplies	3,992	3,489	52	7,533
Postage and delivery	3,011	5,779	1,089	9,879
Printing and reproduction	14,159	5,609	18,577	38,345
Religious stipend	-	25,600	-	25,600
Rent	-	34,392	-	34,392
Travel	-	23,099	4,501	27,600
Intern expenses	201	67	4,306	4,574
Credit card fees	-	5,002	215	5,217
Insurance	-	5,265	-	5,265
Equipment rental	-	2,199	-	2,199
Transfers to University: Land purchase	1,000,000	-	-	1,000,000
University support - Note 9	1,202,970	-	-	1,202,970
Total	<u>\$ 3,215,832</u>	<u>\$ 306,825</u>	<u>\$ 286,967</u>	<u>\$ 3,809,624</u>

THE BETHLEHEM FOUNDATION, INC.
Statement of Functional Expenses
For the year ended August 31, 2018

	<u>Grants</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2018 Total</u>
Administrative costs allocated:				
Salaries	\$ 14,681	\$ 129,192	\$ 149,745	\$ 293,618
Benefits	3,038	26,736	30,989	60,763
Payroll taxes	1,335	11,744	13,612	26,691
Total administrative costs allocated	19,054	167,672	194,346	381,072
Advertising	-	8,659	22,468	31,127
Communications	-	3,372	-	3,372
Contract service fees	-	28,979	23,541	52,520
Dues	-	4,009	6,576	10,585
Endowment awards - Note 9	690,515	-	-	690,515
Event expenses	-	-	36,695	36,695
Hospitality	-	8,826	3,020	11,846
Legal	-	3,910	-	3,910
Licenses	-	9,915	210	10,125
Office supplies	-	4,005	4,304	8,309
Postage and delivery	-	8,726	351	9,077
Printing and reproduction	-	27,875	294	28,169
Professional development	-	959	-	959
Religious stipend	-	25,300	-	25,300
Rent	-	34,392	-	34,392
Travel	-	28,862	41,639	70,501
University support - Note 9	973,544	-	-	973,544
Total	<u>\$ 1,683,113</u>	<u>\$ 365,461</u>	<u>\$ 333,444</u>	<u>\$ 2,382,018</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Statements of Cash Flows
For the years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (1,486,867)	\$ 3,948,918
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized and realized gains on investments	(269,735)	(2,493,487)
Change in net assets:		
Pledges receivable	266,114	(1,512,446)
Prepaid expenses	(3,417)	920
Accounts payable and accrued expenses	(2,842)	2,848
Deferred rent	<u>1,364</u>	<u>2,326</u>
Net cash used in operating activities	(1,495,383)	(50,921)
 <u>Cash Flows From Investing Activities:</u>		
Purchases of investments and reinvested earnings	(950,946)	(886,284)
Proceeds from sales of investments	<u>2,518,754</u>	<u>1,051,389</u>
Net cash provided by investing activities	<u>1,567,808</u>	<u>165,105</u>
 Net increase in cash and cash equivalents for the year	 72,425	 114,184
 Cash and cash equivalents, beginning of year	 <u>369,891</u>	 <u>255,707</u>
 Cash and cash equivalents, end of year	 <u>\$ 442,316</u>	 <u>\$ 369,891</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 1 **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Bethlehem University Foundation, Inc. (the Foundation) was formed in 1998 as a New Jersey nonprofit corporation and operates solely for the support and promotion of Bethlehem University in Palestine. The Foundation is a separate entity from Bethlehem University (the University).

The Foundation was formed, according to the legal articles of incorporation, for the following purposes:

- To support and assist Bethlehem University in the Holy Land in its educational mission by providing supplemental funding and other assistance for all of its programs and services;
- To encourage renewed commitment to the University as a center of quality education and as the most effective educational instrument available to teach, to build community, and to provide service for the needs of the community and to seek and obtain funds or property in any form to be used for the benefit of the University;
- To provide a depository for gifts and bequests of all kinds and also to serve as a receptacle for receiving and managing these gifts that specify a certain purpose or program of the University as its beneficiary according to the established desire of the donor;
- To act as a trustee under any trust incidental to the purposes of the Corporation and to receive, hold, administer, and expend funds and property subject to such trust.

