

DELTA CHI EDUCATIONAL FOUNDATION

December 31, 2016

*CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT INCLUDING
CONSOLIDATING SUPPLEMENTARY SCHEDULES*



**DELTA CHI EDUCATIONAL FOUNDATION
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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Delta Chi Educational Foundation
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Delta Chi Educational Foundation (a nonprofit organization) and its consolidated entity, DCEF Cornell, LLC, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Chi Educational Foundation and its consolidated entity, DCEF Cornell, LLC, as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

VonLehman & Company Inc.

Indianapolis, Indiana
April 10, 2017

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS

	December 31,	
	2016	2015
Cash and Cash Equivalents	\$ 330,302	\$ 598,992
Promissory Note Receivable	-	70,000
Pledges Receivable, Net	164,000	98,820
Investments	2,653,683	2,530,700
Cash Surrender Value of Life Insurance	48,650	41,977
Beneficial Interest in Trusts	627	627
Property and Equipment, Net	11,560	4,743
	\$ 3,208,822	\$ 3,345,859
	\$ 3,208,822	\$ 3,345,859

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$ 30,600	\$ 12,174
Gift Annuity Payable	167,667	197,642
	198,267	209,816
	198,267	209,816
Net Assets		
Unrestricted	66,735	17,689
Temporarily Restricted	2,077,528	2,283,400
Permanently Restricted	866,292	834,954
	3,010,555	3,136,043
	3,010,555	3,136,043
Total Liabilities and Net Assets	\$ 3,208,822	\$ 3,345,859
	\$ 3,208,822	\$ 3,345,859

See accompanying notes.

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions	\$ 366,854	\$ 797,351	\$ 52,863	\$ 1,217,068
Investment Income	38,156	114,221	-	152,377
Total Revenue	405,010	911,572	52,863	1,369,445
Net Assets Released from Restrictions				
Amortization of Pledges Receivable	14,987	(14,987)	-	-
Administrative Fees	86,161	(86,161)	-	-
Satisfaction of Grant Restrictions	1,037,821	(1,037,821)	-	-
Total Net Assets Released from Restrictions	1,138,969	(1,138,969)	-	-
Total Revenue and Net Assets Released from Restrictions	1,543,979	(227,397)	52,863	1,369,445
Expenses				
Fraternity Program Activities	1,109,815	-	-	1,109,815
Management and General	209,127	-	-	209,127
Fundraising	182,663	-	-	182,663
Total Expenses	1,501,605	-	-	1,501,605
Change in Net Assets	42,374	(227,397)	52,863	(132,160)
Other Income				
Present Value Adjustments	6,672	-	-	6,672
Change in Net Assets	49,046	(227,397)	52,863	(125,488)
Net Assets at Beginning of Year	17,689	2,283,400	834,954	3,136,043
Transfers	-	21,525	(21,525)	-
Net Assets at End of Year	\$ 66,735	\$ 2,077,528	\$ 866,292	\$ 3,010,555

See accompanying notes.

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue				
Contributions	\$ 306,105	\$ 839,409	\$ 12,207	\$ 1,157,721
Investment Loss	(23,890)	(53,787)	-	(77,677)
Total Revenue	282,215	785,622	12,207	1,080,044
Net Assets Released from Restrictions				
Amortization of Pledge Receivable	15,771	(15,771)		
Administrative Fees	78,256	(78,256)	-	-
Satisfaction of Grant Restrictions	382,018	(379,608)	(2,410)	-
Total Net Assets Released from Restrictions	476,045	(473,635)	(2,410)	-
Total Revenue and Net Assets Released from Restrictions	758,260	311,987	9,797	1,080,044
Expenses				
Fraternity Program Activities	384,732	-	-	384,732
Management and General	179,647	-	-	179,647
Fundraising	179,396	-	-	179,396
Total Expenses	743,775	-	-	743,775
Change in Net Assets from Operations	14,485	311,987	9,797	336,269
Other Expense				
Present Value Adjustments	(46,147)	23,073	-	(23,074)
Change in Net Assets	(31,662)	335,060	9,797	313,195
Net Assets at Beginning of Year	49,351	1,948,340	825,157	2,822,848
Net Assets at End of Year	\$ 17,689	\$ 2,283,400	\$ 834,954	\$ 3,136,043

See accompanying notes.

