



**PRICHARD COMMITTEE FOR
ACADEMIC EXCELLENCE, INC.
Lexington, Kentucky**

**FINANCIAL STATEMENTS
December 31, 2016 and 2015**

C O N T E N T S

Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities - 2016	3
Statement of Activities - 2015	4
Statement of Functional Expenses – 2016	5
Statement of Functional Expenses – 2015	6
Statement of Cash Flows.....	7
Notes to Financial Statements	8-16



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Prichard Committee for Academic Excellence, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of Prichard Committee for Academic Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statement of activities and changes in net assets, 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 misstatements, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 Prichard Committee for Academic Excellence, Inc. as of December 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Young & Wadlington PLLC".

Young & Wadlington, PLLC
Lexington, Kentucky
September 4, 2017

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 1,279,783	\$ 377,904
Accounts receivable	64,576	35,199
Grants and pledges receivable	524,361	187,727
Prepaid expenses	6,962	11,518
Inventory	<u>3,142</u>	<u>3,302</u>
Total current assets	1,878,824	615,650
Property and equipment, net	13,215	17,013
Other assets		
Investments	3,378,764	3,216,828
Grants and pledges receivable	<u>247,111</u>	<u>120,779</u>
Total other assets	<u>3,625,875</u>	<u>3,337,607</u>
Total assets	<u>\$ 5,517,914</u>	<u>\$ 3,970,270</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 15,955	\$ 24,083
Payroll taxes and related liabilities	11,288	39,701
Accrued compensated absences	15,431	31,745
Deferred grant revenue	<u>66,637</u>	<u>-</u>
Total liabilities	109,311	95,529
Net assets		
Unrestricted	1,008,161	463,334
Temporarily restricted	1,751,799	762,764
Permanently restricted	<u>2,648,643</u>	<u>2,648,643</u>
Total net assets	<u>5,408,603</u>	<u>3,874,741</u>
Total liabilities and net assets	<u>\$ 5,517,914</u>	<u>\$ 3,970,270</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support				
Grant revenue	\$ 25,000	\$ 1,988,965	\$ -	\$ 2,013,965
Contributions	<u>397,505</u>	<u>-</u>	<u>-</u>	<u>397,505</u>
Total support	422,505	1,988,965	-	2,411,470
Other Revenue/(Losses)				
Publication sales (net)	3,444	-	-	3,444
Consulting fees	71,711	-	-	71,711
Conference fees	272,758	-	-	272,758
Investment income	56,794	-	-	56,794
Realized gain/(loss) on investments	132	-	-	132
Unrealized gain/(loss) on investments	265,364	-	-	265,364
Gain/(loss) on disposal of assets	<u>(742)</u>	<u>-</u>	<u>-</u>	<u>(742)</u>
Total other revenue	<u>669,461</u>	<u>-</u>	<u>-</u>	<u>669,461</u>
Total support and revenue	1,091,966	1,988,965	-	3,080,931
Net assets released from restrictions				
Satisfaction of donor restrictions	799,931	(799,931)	-	-
Satisfaction of time restrictions	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	2,091,896	989,035	-	3,080,931
Expenses				
Program services	1,143,627	-	-	1,143,627
Management and general	283,400	-	-	283,400
Fund raising	<u>120,042</u>	<u>-</u>	<u>-</u>	<u>120,042</u>
Total expenses	<u>1,547,069</u>	<u>-</u>	<u>-</u>	<u>1,547,069</u>
Change in net assets	544,827	989,035	-	1,533,862
Net assets, beginning of year	<u>463,334</u>	<u>762,764</u>	<u>2,648,643</u>	<u>3,874,741</u>
Net assets, end of year	<u>\$ 1,008,161</u>	<u>\$ 1,751,799</u>	<u>\$ 2,648,643</u>	<u>\$ 5,408,603</u>

