

THE CHEYNEY FOUNDATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

*For the Years Ended June 30, 2016 and 2015
With Independent Auditors' Report*



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THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Cheyney Foundation
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of The Cheyney Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cheyney Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Cheyney Foundation as of June 30, 2015, were audited by other auditors whose report dated September 23, 2015, expressed an unmodified opinion in those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2016 on our consideration of The Cheyney Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Cheyney Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'John P. Sullivan'.

John P. Sullivan, CPA/ABV, CVA
Sullivan Strategic LLC
Cherry Hill, New Jersey
August 18, 2016

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statements of Financial Position
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash	\$ 104,207	\$ 62,842
Cash-Endowment	24,650	16,420
Investments	478,794	651,245
Investments-Endowment	494,265	487,798
Prepaid Expenses	3,130	-
Security deposit	3,000	3,000
Total current assets	<u>1,108,046</u>	<u>1,221,305</u>
Total assets	<u>\$ 1,108,046</u>	<u>\$ 1,221,305</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,722	\$ 3,909
Line of Credit	98,377	100,525
Funds held for others	100	100
Royalties	25,365	25,365
Total current liabilities	<u>132,564</u>	<u>129,899</u>
Net assets:		
Unrestricted	414,489	552,482
Board designated	37,253	34,626
Temporarily restricted	523,740	504,298
Total net assets	<u>975,482</u>	<u>1,091,406</u>
Total liabilities and net assets	<u>\$ 1,108,046</u>	<u>\$ 1,221,305</u>

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support			
Public support	\$ 79,942	\$ 22,449	\$ 102,391
Interest and dividends	10,952	13,841	24,793
Realized gain (loss) on investments	29,006	16,096	45,102
Unrealized gain (loss) on investments	(55,985)	(17,975)	(73,960)
Other income	3,047	-	3,047
Net assets released from restrictions	<u>14,969</u>	<u>(14,969)</u>	<u>-</u>
Total revenue and support	<u>81,931</u>	<u>19,442</u>	<u>101,373</u>
Expenses			
Program services	141,057	-	141,057
General and administrative	57,399	-	57,399
Fundraising	<u>18,841</u>	<u>-</u>	<u>18,841</u>
Total expenses	<u>217,297</u>	<u>-</u>	<u>217,297</u>
Change in net assets	(135,366)	19,442	(115,924)
Net assets - beginning of year	<u>587,108</u>	<u>504,298</u>	<u>1,091,406</u>
Net assets - end of year	<u>\$ 451,742</u>	<u>\$ 523,740</u>	<u>\$ 975,482</u>

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statement of Activities
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support			
Public support	\$ 74,260	\$ -	\$ 74,260
Interest and dividends	15,433	13,083	28,516
Realized gain (loss) on investments	85,725	41,458	127,183
Unrealized gain (loss) on investments	(80,239)	(21,252)	(101,491)
Other income	902	-	902
Net assets released from restrictions	<u>28,816</u>	<u>(28,816)</u>	<u>-</u>
Total revenue and support	<u>124,897</u>	<u>4,473</u>	<u>129,370</u>
Expenses			
Program services	309,020	-	309,020
General and administrative	41,768	-	41,768
Fundraising	<u>42,211</u>	<u>-</u>	<u>42,211</u>
Total expenses	<u>392,999</u>	<u>-</u>	<u>392,999</u>
Change in net assets	(268,102)	4,473	(263,629)
Net assets - beginning of year	<u>855,210</u>	<u>499,825</u>	<u>1,355,035</u>
Net assets - end of year	<u>\$ 587,108</u>	<u>\$ 504,298</u>	<u>\$ 1,091,406</u>

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statement of Functional Expenses
For the Year Ended June 30, 2016

Expenses	Program Services	General and Administrative	Fundraising	Total
Accounting	\$ 17,558	\$ 5,853	\$ -	\$ 23,411
Advertising	3,880	-	-	3,880
Bank service charges	-	103	-	103
Conferences and Courses	-	121	-	121
Donations and gifts	237	934	-	1,171
Dues and subscriptions	1,408	1,428	-	2,836
Filing License fees and taxes	-	250	-	250
Fundraising Expenses	-	-	945	945
Insurance	-	837	-	837
Interest	1,926	1,926	-	3,852
Investment Fees	13,364	4,454	-	17,818
Meals and entertainment	1,080	2,446	-	3,526
Miscellaneous expense	-	105	-	105
Office expense	134	401	-	535
Parking and tolls	-	437	-	437
Payroll tax	-	411	-	411
Postage and shipping	314	315	-	629
Printing	-	300	-	300
Professional fees	-	1,490	7,000	8,490
Rent	-	10,289	10,289	20,578
Scholarships	99,500	-	-	99,500
Subcontractors	1,656	21,728	-	23,384
Supplies	-	110	-	110
Telephone	-	2,342	-	2,342
Travel	-	513	-	513
Utilities	-	606	607	1,213
Total Expenses	<u>\$ 141,057</u>	<u>\$ 57,399</u>	<u>\$ 18,841</u>	<u>\$ 217,297</u>