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2016	2015
Cash Flows From Operating Activities		
Change in Net Assets	\$ (125,488)	\$ 313,195
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities		
Depreciation Expense	3,872	5,187
Loss on Disposal of Property and Equipment	1,702	-
Net Realized and Unrealized (Gain) Loss on Investments	(118,671)	100,196
Actuarial Changes in Gift Annuity Payable	-	46,147
Changes in Beneficial Interest in Trusts and Cash Surrender Value of Life Insurance	(6,673)	-
Contributions Restricted for Long-Term Investments	(52,863)	(12,207)
Changes in		
Pledges Receivable	(65,180)	(7,302)
Accounts Payable	18,426	(5,223)
	(344,875)	439,993
 Cash Flows from Investing Activities		
Purchase of Property and Equipment	(12,391)	-
Purchase of Investments	(729,830)	(1,688,920)
Sales and Maturities of Investments	725,518	776,495
Payments on Loan Receivable	70,000	-
	53,297	(912,425)
 Cash Flows from Financing Activities		
Payments of Gift Annuities	(29,975)	(31,540)
Proceeds from Contributions Restricted for Long-Term Investments	52,863	12,207
	22,888	(19,333)
 Net Cash Provided (Used) by Financing Activities		
	22,888	(19,333)
 Net Change in Cash and Cash Equivalents	(268,690)	(491,765)
 Beginning Cash and Cash Equivalents	598,992	1,090,757
 Ending Cash and Cash Equivalents	\$ 330,302	\$ 598,992

See accompanying notes.

**DELTA CHI EDUCATIONAL FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The Delta Chi Educational Foundation (the Foundation) provides leadership support to the Delta Chi Foundation, Inc. and provides assistance to members of numerous chapters of Delta Chi Fraternity for leadership, scholarship/scholastic, and other educational purposes. The Foundation is supported primarily by donors' contributions and investment income.

DCEF Cornell, LLC (Cornell, LLC), is a wholly-owned nonprofit LLC of the Foundation. Cornell, LLC, was formed to purchase, improve, lease, sell, and in all other respects, manage real estate.

The consolidated financial statements include the accounts of the Foundation and Cornell, LLC. All material inter-organizational accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Pledges Receivable

Pledges receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Pledges are considered past due if any portion of a pledge has not been paid in full within the contractual terms of the pledge. The Foundation begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Foundation's collection history, the financial stability and recent payment history of the grantors, and other pertinent factors. Based on these criteria, the Foundation has not established an allowance for doubtful accounts at either December 31, 2016 or 2015 **and 2015** since the Foundation expects no material losses.

Investments

Investments are stated at fair market value. Investment income and dividends are included in unrestricted revenue unless restricted by donor or law. Realized and unrealized gains (losses) are shown as increases (decreases) in net assets in the period in which the gain (loss) is incurred.

Split Interest Agreements

The Foundation is a beneficiary of a life income plan and a charitable remainder trust. The remainder value of the trusts have been estimated based on the fair value of the underlying assets and the terms of the trusts and are recorded at present value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Property and Equipment**

Property and equipment are stated at cost or, if contributed, at fair market value at the date of the gift, and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized.

Useful lives of property and equipment for purposes of computing depreciation are:

Furniture and Equipment	5-15 Years
Software	5 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended December 31, 2016 and 2015.

Classes of Net Assets

The accompanying consolidated financial statements have been prepared in conformity with the requirements of generally accepted accounting principles. Accordingly, the net assets of the Foundation are reported in each of the following three classes: a) unrestricted net assets, b) temporarily restricted net assets, and c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class.

Unrestricted Net Assets: The unrestricted net asset class includes all net assets over which the governing boards have full discretion as to use and which are available for support of the operations.

Temporarily Restricted Net Assets: The temporarily restricted net asset class includes net assets whose use by the governing boards is limited by stipulations that will be met by action of the Foundation, the passage of time, or both. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which restrictions are met in the same period as the commitment are recorded as unrestricted.

Permanently Restricted Net Assets: The permanently restricted net asset class includes net assets whose use by the governing boards is limited by donor stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions by the governing boards. Investment income on certain permanently restricted investments is limited by donor-imposed stipulations and is included in temporarily restricted net assets if restrictions are not satisfied within the same period.

