

**Xavier Society for
the Blind**

**Financial Statements
December 31, 2016 and 2015**



Xavier Society for the Blind

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December 31, 2016 and 2015

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Independent Auditors' Report

To the Board of Directors
Xavier Society for the Blind

We have audited the accompanying financial statements of Xavier Society for the Blind (the "Society"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 Xavier Society for the Blind as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mazars USA LLP

March 20, 2017

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Xavier Society for the Blind
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 45,146	\$ 172,077
Investment in marketable securities	12,590,059	12,127,369
Investment in annuity funds	83,129	79,535
Interest receivable	18,993	16,770
Contributions receivable	7,556	33,186
Prepaid expenses	26,304	24,760
Security deposits	11,193	11,193
Property and equipment, net	<u>32,389</u>	<u>44,210</u>
 Total assets	 <u><u>\$ 12,814,769</u></u>	 <u><u>\$ 12,509,100</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 32,659	\$ 65,595
Annuity payable	<u>45,000</u>	<u>45,000</u>
Total liabilities	<u><u>77,659</u></u>	<u><u>110,595</u></u>
 Commitments		
 Net assets		
Unrestricted:		
Undesignated	4,344,965	4,428,444
Board designated endowment	8,108,544	7,700,932
Temporarily restricted	33,695	32,190
Permanently restricted	<u>249,906</u>	<u>236,939</u>
Total net assets	<u><u>12,737,110</u></u>	<u><u>12,398,505</u></u>
 Total liabilities and net assets	 <u><u>\$ 12,814,769</u></u>	 <u><u>\$ 12,509,100</u></u>

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

Xavier Society for the Blind
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Contributions	\$ 253,193	\$ -	\$ -	\$ 253,193
Contributions from estates and trusts	271,341	-	-	271,341
Donated services	29,641	-	-	29,641
Special events, net of expenses of \$31,131	22,970	-	-	22,970
Total public support and revenue	<u>577,145</u>	<u>-</u>	<u>-</u>	<u>577,145</u>
Expenses				
Program services	710,167	-	-	710,167
Fund raising	129,916	-	-	129,916
Management and general	338,089	-	-	338,089
Total expenses	<u>1,178,172</u>	<u>-</u>	<u>-</u>	<u>1,178,172</u>
Expenses in excess of public support and revenue	<u>(601,027)</u>	<u>-</u>	<u>-</u>	<u>(601,027)</u>
Investment income gains and losses				
Investment income	293,442	2,290	-	295,732
Realized gain on sale of investments	41,951	-	836	42,787
Unrealized gain on investments	589,767	2,167	12,131	604,065
Actuarial loss on annuity obligations	-	(2,952)	-	(2,952)
Total investment gain, net	<u>925,160</u>	<u>1,505</u>	<u>12,967</u>	<u>939,632</u>
Change in net assets	324,133	1,505	12,967	338,605
Net assets				
Beginning	<u>12,129,376</u>	<u>32,190</u>	<u>236,939</u>	<u>12,398,505</u>
Ending	<u>\$ 12,453,509</u>	<u>\$ 33,695</u>	<u>\$ 249,906</u>	<u>\$ 12,737,110</u>

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

Xavier Society for the Blind
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Contributions	\$ 300,348	\$ -	\$ -	\$ 300,348
Contributions from estates and trusts	488,821	-	-	488,821
Donated services	23,044	-	-	23,044
Special events, net of expenses of \$21,488	6,920	-	-	6,920
Net assets released from restrictions	8,000	(8,000)	-	-
Total public support	<u>827,133</u>	<u>(8,000)</u>	<u>-</u>	<u>819,133</u>
Expenses				
Program services	722,076	-	-	722,076
Fund raising	105,138	-	-	105,138
Management and general	256,637	-	-	256,637
Total expenses	<u>1,083,851</u>	<u>-</u>	<u>-</u>	<u>1,083,851</u>
Expenses in excess of public support and revenue	<u>(256,718)</u>	<u>(8,000)</u>	<u>-</u>	<u>(264,718)</u>
Investment income gains and losses				
Investment income	292,568	2,207	-	294,775
Realized gain (loss) on sale of investments	66,098	(818)	1,323	66,603
Unrealized gain (loss) on investments	(479,942)	(2,816)	(9,606)	(492,364)
Actuarial gain on annuity obligations	-	555	-	555
Total investment loss, net	<u>(121,276)</u>	<u>(872)</u>	<u>(8,283)</u>	<u>(130,431)</u>
Change in net assets	(377,994)	(8,872)	(8,283)	(395,149)
Net assets				
Beginning	12,507,370	41,062	245,222	12,793,654
Ending	<u>\$ 12,129,376</u>	<u>\$ 32,190</u>	<u>\$ 236,939</u>	<u>\$ 12,398,505</u>