Accounting Method

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

During 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction and fixed assets as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Description of Net Assets

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.

Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose.

Cash and Cash Equivalents

For purposes of financial statement presentation, the Foundation considers all highly liquid debt instruments with initial maturities of ninety days or less to be cash equivalents. Cash and money market funds held by investment managers are included in investments.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation reports investments at fair value using quoted market prices when available. Interest and dividends are reported when earned. Net realized and unrealized gains and losses on investments include the gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements

The Foundation complies with the Statement of Financial Accounting Standards Codification Topic Fair Value Measurements. This defines fair value and establishes 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The Foundation invests in common stock, mutual funds and exchange-traded funds which are stated at fair value based on quoted market prices at the date of the financial statements. Money market funds held as short term investments are carried at cost, which approximates fair value. Such investments are exposed to various risks such as market and credit fluctuation. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are to be received. Accretion of the discounts is included in contributions support. Conditional promises to give are not included as support until the conditions are met.

Contributions

Unconditional contributions and university-designated support received, including unconditional promises to give, are recorded as revenue in the year notification is received from the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the donor-imposed restriction or the time restriction has passed.

In-Kind Contributions

Contributions in-kind are recorded as contributions at their estimated fair value at the time goods or services are provided and include a portion of the Executive Assistant's stipend. Volunteer services are not recognized as they do not meet the definition of in-kind contributions under accounting principles generally accepted in the United States of America.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

As a result of being operated in connection with the Roman Catholic Church in the United States, the Foundation is entitled to exemption from federal income tax under the provisions of section 501(c)(3), classified as an organization that is not a private foundation, and, therefore, is not required to file an annual federal income tax return. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended August 31, 2019 and 2018, the Foundation did not partake in any unrelated business activities.

Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited.

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk include cash deposits with commercial banks. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. Management does not consider this a significant concentration of credit risk.

NOTE 3 INVESTMENTS

As of August 31, 2019 and 2018, the Foundation's investments at fair value consist of following:

	<u>2019</u>	<u>2018</u>
Money market	\$ 155,073	\$ 169,362
Fixed income - corporate securities	7,178,248	7,326,485
Equity - exchange-traded trust and mutual funds	<u>18,355,634</u>	<u>19,491,181</u>
Total	<u>\$ 25,688,955</u>	<u>\$ 26,987,028</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 3 INVESTMENTS (Continued)

For the years ended August 31, 2019 and 2018, net investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 471,208	\$ 460,527
Realized and unrealized losses on investments, net	<u>269,735</u>	<u>2,493,487</u>
Subtotal	740,943	2,954,014
Less, investment fees	<u>97,792</u>	<u>96,680</u>
Total net investment income	<u>\$ 643,151</u>	<u>\$ 2,857,334</u>

NOTE 4 FAIR VALUE OF INVESTMENTS

The Foundation values its investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as described in Note 1. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

There have been no changes in the methodologies used during the years ended August 31, 2019 and 2018. The following is a description of the valuation methodology used for investments measured at fair value and their classification in the valuation hierarchy:

Fixed income - Corporate securities comprised of bonds listed on the national markets or exchanges which are valued at last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Equity funds - Comprised of exchange-traded trust and mutual funds where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include fixed income exchange-traded trust and mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.**Notes to the Financial Statements (Continued)****August 31, 2019 and 2018****NOTE 4 FAIR VALUE OF INVESTMENTS (Continued)**

The following tables set forth by level within the fair value hierarchy the Foundation's investment assets at fair value. Investments are stated at fair value and consist of the following at August 31, 2019 and 2018:

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 155,073	\$ -	\$ -	\$ 155,073
Fixed income funds	7,178,248	-	-	7,178,248
Equity funds	<u>18,355,634</u>	-	-	<u>18,355,634</u>
Totals	<u>\$25,688,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,688,955</u>

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 169,362	\$ -	\$ -	\$ 169,362
Fixed income funds	7,326,485	-	-	7,326,485
Equity funds	<u>19,491,181</u>	-	-	<u>19,491,181</u>
Totals	<u>\$26,987,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,987,028</u>

NOTE 5 PLEDGES RECEIVABLE

As of August 31, 2019 and 2018, pledges receivable consisted of unconditional promises to give as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 405,000	\$ 405,000
One to five years	917,917	1,213,208
Total pledges	<u>1,322,917</u>	<u>1,618,208</u>
Less: discount, 4.25%	<u>(76,585)</u>	<u>(105,762)</u>
Pledges receivable, net	<u>\$ 1,246,332</u>	<u>\$ 1,512,446</u>

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THE BETHLEHEM UNIVERSITY FOUNDATION, INC.**Notes to the Financial Statements (Continued)****August 31, 2019 and 2018****NOTE 6 COMMITMENTS AND CONTINGENCIES**

The Foundation has an operating lease for office space in Beltsville, Maryland. The lease commenced on June 1, 2015 and expires May 31, 2025. The lease provides for an annual base rent of \$30,000 plus annual increases of 3% each anniversary date. For the years ended August 31, 2019 and 2018, rent expense totaled \$34,392 and \$34,392, respectively.

The following is a schedule of future minimum lease commitments as of August 31, 2019:

<u>Year</u>	<u>Amount</u>
2020	\$ 34,019
2021	35,039
2022	36,090
2023	37,173
2024 - 2025	<u>67,645</u>
Total	<u>\$ 209,966</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The Foundation has received certain donations designated by the donor for specific uses. If these restrictions were met during the year that the contribution was made, the contribution was classified as without donor restrictions. Net assets released from restrictions by satisfying time or purpose restrictions for the years ended August 31, 2019 and 2018 totaled \$3,177,182 and \$1,227,210, respectively.

Net assets with donor restrictions consisted of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Subject to purpose:		
Accumulated earnings on endowment funds	\$ 11,377,103	\$ 13,155,224
Subject to passage of time:		
Pledges receivable: Salemah	951,015	1,467,046
Pledges receivable: Other	<u>295,317</u>	<u>45,400</u>
Total subject to passage of time	<u>1,246,332</u>	<u>1,512,446</u>
Total subject to purpose or passage of time	<u>12,623,435</u>	<u>14,667,670</u>
Subject to restriction in perpetuity:		
Endowment funds	<u>14,367,612</u>	<u>13,670,068</u>
Total net assets with donor restrictions	<u>\$ 26,991,047</u>	<u>\$ 28,337,738</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 8 ENDOWMENT FUNDS

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment fund absent explicit Foundation donor stipulations to the contrary.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation, including general operating expenses, and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As a result of this interpretation, the Foundation classifies the original value of the endowment gifts that have long-term time restrictions as a net asset with donor restriction. The Foundation's investment policy objective is to protect the principal, earn a return, and provide growth. The earnings on the endowment are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation. For the years ended August 31, 2019 and 2018, earnings of \$2,420,962 and \$954,709 were released for operations. As of August 31, 2019 and 2018, the Foundation had net assets with donor restrictions subject to perpetuity of \$14,367,612 and \$13,670,068, respectively.