Revenue and Support Recognition

The Foundation records revenue from contributions, gifts of cash and other assets, interest, and miscellaneous sources when earned.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by a donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported at present value net of estimated uncollectible pledges, using risk-free interest rates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Recognition of Donor Restrictions**

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Public support and revenue, including unconditional promises to give, are considered available for unrestricted use unless temporarily or permanently restricted by the donor. Unconditional promises to give that are due in subsequent years are reported as temporarily restricted.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements and increase donations by a like amount.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated schedules of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Delta Chi Educational Foundation and Cornell, LLC are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes. For tax reporting purposes, Cornell, LLC, is considered a disregarded entity of the Foundation, and its activities are reported as the Foundation's information.

The Foundation has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Foundation recognized no interest or penalties in the statements of activities and changes in net assets for both of the years ended December 31, 2016 and 2015. If the situation arose in which the Foundation would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Foundation is not currently under audit nor has the Foundation been contacted by these jurisdictions.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for either of the years ended December 31, 2016 or 2015.

Subsequent Events

Management has evaluated subsequent events through April 10, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - CASH AND CASH FLOW INFORMATION

At various times throughout the year, the Foundation may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) insure account balances up to \$250,000 for each business depositor. At December 31, 2016 and 2015 the Foundation had \$-0- and \$64,564, respectively, in financial institutions in excess of insured limits.

For purposes of the consolidated 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 a cash equivalent.

Cash paid for interest was as follows:

	Years Ended December 31,	
	2016	2015
Interest	\$ 19,252	\$ 17,686

NOTE 3 - PROMISSORY NOTE RECEIVABLE

On May 1, 2014, the Foundation entered into an uncollateralized promissory note with the Delta Chi Housing Corporation at Cornell for \$70,000. Simple interest accrued at an annual rate of 0.28% and was payable monthly. During the year ended December 31, 2016 the principal balance was paid in full.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	December 31,	
	2016	2015
Unconditional Promises Expected to be Collected in		
Less than one Year	\$ 48,340	\$ 24,613
One to Five Years	139,016	104,607
Gross Pledges Receivable	187,356	129,220
Less Discount to Present Value	23,356	30,400
Pledges Receivable, Net	\$ 164,000	\$ 98,820

Pledges receivable are discounted using rates between 1% and 10.315%.

NOTE 5 - INVESTMENTS

The following is a summary of the market value of investments:

	December 31,	
	2016	2015
Investments		
Mutual Funds	\$ 1,978,427	\$ 1,724,437
Bonds	675,256	806,263
Total Investments	<u>\$ 2,653,683</u>	<u>\$ 2,530,700</u>

Investment activity was as follows:

	Years Ended December 31,	
	2016	2015
Interest and Dividends	\$ 40,393	\$ 27,556
Net Realized and Unrealized Gain (Loss)	118,671	(100,196)
Less Investment Fees	<u>6,687</u>	<u>5,037</u>
Net Investment Income (Loss)	<u>\$ 152,377</u>	<u>\$ (77,677)</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

U.S. GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 – Inputs for the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used for either of the years ended December 31, 2016 or 2015.

Mutual Funds – Valued at the net asset value (NAV) of shares held by the Foundation at year end.

Bonds – Valued at the closing price reported on the market in which the bond is traded.

Beneficial Interest in Trusts – Valued at the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income/payments. The Foundation is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. If not readily comparable to published data, then the Foundation would have to develop a model similar to the above for a Level 3 input.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets and liabilities at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 1,978,427	\$ -	\$ 1,978,427
Bonds	-	675,256	675,256
Beneficial Interests in Trusts	-	627	627
Total	<u>\$ 1,978,427</u>	<u>\$ 675,883</u>	<u>\$ 2,654,310</u>

The following table sets forth by level, within the fair value hierarchy, the assets and liabilities at fair value as of December 31, 2015:

Mutual Funds	\$ 1,724,437	\$ -	\$ 1,724,437
Bonds	-	806,263	806,263
Beneficial Interests in Trusts	-	627	627
Total	<u>\$ 1,724,437</u>	<u>\$ 806,890</u>	<u>\$ 2,531,327</u>

NOTE 7 - CASH SURRENDER VALUE OF LIFE INSURANCE

At December 31, 2016 and 2015, the Foundation was the beneficiary of three life insurance policies. The majority of the policy premiums are paid by the Foundation with reimbursement in the form of a contribution from the insured. The death benefit of the policies owned by the Foundation was \$130,000 at December 31, 2016 and 2015.

NOTE 8 - BENEFICIAL INTEREST IN CHARITABLE TRUSTS

The Foundation is the beneficiary of a life income plan established by a donor. The Foundation's share of the life income plan is recorded at its present value of \$627 as of December 31, 2016 and 2015.