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

Xavier Society for the Blind
Statement of Functional Expenses
Year Ended December 31, 2016

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>	
Salaries and stipends	\$ 318,696	\$ 57,110	\$ 92,177	\$ 467,983
Employee benefits and payroll taxes	74,257	11,669	20,156	106,082
Subcontracted publication services	79,160	-	-	79,160
Materials and supplies	25,780	33,309	-	59,089
Postage and shipping	3,169	3,169	2,717	9,055
Telephone and internet	9,067	1,385	2,141	12,593
Rent	104,572	15,976	24,691	145,239
Maintenance and insurance	24,082	3,679	5,686	33,447
Board recognition	-	-	1,693	1,693
Investment management fees	-	-	72,078	72,078
Professional fees	-	-	92,608	92,608
Service contracts	42,801	-	-	42,801
Subcontracted transcription services	9,593	-	-	9,593
Office equipment maintenance	994	2,319	-	3,313
Conferences	2,906	-	6,781	9,687
Other	6,579	-	15,351	21,930
Depreciation	8,511	1,300	2,010	11,821
	<u>\$ 710,167</u>	<u>\$ 129,916</u>	<u>\$ 338,089</u>	<u>\$ 1,178,172</u>

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

Xavier Society for the Blind
Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	Supporting Services		Total
		Fund Raising	Management and General	
Salaries and stipends	\$ 271,217	\$ 42,620	\$ 73,616	\$ 387,453
Employee benefits and payroll taxes	67,219	10,563	18,245	96,027
Subcontracted publication services	132,853	-	-	132,853
Materials and supplies	23,265	23,265	-	46,530
Postage and shipping	3,429	3,429	2,938	9,796
Telephone and internet	11,245	1,718	2,654	15,617
Rent	103,458	15,806	24,429	143,693
Maintenance and insurance	22,740	3,474	5,369	31,583
Board recognition	-	-	3,069	3,069
Investment management fees	-	-	67,382	67,382
Professional fees	-	-	43,250	43,250
Service contracts	45,989	-	-	45,989
Subcontracted transcription services	22,947	-	-	22,947
Office equipment maintenance	1,107	2,583	-	3,690
Conferences	1,028	-	2,397	3,425
Other	4,582	-	10,691	15,273
Depreciation	10,997	1,680	2,597	15,274
	<u>\$ 722,076</u>	<u>\$ 105,138</u>	<u>\$ 256,637</u>	<u>\$ 1,083,851</u>

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

Xavier Society for the Blind
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 338,605	\$ (395,149)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	11,821	15,273
Realized gain on sale of investments	(42,787)	(66,603)
Unrealized (gain) loss on investments	(604,065)	492,364
Actuarial loss (gain) on annuity obligations	2,952	(555)
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Interest receivable	(2,223)	(3,164)
Contribution receivable	25,630	(1,816)
Prepaid expenses	(1,544)	7,344
Accounts payable and accrued expenses	(32,936)	(22,324)
Net cash (used in) provided by operating activities	<u>(304,547)</u>	<u>25,370</u>
Cash flows from investing activities		
Purchase of investments	(4,395,061)	(4,155,878)
Proceeds from sales of investments	4,575,629	4,107,432
Purchase of property and equipment	-	(13,404)
Net cash provided by (used in) investing activities	<u>180,568</u>	<u>(61,850)</u>
Cash flows used in financing activities		
Payment of annuity obligations	<u>(2,952)</u>	<u>(2,445)</u>
Net (decrease) in cash and cash equivalents	(126,931)	(38,925)
Cash and cash equivalents		
Beginning	<u>172,077</u>	<u>211,002</u>
Ending	<u>\$ 45,146</u>	<u>\$ 172,077</u>

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

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

1. Nature of Operations and Summary of Significant Accounting Policies

Organization

Xavier Society for the Blind (the “Society”) provides free reading materials to clients who are sight impaired, without any charges for use or shipping. The reading materials, which are of a religious nature, are distributed mainly through the United States and Canada. In addition to sacred scripture, manuals of prayer, and religious textbooks, etc., the Society’s principal ongoing services are to maintain a lending library and provide books and periodicals to the sight impaired.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Under accounting principles generally accepted in the United States of America, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

Unrestricted Net Assets

Unrestricted net assets are undesignated and available for general purposes and are used for the general activity of the Society. Assets restricted by board designation are classified and reported as unrestricted net assets.