Endowment net asset composition by type of fund as of August 31, 2019 and 2018 is as follows:

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor principal	\$ -	\$ 14,367,612	\$ 14,367,612
Accumulated income	-	11,377,103	11,377,103
Total funds	<u>\$ -</u>	<u>\$ 25,744,715</u>	<u>\$ 25,744,715</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 8 ENDOWMENT FUNDS (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor principal	\$ -	\$ 13,670,068	\$ 13,670,068
Accumulated income	-	13,155,224	13,155,224
Total funds	<u>\$ -</u>	<u>\$ 26,825,292</u>	<u>\$ 26,825,292</u>

Changes in the endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2018	\$ -	\$ 26,825,292	\$ 26,825,292
Contributions	-	697,544	697,544
Interest and dividends	-	470,898	470,898
Net appreciation	-	269,735	269,735
Investment fees	-	(97,792)	(97,792)
Appropriated for expenditures	-	(2,420,962)	(2,420,962)
Endowment net assets, August 31, 2019	<u>\$ -</u>	<u>\$ 25,744,715</u>	<u>\$ 25,744,715</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, August 31, 2017	\$ -	\$ 24,658,646	\$ 24,658,646
Contributions	-	264,395	264,395
Interest and dividends	-	460,153	460,153
Net appreciation	-	2,493,487	2,493,487
Investment fees	-	(96,680)	(96,680)
Appropriated for expenditures	-	(954,709)	(954,709)
Endowment net assets, August 31, 2018	<u>\$ -</u>	<u>\$ 26,825,292</u>	<u>\$ 26,825,292</u>

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.

Notes to the Financial Statements (Continued)

August 31, 2019 and 2018

NOTE 9 RELATED PARTY TRANSACTIONS

The Foundation, through its Articles of Incorporation and Corporate Bylaws, recognizes its sole purpose to support and promote Bethlehem University. The Articles state that the Foundation will provide supplemental funding or assistance, encourage renewed commitment from previous contributors, provide and manage a repository of gifts and bequests, and to act as trustee under any trust incidental to the purposes of the Foundation to receive, hold, administer and expend funds and property subject to that trust. The Foundation remits to the University the following: all gifts and donations received wherein the University is the designated recipient and disburse grants to the University on endowed accounts annually in accordance with the Foundation's disbursement policies. For the years ended August 31, 2019 and 2018, the Foundation provided \$1,202,970 and \$973,544 in support, respectively. For the years ended August 31, 2019 and 2018, the Foundation granted \$974,212 and \$690,515, respectively, to the University from the endowment funds in accordance with the distribution policies of each individual endowment.

During the year ended August 31, 2018, the Equestrian Order (the Order) of the Holy Sepulchre, a worldwide Catholic order of knighthood under the protection of the Holy See, The Vatican, contributed \$550,000 to Bethlehem University. Under the Order's internal guidance, all donations must first be sent to the headquarters of the Order located in Rome, and from there are disbursed directly to the designated institution. The Order has indicated that the \$550,000 gift to the University would not have been made if it were not for the work of the Foundation and its Executive Director. The Order has also indicated that under normal circumstances, the contribution would have been made to the Foundation, if it were not for the protocol noted earlier in this paragraph. Since these funds were not received directly by the Foundation, the contribution is not included in contributions in the statements of activities for the year ended August 31, 2018.

In 2018, the Foundation's Executive Director was instrumental in the Foundation receiving a grant of \$100,000 from the Papal Foundation.

THE BETHLEHEM UNIVERSITY FOUNDATION, INC.**Notes to the Financial Statements (Continued)****August 31, 2019 and 2018****NOTE 10 LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the Foundation's financial assets as of August 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 442,316	\$ 369,891
Pledges receivable	1,246,332	1,512,446
Investments	25,688,955	26,987,028
Financial assets, at year-end:	<u>27,377,603</u>	<u>28,869,365</u>
Less those unavailable for general expenditure within on year, due to:		
Noncurrent portion of pledges receivable	(841,332)	(1,107,446)
Donor restricted endowments in perpetuity	<u>(14,367,612)</u>	<u>(13,670,068)</u>
Financial assets available to meet cash needs for total expenses within one year	<u>\$ 12,168,659</u>	<u>\$ 14,091,851</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 11 SUBSEQUENT EVENTS

The Foundation evaluated subsequent events for potential required disclosure through November 25, 2019, which is the date financial statements were available to be issued.