NOTE 9 - PROPERTY AND EQUIPMENT

The Foundation's property and equipment consisted of the following:

	December 31,	
	2016	2015
Furniture and Equipment	\$ 793	\$ 793
Software	12,390	25,532
Less Accumulated Depreciation and Amortization	1,623	21,582
Property and Equipment, Net	\$ 11,560	\$ 4,743

NOTE 10 - GIFT ANNUITY PAYABLE

The Foundation was the recipient of a gift annuity which requires future payments to the annuitant. The original assets received from the donor were recorded at fair market value. The Foundation has recorded a liability which represents the present value of the future annuity obligations using a rate of 10.315%. The interest portion of the payments made is presented as annuity expense and was \$19,252 and \$17,686 for the years ended December 31, 2016 and 2015, respectively. This liability has been determined based on the annuitant's life expectancy.

Changes in the gift annuity payable were as follows:

	Years Ended December 31,	
	2016	2015
Balance, Beginning of Year	\$ 197,642	\$ 183,035
Less Payments on Annuities	29,975	31,540
Actuarial Changes in Liability	-	46,147
Balance, End of Year	\$ 167,667	\$ 197,642

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were for the following donor purposes:

	December 31,	
	2016	2015
Scholarship and Leadership Programs	\$ 724,364	\$ 678,553
Housing Programs	642,922	905,022
Other Named Accounts	622,409	597,005
Uncollected Pledges Receivable	83,833	98,820
Other Scholarships	4,000	4,000
	<u>\$ 2,077,528</u>	<u>\$ 2,283,400</u>

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS

The Foundation had permanently restricted net assets at December 31, 2016 and 2015 of \$866,292 and \$834,954, respectively, for scholarship and leadership program purposes. These net assets are to be permanently invested, with the earnings used to support specific activities and programs of the Foundation.

In 2016, the Foundation obtained approval from donors to release permanent restrictions on \$21,525 of previously-donated assets.

NOTE 13 - ENDOWMENT COMPOSITION

The Foundation's endowment consists of several donor restricted chapter scholarship funds for scholarship and leadership purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, the Foundation classifies as permanently restricted net assets (a) the original value of 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 instructions at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA

NOTE 13 - ENDOWMENT COMPOSITION (Continued)

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

1. The duration and preservation of the various funds
2. The purposes of the Foundation and the donor-restricted endowment funds
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 Foundation
7. The Foundation's investment policies

Investment Return Objectives, Risk Parameters, and Strategies - The Foundation has adopted investment and spending policies approved by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). In order to preserve the purchasing power of the fund assets, the investment goal is to have the assets earn a real rate of return that allows for the outpacing of inflation by a minimum range of 3% to 5% annually (Real Rate of Return is defined as Nominal Return - Inflation). Rate of return goals will be reviewed periodically in light of the constantly evolving market conditions along with any changing needs of the fund itself. The primary emphasis will be on a minimum absolute return, which is targeted at 6% to 9% annually and measured on a time-weighted compounded basis.

Strategies Employed for Achieving Objectives - The objective is to produce an absolute rate of return over time utilizing a *Balanced Combination Approach* to include investment in common stocks (to include some prudently selected small company stocks), short- to long-term government and corporate bonds, CDs, treasury bills, and cash equivalent instruments.

It is recognized that a significant element in achieving successful investment results over time is the proper identification and periodic review of investment objectives. These should be reviewed at least on an annual basis by Board members to ensure consistency direction as well as sufficient reflection of the attitudes of the fund on an ongoing basis. Consistent with the maturity level of the fund and the general obligations to the participants, the overall approach will be one of growth and income, with emphasis on growth.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Foundation's spending policies for endowment funds varies according to each specific written donor agreement. In all cases, the endowment fund spending policies do not exceed investment policy targeted return.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were \$113,320 and \$130,765 as of December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable investment market fluctuations.