The accompanying notes are an integral part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
for the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support				
Grant revenue	\$ 133,661	\$ 679,602	\$ -	\$ 813,263
Contributions	<u>479,767</u>	<u>-</u>	<u>13,457</u>	<u>493,224</u>
Total support	613,428	679,602	13,457	1,306,487
Other Revenue/(Losses)				
Publication sales (net)	7,425	-	-	7,425
Consulting fees	35,469	-	-	35,469
Investment income	55,099	-	-	55,099
Realized gain/(loss) on investments	(3,293)	-	-	(3,293)
Unrealized gain/(loss) on investments	(88,054)	-	-	(88,054)
Gain/(loss) on disposal of assets	<u>(1,403)</u>	<u>-</u>	<u>-</u>	<u>(1,403)</u>
Total other revenue	<u>5,243</u>	<u>-</u>	<u>-</u>	<u>5,243</u>
Total support and revenue	618,671	679,602	13,457	1,311,730
Net assets released from restrictions				
Satisfaction of donor restrictions	986,817	(986,817)	-	-
Satisfaction of time restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,605,488	(307,215)	13,457	1,311,730
Expenses				
Program services	1,435,900	-	-	1,435,900
Management and general	375,558	-	-	375,558
Fund raising	<u>144,227</u>	<u>-</u>	<u>-</u>	<u>144,227</u>
Total expenses	<u>1,955,685</u>	<u>-</u>	<u>-</u>	<u>1,955,685</u>
Change in net assets	(350,197)	(307,215)	13,457	(643,955)
Net assets, beginning of year	<u>813,531</u>	<u>1,069,979</u>	<u>2,635,186</u>	<u>4,518,696</u>
Net assets, end of year	<u>\$ 463,334</u>	<u>\$ 762,764</u>	<u>\$ 2,648,643</u>	<u>\$ 3,874,741</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenditures				
Salaries	\$ 420,436	\$ 130,276	\$ 41,451	\$ 592,163
Payroll taxes	30,124	9,334	2,970	42,428
Employee benefits	<u>37,196</u>	<u>11,526</u>	<u>3,667</u>	<u>52,389</u>
Total personnel	487,756	151,136	48,089	686,981
Consultants	275,678	41,781	55,800	373,259
Meeting expenses	260,088	23,425	-	283,513
Grants to others	1,851	-	-	1,851
Travel	27,031	-	3,003	30,034
Rent	32,580	6,516	4,344	43,440
Program and office supplies	4,132	11,203	-	15,335
Printing	18,137	1,548	2,433	22,118
Equipment rental	10,324	2,065	1,377	13,766
Investment fees	-	19,723	-	19,723
Accounting and legal fees	-	14,770	-	14,770
Telephone	9,907	1,981	1,321	13,209
Postage	3,331	466	2,864	6,661
Depreciation	3,792	758	506	5,056
Insurance	-	4,566	-	4,566
Miscellaneous	3,101	1,034	-	4,134
Memberships	2,580	-	-	2,580
Professional development	1,626	-	-	1,626
Bank charges	-	640	-	640
Books and reports	797	-	-	797
Recognition	-	1,592	-	1,592
Website	917	-	306	1,223
Advertising	<u>-</u>	<u>196</u>	<u>-</u>	<u>196</u>
Total expenditures	<u>\$ 1,143,627</u>	<u>\$ 283,400</u>	<u>\$ 120,042</u>	<u>\$ 1,547,069</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenditures				
Salaries	\$ 577,993	\$ 179,097	\$ 56,985	\$ 814,075
Payroll taxes	50,627	15,687	4,991	71,305
Employee benefits	<u>49,003</u>	<u>15,184</u>	<u>4,831</u>	<u>69,018</u>
Total personnel	677,623	209,968	66,808	954,399
Consultants	170,839	41,781	55,800	268,420
Meeting expenses	102,638	51,931	-	154,569
Grants to others	316,502	-	-	316,502
Travel	43,688	-	4,854	48,542
Rent	32,580	6,516	4,344	43,440
Program and office supplies	20,903	7,248	-	28,151
Printing	15,608	1,332	2,094	19,034
Equipment rental	15,471	3,094	2,063	20,628
Investment fees	-	24,149	-	24,149
Accounting and legal fees	-	15,420	-	15,420
Telephone	11,991	2,398	1,599	15,988
Stipends	6,820	-	-	6,820
Postage	6,670	934	5,737	13,341
Depreciation	5,024	1,005	670	6,698
Insurance	-	5,537	-	5,537
Miscellaneous	1,913	638	-	2,551
Memberships	1,941	-	-	1,941
Professional development	3,859	-	-	3,859
Bank charges	-	1,278	-	1,278
Books and reports	1,051	-	-	1,051
Recognition	-	1,204	-	1,204
Website	778	-	259	1,037
Advertising	<u>-</u>	<u>1,127</u>	<u>-</u>	<u>1,127</u>
Total expenditures	<u>\$ 1,435,900</u>	<u>\$ 375,558</u>	<u>\$ 144,227</u>	<u>\$ 1,955,685</u>