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statement of Functional Expenses
For the Year Ended June 30, 2015

Expenses	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 12,843	\$ 4,167	\$ -	\$ 17,010
Advertising	6,450	-	-	6,450
Bank service charges	-	55	-	55
Donations and gifts	4,006	23	7,551	11,580
Dues and subscriptions	2,742	2,608	-	5,350
Filing License fees and taxes	-	100	-	100
Fundraising Expenses	-	-	3,026	3,026
Insurance	-	1,676	-	1,676
Interest	-	1,846	-	1,846
Investment Fees	15,903	5,883	-	21,786
Meals and entertainment	1,985	134	617	2,736
Miscellaneous expense	(443)	(1,128)	(244)	(1,815)
Office expense	515	10	-	525
Parking and tolls	162	4,159	-	4,321
Payroll	7,864	46	14,821	22,731
Payroll tax	687	5	1,294	1,986
Postage and shipping	-	509	-	509
Printing	93	-	-	93
Professional fees	636	5,371	4,382	10,389
Promotional expenses	500	-	-	500
Rent	-	10,420	9,888	20,308
Repairs and Maintenance	-	135	-	135
Scholarships	230,601	-	-	230,601
Subcontractors	24,044	-	-	24,044
Supplies	-	10	-	10
Telephone	-	3,429	-	3,429
Travel	432	1,386	-	1,818
Utilities	-	924	876	1,800
Total Expenses	<u>\$ 309,020</u>	<u>\$ 41,768</u>	<u>\$ 42,211</u>	<u>\$ 392,999</u>

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Statements of Cash Flows
For the Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (115,924)	\$ (263,629)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investment	73,960	101,491
(Increase) decrease in operating assets:		
Prepaid expenses	(3,130)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>4,813</u>	<u>3,581</u>
Net cash used in operating activities	<u>(40,281)</u>	<u>(158,557)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	545,919	543,752
Purchase of investments	<u>(453,895)</u>	<u>(469,150)</u>
Net cash provided by investing activities	<u>92,024</u>	<u>74,602</u>
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	<u>(2,148)</u>	<u>100,525</u>
Net cash provided by (used in) financing activities	<u>(2,148)</u>	<u>100,525</u>
Net increase in cash and cash equivalents	49,595	16,570
Cash - beginning of year	<u>79,262</u>	<u>62,692</u>
Cash - end of year	<u>\$ 128,857</u>	<u>\$ 79,262</u>
Supplemental disclosures:		
Cash paid for interest	\$ 3,852	\$ 1,846
Cash paid for taxes	\$ -	\$ -

See independent auditors' report and notes to the financial statements.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Note 1 The Organization

The Cheyney Foundation (the “Foundation”) is a not-for-profit organization established to promote the mission of advancement of Cheyney University (the “University”). The Foundation promotes the mission of the University by providing funding for projects and equipment to aid student achievement. The Foundation programs also aim to assist with student attendance and career focus.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in which revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification No. 958 (FASB ASC 958) Financial Statements of Not-for-Profit Organizations (formerly SFAS No. 117). Under FASB ASC 958, the Foundation is required to report information regarding its assets, liabilities and net assets and revenues, expenses and other changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing the Foundation’s financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from the estimates that were used.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Funding Source

The Foundation's primary sources of revenue are derived from individual and corporate contributions and investment income earned on temporarily restricted Title III Endowment Challenge Grant Funds ("Grant"). The amount of income earned is calculated in accordance with a specified formula as defined in the Grant.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Note 2 Summary of Significant Accounting Policies (Continued)

Funds Held for Others

The Foundation receives and distributes assets under certain agency arrangements. The related ending balances at June 30, 2016 and 2015, which represent amounts received but not yet distributed totaling \$100, are identified as a liability titled "Funds held for others" in the statement of financial position.

Federal Income Taxes

The Foundation is exempt from income taxes in accordance with section 501(c)(3) of the Internal Revenue Code.

Note 3 Investments

The Foundation invests in premium investment grade mutual funds, equity securities, and debt securities from companies located throughout the United States. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. It is the Foundation's policy that no one investment (other than U.S. government obligations) may exceed 5 % of the total investment portfolio.