Temporarily Restricted

Temporarily restricted net assets consist of resources, the use of which have been restricted by donors. The release of net assets from restrictions results from either the satisfaction of the restricted purposes specified by the donors or from the passage of time.

Permanently Restricted

Permanently restricted net assets consist of resources, the use of which have been permanently restricted by donors and the income of which is directed for specific programs by the donor.

Contributions

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. An asset other than cash, received as a gift, is recorded at fair value at the date of the gift or when proceeds from the sale of the asset are received. The Society records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Restricted contributions are reported as unrestricted support in the period in which they are received if the restrictions are met in the same reporting period.

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Legacies are recognized when the gift is received, except that, if the Society has been notified by an administrator or attorney of an estate or trust that a specified amount has been determined and will be sent within a reasonable time, the legacy gift is recognized as an unconditional promise to give and is recorded as contribution revenue and a contribution receivable in the period that the notification is received.

The Society receives contributions from donors located in the United States and Canada.

Donated Services

Donated services consist of time spent by volunteers and are recorded at their estimated fair values when they meet certain conditions. Donated services are reported as contribution revenue and expenses only if the services create or enhance a nonmonetary asset, or would typically need to be purchased by the organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with such specialized skills.

During 2016 and 2015, the actual amount of donated services that met the above criteria were valued at \$29,641 and \$23,044, respectively, and are reflected in the statements of activities as both public support and salaries and stipends and professional fees expense.

The total amounts of hours worked by volunteers for the Society in all capacities, including specialized skills (value reflected above) and nonspecialized skills, were approximately 700 hours (unaudited) in 2016 and 900 hours (unaudited) in 2015.

Cash and Cash Equivalents

Investments with original maturities of three months or less when purchased are considered to be cash equivalents. Funds on deposit at brokers and invested in money market accounts or liquid asset funds are considered to be marketable securities.

Investments

Investments in debt and equity securities are reported at fair value. Realized gain or loss on the sale of marketable securities is based on average cost; unrealized gain or loss on marketable securities held at the balance sheet date reflects the difference between fair value compared to the previously adjusted historical cost.

Retirement Benefits

The Society participates in a noncontributory retirement plan of the Archdiocese of New York for lay employees. Annual funding requirements of the Society are based on charges submitted by the Archdiocese. The provision for retirement benefits was \$27,268 in 2016 and \$28,012 in 2015.

Concentration of Credit Risk

From time to time, the Society may maintain cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits and is exposed to the credit risk resulting from this concentration of cash. At December 31, 2016, the Society held cash balances at a broker in excess of FDIC insured limits in the amount of \$538,461. However, the Society has not experienced any losses on such concentration.

Marketable securities held at Merrill Lynch Wealth Management and Wilmington Trust are insured up to \$500,000 at each custodian, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation.

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Property and Equipment

Expenditures for property and equipment are capitalized at cost. Furniture, fixtures and equipment are depreciated on the straight-line method over their estimated useful lives, and leasehold improvements are amortized over the expected life of the lease. Repairs and maintenance are expensed as incurred.

Income Taxes

The Society is a not-for-profit organization, as defined in Section 501(c)(3), and is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code. The Society has been classified as an organization that is not a private foundation under Section 509(a) and qualifies for the 50% charitable contributions deduction by individual donors, as stated in Section 170 of the Internal Revenue Code. The Society's management believes that there are no income tax uncertainties which would have a material effect on the financial statements. The Society files information returns with Federal and state taxing authorities, which are generally subject to examination by the taxing authorities for a period of three years from the later of either the due date of such returns or the actual date the returns were filed.

Functional Allocation of Expenses

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

Program services, as presented in the statement of functional expenses, include the expenses directly related to the provision of books and periodicals in formats usable by the sight impaired. Supporting services include the expenses which are not directly related to the program services and are of an administrative nature.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Contributions Receivable

At December 31, 2016 and 2015, contributions receivable includes unconditional promises to give that are expected to be realized in one year or less.