The accompanying notes are an integral
part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF CASH FLOWS
for the year ended December 31,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,533,862	\$ (643,955)
Adjustments to reconcile change in net assets to net cash provided/(used) in operating activities:		
Depreciation	5,056	6,698
Unrealized (gain)/loss on investments	(265,364)	88,054
(Gain)/Loss on disposal of fixed assets	742	1,403
(Increase) decrease in operating assets:		
Accounts receivable	(29,377)	(21,821)
Grants and pledges receivable	(462,966)	(244,306)
Inventory	160	(280)
Prepaid expenses	4,556	(674)
Increase (decrease) in operating liabilities:		
Accounts payable	(8,128)	(2,611)
Payroll taxes and related liabilities	(28,413)	(13,132)
Compensated absences	(16,314)	(6,899)
Deferred grant revenue	<u>66,637</u>	<u>(110,975)</u>
Net cash provided/(used) by operating activities	800,452	(948,498)
 Cash flows from investing activities:		
Investments, net	103,427	258,872
Purchase of property and equipment	<u>(2,000)</u>	<u>(4,137)</u>
Net cash provided/(used) by investing activities	<u>101,427</u>	<u>254,735</u>
 Net increase/(decrease) in cash	 901,879	 (693,763)
Cash and cash equivalents, beginning of year	<u>377,904</u>	<u>1,071,667</u>
Cash and cash equivalents, end of year	<u>\$ 1,279,783</u>	<u>\$ 377,904</u>

The accompanying notes are an integral part of the financial statement.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

1. ORGANIZATION

Nature of Activities

Prichard Committee for Academic Excellence, Inc. (Prichard Committee) was formed in May 1983 as a non-stock, non-profit corporation under the laws of the Commonwealth of Kentucky. The purposes of Prichard Committee are “to provide a public voice advocating continually improved education for all Kentuckians. Prichard Committee listens to and informs the public, elected officials, and educators; performs research, study, and analysis about educational issues and recommends solutions for them; speaks out for progress toward better education, and engages citizens, parents, students, and educators locally and statewide in the process of improving education.”

Programs

The Governor’s Commonwealth Institute for Parent Leadership offers a variety of programs aimed at bringing together parents, teachers, community members, and school administrators for training, information, and experiences that help them work as partners to raise student achievement. The program was developed by the Prichard Committee in 1997 as a way to support informed, skilled parents as effective advocates who are passionate about improving Kentucky public schools. GC IPL offers large-scale consulting, workshops and publications.

Making high-quality preschool available to every Kentucky child is the goal of Strong Start Kentucky: Quality Pre-K for Every Child. Strong Start Kentucky is a nonpartisan, citizen-led effort to ensure that every child has the opportunity to receive the highest-quality education possible. The program targets funding to increase access to pre-k programs for three and four year old children, enhancing the quality of all pre-k programs, support for public and community-based programs and expanding the coalition to create champions for preschool throughout the Commonwealth.

The Student Voice Team (SVT) is comprised of a team of self-selected middle school through college students working closely with the Prichard Committee for Academic Excellence to elevate the voices of Kentucky youth on the classroom impact of education issues and support students as policy partners in improving Kentucky schools. (SVT) looks for opportunities to collaborate with other student and adult leaders to create ways to share youth perspectives on education issues with an intergenerational audience. SVT believes students are largely an untapped resource when it comes to improving our schools. After spending 35 plus hours a week over many years observing school systems up close, many have developed a set of expertise that we are able and more than willing to share to make the education experience better.

Closing the Achievement Gap – the Committee has been committed to excellence for all students since its inception in 1983. While the Committee has increased achievement for all students, the gap has not yet been closed in achievement between different populations of students. Beginning in 2016, the Committee is strengthening it’s focus on closing the achievement gap by developing recommendations, highlighting the data and developing an action plan to create a sense of urgency and follow through to close these gaps.

Quality in Postsecondary Education – while the Committee has focused its last 30 years of work on preschool – 12th grade education, their roots from the late 1970’s are in research to increase the quality in postsecondary education. With increasing numbers of students now college and career ready, the Committee is going back to those roots and beginning a new body of work to increase quality and access in postsecondary.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Prichard Committee prepares its financial statements in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Prichard Committee are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of Prichard Committee or the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used only for Prichard Committee's operations and programs.

Cash and Cash Equivalents

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

Investments

The Organization reports investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the specific cost of the investment sold.

Promises to Give

Promises to give are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Promises to give are recorded at the present value of expected net proceeds ultimately payable to Prichard Committee. Promises to give are assessed for collection annually and are reflected in the statement of activities as contributions.