NOTE 13 - ENDOWMENT COMPOSITION (Continued)

Endowment net asset composition by type of fund as of December 31, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ <u>(113,320)</u>	\$ <u>9,691</u>	\$ <u>866,292</u>	\$ <u>762,663</u>

Changes in endowment net assets were as follows:

Balance, January 1, 2014	\$ (84,862)	\$ 6,880	\$ 825,157	\$ 747,175
Investment Loss, Net	(40,963)	(6,573)	-	(47,536)
New Gifts	251	165	12,207	12,623
Appropriation of Endowment Assets for Expenditure	<u>(5,191)</u>	<u>-</u>	<u>(2,410)</u>	<u>(7,601)</u>
Balance, December 31, 2015	(130,765)	472	834,954	704,661
Investment Income, Net	13,109	1,002	-	14,111
New Gifts	5,624	10,533	52,863	69,020
Appropriation of Endowment Assets for Expenditure	(1,288)	(12,328)	-	(13,616)
Transfer	<u>-</u>	<u>10,012</u>	<u>(21,525)</u>	<u>(11,513)</u>
Balance, December 31, 2016	\$ <u>(113,320)</u>	\$ <u>9,691</u>	\$ <u>866,292</u>	\$ <u>762,663</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

The Delta Chi Fraternity (the Fraternity), an affiliated international college fraternity is a separate legal entity. The organization has a separate board, management, funding, goals, and objectives. Therefore, accounts of the Fraternity have not been included in the accompanying consolidated financial statements.

The Foundation's headquarters is located at the Fraternity's headquarters in Iowa City, Iowa. The Fraternity provides staff, office space and miscellaneous office expenses that are billed to the Foundation. The Foundation incurred expenses of \$36,140 and \$36,229 for these services during the years ended December 31, 2016 and 2015, respectively.

One Foundation board member is the agent of record for the Foundation's property and casualty insurance and directors and officers insurance.

During the years ended December 31, 2016 and 2015 the Foundation received contributions of \$57,074 and \$63,669 respectively, from officers and directors of the Board of Trustees.

NOTE 15 - RISK AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the consolidated statements of financial position.

NOTE 16 - CONTINGENCIES

During the year ended December 31, 2016, the Foundation was named a defendant in a legal matter involving a collegiate chapter of Delta Chi Fraternity. Management and their legal counsel are unable to estimate the potential liability of the Foundation or the judges' ruling.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees
Delta Chi Educational Foundation
Indianapolis, Indiana

We have audited the basic consolidated financial statements of Delta Chi Educational Foundation and its consolidated entity, DCEF Cornell, LLC, as of and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated April 10, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

VonLehman & Company Inc.

Indianapolis, Indiana
April 10, 2017

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**

	December 31,							
	2016				2015			
	Foundation	Cornell, LLC	Eliminations	Total	Foundation	Cornell, LLC	Eliminations	Total
ASSETS								
Cash and Cash Equivalents	\$ 330,302	\$ -	\$ -	\$ 330,302	\$ 598,992	\$ -	\$ -	\$ 598,992
Promissory Note Receivable	-	-	-	-	70,000	-	-	70,000
Pledge Receivables	164,000	-	-	164,000	98,820	-	-	98,820
Investments	2,653,683	-	-	2,653,683	2,530,700	-	-	2,530,700
Cash Surrender Value of Life Insurance	48,650	-	-	48,650	41,977	-	-	41,977
Beneficial Interest in Trusts	627	-	-	627	627	-	-	627
Property and Equipment, Net	11,560	-	-	11,560	4,743	-	-	4,743
Total Assets	\$ 3,208,822	\$ -	\$ -	\$ 3,208,822	\$ 3,345,859	\$ -	\$ -	\$ 3,345,859
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts Payable and Other Accrued Expenses	\$ 30,600	\$ -	\$ -	\$ 30,600	\$ 12,174	\$ -	\$ -	\$ 12,174
Gift Annuity Payable	167,667	-	-	167,667	197,642	-	-	197,642
Total Liabilities	198,267	-	-	198,267	209,816	-	-	209,816
Net Assets								
Unrestricted	66,735	-	-	66,735	17,689	-	-	17,689
Temporarily Restricted	2,077,528	-	-	2,077,528	2,283,400	-	-	2,283,400
Permanently Restricted	866,292	-	-	866,292	834,954	-	-	834,954
Total Net Assets	3,010,555	-	-	3,010,555	3,136,043	-	-	3,136,043
Total Liabilities and Net Assets	\$ 3,208,822	\$ -	\$ -	\$ 3,208,822	\$ 3,345,859	\$ -	\$ -	\$ 3,345,859

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATING STATEMENTS OF ACTIVITIES**