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

3. Marketable Securities

Investment in marketable securities is comprised of the following at December 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Corporate stock	\$ 5,815,348	\$ 6,042,484	\$ 6,516,479	\$ 6,215,051
Mutual funds	1,154,831	1,012,085	1,097,190	921,382
Fixed income	4,048,889	4,024,358	4,100,196	4,040,190
Other investments	396,895	402,250	388,993	365,590
Cash and cash equivalents at brokers	1,108,882	1,108,882	585,156	585,156
	<u>\$ 12,524,845</u>	<u>\$ 12,590,059</u>	<u>\$ 12,688,014</u>	<u>\$ 12,127,369</u>

4. Fair Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value and require disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

- Level 1 Fair value is based on quoted prices available in active markets for identical investments as of the reporting date. Investments included in this category include listed equities.
- Level 2 Fair value is based on inputs, other than Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data.
- Level 3 Fair value is based on significant unobservable inputs for the asset or liability. These inputs require significant management judgment or estimation. Certain investments valued using a net asset value, or its equivalent, subject to current redemption restrictions that will not be lifted in the near term are included in this category.

The following are the major categories of assets measured at fair value on a recurring basis and summarized by the fair value hierarchy as described above as of December 31, 2016:

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Description	Classification	Total	Level 1	Level 2	Level 3
Cash and money market funds	Asset	\$ 1,108,924	\$ 1,108,924	\$ -	\$ -
Corporate stock	Asset	6,042,442	6,042,442	-	-
Mutual funds	Asset	1,012,085	1,012,085	-	-
Fixed income:					
Taxable bonds	Asset	2,337,160	-	2,337,160	-
High yield bond funds	Asset	153,124	153,124	-	-
International bonds	Asset	108,739	-	108,739	-
Taxable bonds funds	Asset	1,269,298	1,269,298	-	-
Floating rate bond funds	Asset	156,036	156,036	-	-
Other investments:					
REIT funds	Asset	206,693	206,693	-	-
Inflation linked bonds	Asset	195,558	-	195,558	-
Total		<u>\$ 12,590,059</u>	<u>\$ 9,948,602</u>	<u>\$ 2,641,457</u>	<u>\$ -</u>

The following are the major categories of assets measured at fair value on a recurring basis and summarized by the fair value hierarchy as described above as of December 31, 2015:

Description	Classification	Total	Level 1	Level 2	Level 3
Cash and money market funds	Asset	\$ 585,156	\$ 585,156	\$ -	\$ -
Corporate stock	Asset	6,215,051	6,215,051	-	-
Mutual funds	Asset	921,382	921,382	-	-
Fixed income:					
Taxable bonds	Asset	2,434,215	-	2,434,215	-
High yield bond funds	Asset	145,458	145,458	-	-
International bonds	Asset	49,781	-	49,781	-
Taxable bonds funds	Asset	1,263,269	1,263,269	-	-
Floating rate bond funds	Asset	147,467	147,467	-	-
Other investments:					
REIT funds	Asset	147,580	147,580	-	-
Inflation linked bonds	Asset	172,527	-	172,527	-
Commodities	Asset	45,483	-	45,483	-
Total		<u>\$ 12,127,369</u>	<u>\$ 9,425,363</u>	<u>\$ 2,702,006</u>	<u>\$ -</u>

For the years ended December 31, 2016 and 2015, corporate stocks, mutual funds, and corporate debt instruments consist of securities in a variety of different industries including energy, consumer electronics, consumer products, financial, among many others, with no single industry group prevailing.

5. Restricted Net Assets

Temporarily Restricted

The Society maintains a segregated gift annuity fund in which identifiable separate donor restricted investments are held as temporarily restricted assets. As of December 31, 2016 and 2015, approximately 58% and 59%, respectively, of the gift annuity fund assets were invested in a money fund holding primarily cash and cash equivalent investments. A lifetime annuity is paid to the donor or other named beneficiary from this fund.

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

In accordance with a policy adopted by the Board of Directors, the gift portion is withdrawn from the annuity fund only at termination of each agreement, i.e., upon the demise of the annuitant(s) when the principal becomes available for the Society's use.

Permanently Restricted

The Society has received contributions with permanent restrictions as to their use. These contributions comprise an endowment fund in which the principal of the fund, including net realized and unrealized capital gains and losses, is not available for the Society's general use, but is intended to generate investment income, which is available for the Society's general purposes.

Endowment Fund

Donor-designated Endowment

Under the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Society may appropriate so much of an endowment fund as it deems prudent, considering the specific factors set forth in NYPMIFA and subject to the intent of the donor. Unless stated otherwise, the earnings in an endowment fund are donor-restricted until appropriated.

The Society classifies as permanently restricted 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) realized and unrealized gains and losses to the permanent endowment. In accordance with NYPMIFA, the Society 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 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 Society, and (7) the Society's investment policies.

The Society's permanently restricted endowment fund was established prior to the involvement of any current board members. The Board of Directors has taken the position to preserve the fair value of the original gift and has designated that this fund will continue to be preserved until such time as the original restriction becomes known or the Society petitions the Attorney General to release the restriction.