Property and Equipment

Property and equipment are stated at cost, if purchased, or market value on the date of gift, if donated. Assets with a cost or market value greater than \$1,000 are capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

Equipment	3 – 5 years
Furniture and fixtures	10 years

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory includes publications held for resale. Publications are stated at the lower of cost, determined by using the first-in, first-out method, or market.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions include gifts of cash, other assets or unconditional promises to give. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets consist of contributions that have been directed to the Endowment Fund by the donors. Contributions that are committed to the Endowment Fund will have the principal held in perpetuity so long as that is permitted by law and by the economic viability of Prichard Committee. All investment and interest income earned from temporarily restricted contributions and permanently restricted contributions is available to the activities of the Prichard Committee without restriction, unless the donor has explicitly stipulated how such income should be used.

Functional Allocation of Expenses

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 and supporting services benefited.

Income Taxes

The Prichard Committee is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The organization is classified as "other than a private foundation" by the Internal Revenue Service.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

3. PROMISES TO GIVE

Included in "Grants and pledges receivable" are the following unconditional promises to give as of December 31, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Pledges</u>	<u>Grants</u>	<u>Pledges</u>	<u>Grants</u>
Due currently	\$ 350	\$ 524,011	\$ 825	\$ 186,902
Restricted to future periods	<u>-</u>	<u>251,648</u>	<u>-</u>	<u>123,063</u>
Unconditional promises to give before unamortized discount and allowance for uncollectible amounts	\$ 350	\$ 775,659	\$ 825	\$ 309,965
Less: unamortized discount	<u>-</u>	<u>(4,537)</u>	<u>-</u>	<u>(2,284)</u>
Subtotal	\$ 350	\$ 771,122	\$ 825	\$ 307,681
Less: allowance for uncollectible amounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 350</u>	<u>\$ 771,122</u>	<u>\$ 825</u>	<u>\$ 307,681</u>

An allowance for uncollectible accounts has not been established for the grants and pledges receivable, as they are considered fully collectible.

4. INVESTMENTS

Investments consist of the following at December 31, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 497,756	\$ 497,756	\$ 633,858	\$ 633,858
Exchange traded funds	1,986,380	2,606,241	1,986,388	2,349,391
Mutual funds	<u>279,419</u>	<u>274,767</u>	<u>246,666</u>	<u>233,579</u>
	<u>\$ 2,763,555</u>	<u>\$ 3,378,764</u>	<u>\$ 2,866,912</u>	<u>\$ 3,216,828</u>

Money market funds are recorded at cost, which approximates fair value. Stocks, exchange traded funds and mutual funds are recorded at fair value based on quoted market prices.

The following schedule summarizes the investment return including interest earned on money market accounts and its classification in the statement of activities for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dividend and interest income	\$ 56,794	\$ 55,099
Unrealized gain (loss) on investments	265,364	(88,054)
Realized gain (loss) on investments	<u>132</u>	<u>(3,293)</u>
	<u>\$ 322,290</u>	<u>\$ (36,248)</u>

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 46,269	\$ 46,971
Furniture and fixtures	<u>21,505</u>	<u>21,505</u>
Subtotal	67,775	68,476
Less: accumulated depreciation	<u>(54,560)</u>	<u>(51,463)</u>
Net property and equipment	<u>\$ 13,215</u>	<u>\$ 17,013</u>

6. DEFERRED GRANT REVENUE

During 2016, Prichard Committee for Academic Excellence, Inc. was refunded grant monies totaling \$66,637 from the Kentucky School Board of Association (KSBA). These funds originated from the Gates Foundation for the 3KT program to be completed by December 31, 2016. The funds were refunded by KSBA due to the inability to complete the projected by the deadline. Upon receipt of the refund, Prichard Committee for Academic Excellence, Inc. applied and was granted an extension to complete the program from the Gates Foundation through December 31, 2017. Prichard Committee for Academic Excellence, Inc. will refund KSBA the grant funds quarterly as expense reports are submitted.

7. TEMPORARILY RESTRICTED NET ASSETS

Contributions and grants with donor-imposed restrictions are reported as increases in temporarily restricted net assets until Prichard Committee has spent the funds in accordance with the donor or grantor's agreement. Contributions that are to be received in future periods are recorded as temporarily restricted net assets subject to time restrictions.

The following details temporarily restricted net assets at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Bill and Melinda Gates Foundation	\$ 1,424,577	\$ 737,764
JG Brown Foundation	247,775	25,000
State Farm Youth Advisory Board	25,697	-
Greater Cincinnati Foundation	43,750	-
CE&S Foundation	<u>10,000</u>	<u>-</u>
	<u>\$ 1,751,799</u>	<u>\$ 762,764</u>

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

8. ENDOWMENT

The endowment fund is comprised of funds that were established as the result of donors' specifications that the funds be invested and that, generally, only the income thereon be expended. The Board of Directors also designated Robert F. Sexton memorial gifts to the endowment fund. The income earned on the principal may be used for general activities of Prichard Committee. Permanently restricted net assets totaled \$2,648,643 at December 31, 2016 and 2015.