	Years Ended December 31,							
	2016				2015			
	Foundation	Cornell, LLC	Eliminations	Total	Foundation	Cornell, LLC	Eliminations	Total
Revenue								
Contributions	\$ 1,217,068	\$ -	\$ -	\$ 1,217,068	\$ 1,157,721	\$ -	\$ -	\$ 1,157,721
Investment Income	152,377	-	-	152,377	(77,677)	-	-	(77,677)
Total Revenue	1,369,445	-	-	1,369,445	1,080,044	-	-	1,080,044
Expenses								
Fraternity Program Activities	1,109,815	-	-	1,109,815	384,732	-	-	384,732
Management and General	209,127	-	-	209,127	179,647	-	-	179,647
Fundraising	182,663	-	-	182,663	179,396	-	-	179,396
Total Expenses	1,501,605	-	-	1,501,605	743,775	-	-	743,775
Change in Net Assets from Operations	(132,160)	-	-	(132,160)	336,269	-	-	336,269
Other Expense								
Present Value Adjustments	6,672	-	-	6,672	(23,074)	-	-	(23,074)
Change in Net Assets	(125,488)	-	-	(125,488)	313,195	-	-	313,195
Net Assets at Beginning of Year	3,136,043	-	-	3,136,043	4,009,611	(1,186,763)	-	2,822,848
Net Asset Transfer	-	-	-	-	(1,186,763)	1,186,763	-	-
Net Assets at End of Year	<u>\$ 3,010,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,010,555</u>	<u>\$ 3,136,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,136,043</u>

**DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES**

	Years Ended December 31,							
	2016				2015			
	Fraternity Program Activities	Management and General	Fundraising	Total	Fraternity Program Activities	Management and General	Fundraising	Total
Expenses								
Chapter Housing Grants and Expenses	\$ 949,815	\$ -	\$ -	\$ 949,815	\$ 325,215	\$ -	\$ -	\$ 325,215
Chapter Scholarships and Awards	21,025	-	-	21,025	39,563	-	-	39,563
Other Scholarships and Awards	138,975	-	-	138,975	19,954	-	-	19,954
Salaries and Related Expenses	-	36,520	84,806	121,326	-	32,629	83,110	115,739
Professional Fees	-	68,985	-	68,985	-	79,528	-	79,528
General Office Expense	-	1,995	923	2,918	-	1,329	63	1,392
Information Technology	-	1,577	18,000	19,577	-	820	18,000	18,820
Telephone	-	-	2,217	2,217	-	-	1,762	1,762
Postage and Shipping	-	3,602	85	3,687	-	4,363	122	4,485
Occupancy	-	3,600	-	3,600	-	3,600	-	3,600
Repairs and Maintenance	-	400	-	400	-	-	-	-
Printing and Publications	-	917	35,009	35,926	-	294	24,726	25,020
Insurance	-	8,311	-	8,311	-	8,683	-	8,683
Travel and Meeting Expense	-	4,537	20,702	25,239	-	1,277	22,155	23,432
Dues and Subscriptions	-	2,030	-	2,030	-	5,526	-	5,526
Annuity Expense	-	19,252	-	19,252	-	17,686	-	17,686
In-Kind Board Expense	-	25,017	-	25,017	-	11,622	-	11,622
Depreciation	-	3,872	-	3,872	-	5,187	-	5,187
Miscellaneous	-	28,512	20,921	49,433	-	7,103	29,458	36,561
	<u>\$ 1,109,815</u>	<u>\$ 209,127</u>	<u>\$ 182,663</u>	<u>\$ 1,501,605</u>	<u>\$ 384,732</u>	<u>\$ 179,647</u>	<u>\$ 179,396</u>	<u>\$ 743,775</u>

DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	Beginning	Contributions	Investment	Administrative	Other	Ending	Unrestricted	Temporarily	Permanently
	Balance		Income	Fees	Receipts/ (Distributions)	Balance		Restricted	Restricted
Foundation General and Other	\$ 251,274	\$ 361,330	\$ 5,055	\$ 108,237	\$ (458,008)	\$ 267,888	\$ 180,055	\$ 87,833	\$ -
Chapter Scholarship Accounts									
Abracadabra-Yang	84,289	-	4,726	(2,818)	-	86,197	(19,057)	-	105,254
Alabama	-	-	-	-	-	-	-	-	-
American	7,610	3,700	93	(478)	-	10,925	-	10,925	-
Dino Di Bernardi - Appalachian State	7,708	3,298	104	(409)	-	10,701	-	10,701	-
Auburn	17,787	250	1,000	(805)	-	18,232	-	18,232	-
Behrend	904	-	-	(250)	-	654	-	654	-
Bryant	15,998	-	891	(735)	-	16,154	-	16,154	-
Buckeye (Ohio State) Chapter	38,271	1,050	2,165	(1,470)	-	40,016	-	40,016	-
Connecticut	8,524	-	471	(507)	-	8,488	-	8,488	-
Cornell	4,427	25	240	(382)	-	4,310	-	4,310	-
Corpus Christi	8,018	-	443	(492)	-	7,969	-	7,969	-
Cortland	1,768	-	-	(250)	-	1,518	-	1,518	-
DePauw	41,617	100	2,333	(1,522)	-	42,528	-	42,528	-
DePauw-Obear	37,575	-	2,102	(1,393)	-	38,284	(3,206)	-	41,490
Eastern Illinois	1,641	-	-	(250)	-	1,391	-	1,391	-
Embry-Riddle-Nelli-Phelan Account	60,330	9,200	3,562	(2,558)	(4,500)	66,034	-	9,390	56,644
Florida - Mica	62,058	6,655	3,482	(2,456)	(19,341)	50,398	-	301	50,097
Florida - Turk	-	-	-	-	17,841	17,841	-	17,841	-
Fullerton - Goldstein	9,509	-	477	(519)	(2,000)	7,467	-	7,467	-
Georgia Tech	3,910	208	217	(376)	-	3,959	-	3,959	-
Illinois - Andrews	4,734	-	-	(41)	-	4,693	(595)	-	5,288
Illinois - DeLong	4,922	-	274	(192)	-	5,004	(463)	-	5,467
Illinois - Pucin	4,838	-	-	(42)	-	4,796	(498)	-	5,294
Illinois - Rose	4,956	-	276	(191)	-	5,041	(461)	-	5,502
Illinois - Snyder	9,068	30	508	(320)	-	9,286	(2,237)	-	11,523
Illinois - Thompson	36,089	170	1,997	(1,146)	(1,200)	35,910	(8,963)	-	44,873
Iowa	10,562	561	592	(594)	-	11,121	-	11,121	-
Iowa State	27,748	-	1,550	(1,095)	-	28,203	-	28,203	-
J. Nick Gray Memorial Leadership (Missour	7,791	588	442	(514)	-	8,307	-	8,307	-
James Madison	13,963	-	778	(636)	-	14,105	-	14,105	-
Kennesaw CSA	-	7,910	-	(400)	-	7,510	-	7,510	-

DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	Beginning Balance	Contributions	Investment Income	Administrative Fees	Other Receipts/ (Distributions)	Ending Balance	Unrestricted	Temporarily Restricted	Permanently Restricted
Kentucky	3,327	-	-	(250)	-	3,077	-	3,077	-
LA Tech - Kessler	4,061	125	223	(381)	-	4,028	-	4,028	-
LA Tech - Elfervig	13,020	-	724	(646)	-	13,098	-	13,098	-
Marquette	20,038	-	1,117	(856)	-	20,299	-	20,299	-
Miami U Ohio	28,324	-	1,583	(1,110)	-	28,797	(6,620)	-	35,417
Michigan	6,762	100	-	(254)	-	6,608	(226)	-	6,834
Michigan State - Lacchia Scholarship	187,121	511	10,100	(5,857)	(5,000)	186,875	-	186,875	-
Mississippi State	16,882	25	940	(762)	(500)	16,585	-	16,585	-
Northwestern	8,954	-	-	(250)	-	8,704	-	8,704	-
Northern Illinois	134	-	-	(134)	-	-	-	-	-
Oklahoma	155,581	1,000	8,767	(5,054)	-	160,294	(12,855)	-	173,149
Oklahoma State - Johnson	170,643	250	9,576	(5,461)	-	175,008	(33,984)	-	208,992
Oshkosh	3,528	-	-	(250)	-	3,278	-	3,278	-
Penn State - White	133,734	1,100	7,368	(4,302)	(6,325)	131,575	-	131,575	-
Purdue - Johnson	3,498	-	-	(250)	-	3,248	-	3,248	-
Purdue	26,955	50	1,507	(1,072)	-	27,440	-	27,440	-
Sacramento	-	3,000	-	(120)	-	2,880	-	2,880	-
South Florida - Russ Driscoll	7,567	3,355	-	(384)	-	10,538	-	10,538	-
Southeast Missouri Leadership	-	-	-	-	-	-	-	-	-
SMU	10,247	-	568	(555)	-	10,260	-	10,260	-
Western Michigan	11,259	100	625	(595)	-	11,389	-	11,389	-
Western Michigan - LaGore	6,694	-	368	(451)	-	6,611	(4,091)	-	10,702
Subtotal Chapter Scholarship Accounts	1,354,944	43,361	72,189	(51,835)	(21,025)	1,397,634	(93,256)	724,364	766,526
E-Chi Accounts									
Auburn	89	-	-	(89)	-	-	-	-	-
Cal-Poly	242	-	-	(242)	-	-	-	-	-
Chico	-	-	-	-	-	-	-	-	-
Cornell	30,585	184,882	6,166	(9,601)	(137,033)	74,999	-	74,999	-
Cortland	465	-	-	(250)	-	215	-	215	-
DePauw	16,698	-	930	(756)	-	16,872	-	16,872	-
Embry-Riddle	200,362	122,811	11,690	(9,293)	(271,080)	54,490	-	54,490	-
Florida	-	-	-	-	-	-	-	-	-
Georgia Tech	202,965	174,187	15,507	(15,135)	-	377,524	-	377,524	-
Illinois	23,009	5,255	1,323	(1,190)	-	28,397	-	28,397	-