The Society has adopted an investment policy with the stated primary objective to preserve capital of the above endowments. The secondary objective is to maintain purchasing power by growing the investments at an annual rate that equals or exceeds the rate of inflation. The tertiary objective is growth and income. Over a five year rolling period, the investment should closely track the return of the balanced market indices. The endowment fund is managed with the same objective and is comprised of an allocation of marketable securities disclosed in Note 2.

Board-designated Endowment

As of December 31, 2014, the Board of Directors had designated the marketable investments held by the Wilmington Trust as a restricted endowment fund to support the mission of the Society. Since this amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Xavier Society for the Blind
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 249,906	\$ 249,906
Board-designated endowment funds	<u>8,108,544</u>	<u>-</u>	<u>8,108,544</u>
Total funds	<u>\$ 8,108,544</u>	<u>\$ 249,906</u>	<u>\$ 8,358,450</u>

Endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 236,939	\$ 236,939
Board-designated endowment funds	<u>7,700,932</u>	<u>-</u>	<u>7,700,932</u>
Total funds	<u>\$ 7,700,932</u>	<u>\$ 236,939</u>	<u>\$ 7,937,871</u>

Changes in endowment net assets as of December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 7,700,932	\$ 236,939	\$ 7,937,871
Investment income	163,810	5,733	169,543
Net appreciation	298,802	12,967	311,769
Investment fees	(55,000)	-	(55,000)
Appropriation of endowment assets to expenditure	<u>-</u>	<u>(5,733)</u>	<u>(5,733)</u>
Endowment net assets, end of year	<u>\$ 8,108,544</u>	<u>\$ 249,906</u>	<u>\$ 8,358,450</u>

Changes in endowment net assets as of December 31, 2015, are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 7,750,408	\$ 245,222	\$ 7,995,630
Investment income	185,934	5,741	191,675
Net depreciation	(217,450)	(8,283)	(225,733)
Investment fees	(17,960)	-	(17,960)
Appropriation of endowment assets to expenditure	<u>-</u>	<u>(5,741)</u>	<u>(5,741)</u>
Endowment net assets, end of year	<u>\$ 7,700,932</u>	<u>\$ 236,939</u>	<u>\$ 7,937,871</u>

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6. Property and Equipment

Property and equipment, at cost, consists of the following at December 31:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 12,708	\$ 12,708	5 years
Furniture, fixtures and equipment	<u>82,650</u>	<u>82,650</u>	5 years
	95,358	95,358	
Less: accumulated depreciation	<u>(62,969)</u>	<u>(51,148)</u>	
	<u>\$ 32,389</u>	<u>\$ 44,210</u>	

7. Commitments

Effective October 2, 2013, the Society entered into an agreement to sub-lease office space in New York City. The sub-lease is for a five year term ending September 30, 2018, with an option to renew for three additional annual periods. Total rent expense for the years ended December 31, 2016 and 2015, were \$138,596 and \$137,618, respectively. The total future minimum lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 130,200
2018	<u>97,650</u>
	<u>\$ 227,850</u>

8. Free Mailings (Unaudited)

The United States Postal Service Regulation 135, "Free Matter for the Blind and Other Handicapped Persons," states that certain acceptable material may be mailed to the blind at no charge. As part of its program services, the Society mailed approximately 21,000 and 38,500 pieces of mail during 2016 and 2015 respectively, that qualified as acceptable matter under the U.S. Postal Service Regulation 135. In effect, these pieces of mail were sent free of charge and, because the value of the postage is not readily determinable, no postage expense is reflected in the financial statements for these mailings.

9. Reading Materials (Unaudited)

A. Libraries:

At December 31, 2016, the Society maintained an extensive Braille library from which publications are provided to clients on demand. In addition, the Society maintained a lending library of 1,378 books in digital media format, with at least three copies of every title for daily circulation. The libraries have not been capitalized because most of the items comprising the collection are of low individual value and are subject to more than usual deterioration from use. From time to time, donations of library materials have been made to other libraries. Masters are reserved for copy making. The costs for materials and binding are expensed. The libraries are covered by the Society's regular insurance.

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B. Periodicals:

The Society provides for its clients, on request, the *Xavier Review* and the *Mass Propers* in audio and in Braille. The Society also provides access to several periodicals through downloads from its website. The costs of this service are expensed under subcontracted publication services in the statements of functional expenses.

10. Subsequent Events

The Society has evaluated subsequent events through March 20, 2017, the date financial statements were available for issuance.

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