The Organization has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the state of Kentucky, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

Interpretation of relevant law

The Organization has interpreted the Kentucky UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Prichard Committee for Academic Excellence, Inc. classifies as permanently restricted net assets (a) the original gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund, not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the organization.
- 7) The investment policies of the organization.

Return objectives and risk parameters

The Prichard Committee has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment policy establishes an achievable return objective through diversification of asset classes. The long-term return objective is to return no less than an average annual rate of return of the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Prichard Committee relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Prichard Committee targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

8. ENDOWMENT (CONTINUED)

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year an amount not to exceed 5 percent of its endowment fund's average fair value over the current year and preceding year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain and/or grow its value from year to year. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Changes in endowment fund assets for the year ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Endowment, January 1, 2016	\$ 639,627	\$ -	\$ 2,648,643	\$ 3,288,270
Contributions	-	-	-	-
Investment return:				
Investment income	56,306	-	-	56,306
Investment expense	(19,865)	-	-	(19,865)
Net gain on investments	<u>265,496</u>	<u>-</u>	<u>-</u>	<u>265,496</u>
Total investment gain	301,937	-	-	301,937
Expenditures under spending policy	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>
Endowment, December 31, 2016	<u>\$ 801,564</u>	<u>\$ -</u>	<u>\$ 2,648,643</u>	<u>\$ 3,450,207</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Endowment, January 1, 2015	\$ 700,658	\$ -	\$ 2,635,186	\$ 3,335,844
Contributions	-	-	13,457	13,457
Investment return:				
Investment income	54,621	-	-	54,621
Investment expense	(24,305)	-	-	(24,305)
Net loss on investments	<u>(91,347)</u>	<u>-</u>	<u>-</u>	<u>(91,347)</u>
Total investment loss	(61,031)	-	-	(61,031)
Expenditures under spending policy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment, December 31, 2015	<u>\$ 639,627</u>	<u>\$ -</u>	<u>\$ 2,648,643</u>	<u>\$ 3,288,270</u>

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

9. LEASES

Prichard Committee leases office space located at 271 West Short Street, Lexington, Kentucky. The monthly rental is \$3,500 and the lease expires on July 31, 2021.

Prichard Committee leases office equipment under various agreements. The leases are summarized as follows:

<u>Description</u>	<u>Expiration Date</u>	<u>Monthly Payment</u>
Copier	July, 2018	\$ 827
Postage machine	June, 2018	135

A schedule of future minimum rental payments due is as follows:

<u>Year</u>	<u>Future Minimum Lease Payment</u>
2017	\$ 53,541
2018	48,597
2019	42,000
2020	42,000
2021	24,500

10. RETIREMENT PLAN

Prichard Committee adopted a 403(b) plan in 1999. Employees are eligible to participate immediately upon hire. Employees may defer a portion of their own salary. The Prichard Committee matches 50% of employees' salary deferral up to 10% of the employee's salary. Prichard Committee contributed \$18,168 and \$31,312 on behalf of employees for the years ended December 31, 2016 and 2015, respectively.

11. FAIR VALUE MEASUREMENT

Prichard Committee's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable and accounts payable.

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

Prichard Committee uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on Prichard Committee's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

11. FAIR VALUE MEASUREMENT (CONTINUED)

At December 31, 2016 and 2015, Prichard Committee's investments consist of cash equivalents, common stocks, exchange traded funds and mutual funds. Shares of common stocks, exchange traded funds and mutual funds are valued at quoted market prices for identical assets. The valuations of Prichard Committee's investments according to the fair value hierarchy are Level 1.

12. SUBSEQUENT EVENTS

Prichard Committee has evaluated and considered the need to recognize or disclose subsequent events through September 4, 2017, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the years ended December 31, 2016 and 2015, have not been evaluated by Prichard Committee.

13. CONCENTRATIONS OF CREDIT RISK

Prichard Committee for Academic Excellence, Inc.'s cash deposits are maintained at various financial institutions located in Central Kentucky. Cash balances maintained in deposits accounts are insured up to \$250,000 at each financial institution. As of December 31, 2016 and 2015, the Committee had deposits of \$1,027,074 and \$198,951 in excess of the federally insured limit.