DELTA CHI EDUCATIONAL FOUNDATION
CONSOLIDATED SCHEDULE OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

	Beginning Balance	Contributions	Investment Income	Administrative Fees	Other Receipts/ (Distributions)	Ending Balance	Unrestricted	Temporarily Restricted	Permanently Restricted
Indiana	2,142	-	-	(250)	-	1,892	-	1,892	-
Kettering	11,108	300	625	(602)	-	11,431	-	11,431	-
LA Tech	77,549	29,550	700	(2,527)	(74,598)	30,674	-	30,674	-
Michigan	245,474	148,831	-	(3,164)	(399,000)	(7,859)	-	(7,859)	-
Mississippi State	53,725	22,774	3,246	(2,620)	(65,000)	12,125	-	12,125	-
North Texas	760	-	-	(250)	-	510	-	510	-
Oklahoma	16,830	173	943	(771)	-	17,175	-	17,175	-
Purdue	1,689	50	-	(252)	-	1,487	-	1,487	-
Texas	5,421	65	-	(253)	-	5,233	-	5,233	-
Texas A&M	8,813	-	-	(250)	-	8,563	-	8,563	-
Texas State - San Mar	-	-	-	-	-	-	-	-	-
Texas Tech	7,096	5,679	-	(477)	(3,104)	9,194	-	9,194	-
Subtotal E-Chi Accounts	905,022	694,557	41,130	(47,972)	(949,815)	642,922	-	642,922	-
Borelli Family Leadership	24,654	-	1,376	(999)	(88)	24,943	(20,064)	-	45,007
SHMJLC	38,172	-	2,136	(1,411)	-	38,897	-	38,897	-
A's Academy	11,093	56,808	1,917	(3,596)	(20,390)	45,832	-	45,832	-
Raymond D. Galbreth Leadership Fund	58,529	7,247	3,430	(2,389)	(7,000)	59,817	-	59,817	-
Intern Scholarship	14,615	-	835	-	-	15,450	-	15,450	-
Graduate Student Scholarship	209,671	1,100	11,985	-	-	222,756	-	222,756	-
Duane & Mary Meyer Scholarship	134,947	-	7,709	-	-	142,656	-	142,656	-
Weber Capital Campaign	83,489	50	4,615	-	(4,340)	83,814	-	83,814	-
DCEF Cornell Property Fund	33,267	-	-	-	(33,267)	-	-	-	-
International Scholarships	65	-	-	-	-	65	-	65	-
Foundation Endowment Fund	3,144	51,615	-	-	-	54,759	-	-	54,759
Washburn Scholarship Fund	13,157	1,000	-	(35)	(1,000)	13,122	-	13,122	-
Subtotal Other Named Accounts	624,803	117,820	34,003	(8,430)	(66,085)	702,111	(20,064)	622,409	99,766
	<u>\$ 3,136,043</u>	<u>\$ 1,217,068</u>	<u>\$ 152,377</u>	<u>\$ -</u>	<u>\$ (1,494,933)</u>	<u>\$ 3,010,555</u>	<u>\$ 66,735</u>	<u>\$ 2,077,528</u>	<u>\$ 866,292</u>