Investments at June 30, 2016, are comprised of the following

	<u>Cost</u>	<u>Fair Value</u>
Stock	\$ 618,004	\$ 695,685
Corporate Fixed Income	90,304	93,765
Mutual Funds	66,327	71,319
U.S. Government and Municipal Obligations	<u>108,728</u>	<u>112,290</u>
Total	<u>\$ 883,363</u>	<u>\$ 973,059</u>

Investments at June 30, 2015, are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>
Stock	\$ 670,305	\$ 814,315
Corporate Fixed Income	90,698	96,363
Mutual Funds	69,222	83,518
U.S. Government and Municipal Obligations	<u>142,509</u>	<u>144,847</u>
Total	<u>\$ 972,734</u>	<u>\$ 1,139,043</u>

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Note 3 Investments (*continued*)

During the year ended June 30, 2016 and 2015, the Foundation has interest and dividend income from investments of \$24,793 and \$28,516, respectively. During the year ended June 30, 2016, the Foundation had net unrealized and realized losses of \$28,858 and net unrealized and realized gains of \$25,692 for the year ended June 30, 2015.

Note 4 Royalty Advances

The Foundation had a royalty agreement with a national banking association. Under the terms of the agreement, the Foundation authorized the national banking association to solicit Foundation members (e.g., undergraduate students, graduate students, alumni, etc.) to open new credit card accounts. The Foundation was compensated for such designated accounts in accordance with formulas contained in the agreement.

At June 30, 2016 and 2015, \$25,365 had been advanced to the Foundation. All royalties to the Foundation were applied against this advance in lieu of direct payments. In accordance with certain conditions in the royalty agreement, the Foundation is obligated to repay, on demand, an amount equal to the difference between the amount of the advance and the total amount of accrued royalties credit by the bank against the advance.

Note 5 Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as to time and are comprised of the Title III Endowment Challenge Grant plus matching funds equal to the amount of the original Grant, including interest, dividends and realized/unrealized gains/losses. The original corpus of the grants and institutional match (totaling \$300,000) cannot be spent until November 2023, at which time, if the Foundation has acted in accordance with the grant agreement, the Foundation may spend it for any educational purpose. Fifty percent of the income earned, as defined in accordance with the grant agreement, may be spent during the term of the grant.

If during the grant period, the Foundation spends in excess of the fifty percent of the income earned or uses it for purposes not permitted, the Foundation shall repay an amount equal to fifty percent of the amount improperly spent.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Note 6 Operating Leases

The foundation rents facilities under an operating lease expiring February 28, 2017, payable in monthly installments of \$1,735. The rent expense for the years ended June 30, 2016 and 2015 were \$20,578 and \$20,308, respectfully. Future minimum lease payments are as follows:

June 30, 2017	<u>\$ 13,880</u>
Total	<u>\$ 13,880</u>

Note 7 Concentration of Risk

The Foundation maintains its cash balances in a financial institution and an investment brokerage firm located in Philadelphia, Pennsylvania. The balance in the financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance at the investment brokerage firm is not insured by the FDIC. The Foundation routinely maintains balances in excess of the FDIC maximum insurance limits in these financial institutions. Management believes the risk in these situations to be minimal.

Note 8 Line of Credit

The Foundation maintains a secured line of credit from its investment brokerage firm. The maximum line of credit limit is \$817,000. The line of credit provides for interest only payments of portfolio loan account index plus 3.5% and is due on demand. The outstanding balance on June 30, 2016 and 2015 was \$98,377 and \$100,525, respectively.

Note 9 Related Party Transactions

The Foundation provides scholarships to university students based on need. The Foundation also provides gifts to Cheyney University for various needs of the university as well as to sponsor the University's events. These sponsorships and gifts totaled \$100,671 and \$242,181 for the years ending June 30, 2016 and 2015, respectively.

THE CHEYNEY FOUNDATION

Financial Statements for the Years Ended June 30, 2016 and 2015

Note 10 Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosures through August 18, 2016, the date the financial statements were available to be issued. Management has determined that no events or transactions are considered appropriate for disclosure.

Note 11 Reclassification

Certain accounts for 2015 have been reclassified for comparative purposes to conform to the current year presentation. The reclassifications have no effect on the change in net assets for 2015.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The Cheyney Foundation
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Cheyney Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Cheyney Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Cheyney Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Cheyney Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Cheyney Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'John P. Sullivan'.

John P. Sullivan, CPA/ABV, CVA
Sullivan Strategic LLC
Cherry Hill, New Jersey
August 18, 2016



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

To the Board of Directors of
The Cheyney Foundation
Philadelphia, Pennsylvania

No Findings

