

ONS FOUNDATION
Pittsburgh, Pennsylvania

Financial Statements
and
Supplementary Information
For the years ended December 31, 2017 and 2016

and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers
ONS Foundation
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of ONS Foundation (ONSF) as of December 31, 2017 and 2016, and the related statements of activities - unrestricted, changes in net assets 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 audits 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 ONSF'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 ONSF'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 ONSF as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
May 1, 2018

ONS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,123,288	\$ 1,772,572
Investments - marketable securities	14,259,821	12,247,686
Accounts receivable:		
Contributions, net	196,554	88,976
Related party	19,275	53,264
	<u>215,829</u>	<u>142,240</u>
Other	69,171	49,679
Investment - related party	516,607	500,518
Office equipment, less accumulated depreciation of \$32,919 and \$29,812, respectively	<u>28,898</u>	<u>6,628</u>
 Total Assets	 <u><u>\$16,213,614</u></u>	 <u><u>\$14,719,323</u></u>
LIABILITIES		
Accounts payable:		
Trade payables and accrued expenses	\$ 55,121	\$ 50,029
Related party	38,078	77,033
	<u>93,199</u>	<u>127,062</u>
 Total Liabilities	 93,199	 127,062
NET ASSETS		
Unrestricted	1,243,053	1,254,470
Temporarily restricted	4,338,984	2,799,469
Permanently restricted	<u>10,538,378</u>	<u>10,538,322</u>
 Total Net Assets	 <u>16,120,415</u>	 <u>14,592,261</u>
 Total Liabilities And Net Assets	 <u><u>\$16,213,614</u></u>	 <u><u>\$14,719,323</u></u>

See notes to financial statements.

ONS FOUNDATION

STATEMENTS OF ACTIVITIES - UNRESTRICTED
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted revenue and gains:		
Contributions:		
General	\$ 369,358	\$ 470,502
Scholarships and grants	186,246	31,573
Related parties	72,859	51,387
Investment income, net	95,809	64,871
Other income	<u>102,949</u>	<u>110,989</u>
	827,221	729,322
Satisfaction of program restrictions	<u>580,821</u>	<u>700,818</u>
Total Unrestricted Gains And Revenues	1,408,042	1,430,140
Unrestricted expenses:		
Program	999,880	1,159,961
Management and general	146,209	144,715
Fundraising	<u>273,370</u>	<u>254,506</u>
Total Unrestricted Expenses	<u>1,419,459</u>	<u>1,559,182</u>
Decrease In Unrestricted Net Assets	<u>\$ (11,417)</u>	<u>\$(129,042)</u>

See notes to financial statements.

ONS FOUNDATION

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Total unrestricted revenues and support	\$ 827,221	\$ 729,322
Net assets released from restrictions	580,821	700,818
Total expenses	<u>(1,419,459)</u>	<u>(1,559,182)</u>
Decrease In Unrestricted Net Assets	(11,417)	(129,042)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions:		
Scholarships and grants	154,602	246,612
Related parties	<u>10,970</u>	<u>39,613</u>
	165,572	286,225
Investment income	1,954,764	760,383
Net assets released from restrictions	<u>(580,821)</u>	<u>(700,818)</u>
Increase In Temporarily Restricted Net Assets	1,539,515	345,790
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions:		
Annual appeal - endowments	<u>56</u>	<u>-</u>
	56	-
Increase In Permanently Restricted Net Assets	<u>56</u>	<u>-</u>
Change In Net Assets	1,528,154	216,748
NET ASSETS		
Beginning of year	<u>14,592,261</u>	<u>14,375,513</u>
End of year	<u><u>\$16,120,415</u></u>	<u><u>\$14,592,261</u></u>

See notes to financial statements.

ONS FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,528,154	\$ 216,748
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,106	4,433
Net appreciation in fair value of investments	(1,698,503)	(551,502)
Income from related party	(16,089)	(15,309)
Contributions restricted for long-term purposes - endowment fund	(56)	-
Changes in assets and liabilities:		
Accounts receivable	(73,589)	(72,754)
Other assets	(19,492)	11,154
Accounts payable and accrued expenses	(33,863)	31,721
Net Cash Used In Operating Activities	<u>(310,332)</u>	<u>(375,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(12,022,068)	(12,688,766)
Proceeds from sale of marketable securities	11,708,436	12,544,502
Purchase of equipment	(25,376)	(2,151)
Net Cash Used In Investing Activities	<u>(339,008)</u>	<u>(146,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes - endowment fund	<u>56</u>	<u>-</u>
Net Decrease In Cash And Cash Equivalents	(649,284)	(521,924)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,772,572</u>	<u>2,294,496</u>
End of year	<u>\$ 1,123,288</u>	<u>\$ 1,772,572</u>

See notes to financial statements.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION

ONS Foundation (ONSF), established in 1982, is a national, public, nonprofit organization whose purpose is to improve cancer care and promote excellence in oncology nursing through nurse academic and continuing education, nurse-directed educational projects and research.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles 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.

Basis of Presentation - In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic Presentation of Financial Statements for Not-for-Profit Entities, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of ONSF 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 ONSF 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 ONSF's operations and programs.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - ONSF considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. ONSF maintains, at one financial institution, cash that might exceed federally insured amounts at times.

Contributions and Contributions Receivable - Contributions pledged or received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. These receivables are due primarily within one year.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ONSF provides an allowance for uncollectible promises to give if necessary based upon on management's evaluation of the contributions receivable. The allowance for uncollectible promises to give was approximately \$3,000 for both years ending December 31, 2017 and 2016.

Investments and Investment Risks - Investments in marketable securities are carried at fair value as determined by quoted market prices. The change in unrealized appreciation or depreciation on investments is the difference between the excess of fair market value over the cost of the portfolio at the end of the current period and the difference at the end of the prior period. Realized gains on security transactions are the result of all gains and losses realized in the current period using the specific identification method. Investments received by gift are recorded at market value on the date of the donation.

Investments in marketable securities are exposed to various risks, such as interest rate, market and credit. 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 changes could materially affect the amounts reported on the statement of financial position.

Investment income at December 31 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 352,070	\$ 273,752
Net realized gains	467,486	557,937
Net unrealized appreciation (depreciation)	<u>1,231,017</u>	<u>(6,435)</u>
	\$ <u>2,050,573</u>	\$ <u>825,254</u>

ONSF accounts for its investment in ONS Building Partnership, LP (Partnership) on the equity basis of accounting in accordance with FASB Codification topic Consolidations for nonprofit entities that have an ownership share in for-profit entities. (See Note 4.)

Fair Value Measurement - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ONSF discloses the category of assets and liabilities measured at fair value into one of three different levels, depending on the assumptions (i.e., inputs) used in the valuation. The three levels of the fair value hierarchy are described as follows:

Level 1 - Valuations that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 - Valuations that reflect:

- 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.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3 - Valuation are based upon unobservable inputs. Valuations reflect management's best estimate of what market participants would use in valuing the asset and liabilities at the measurement date.

Income Taxes - ONSF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes. Therefore, no provision for income taxes is made. ONSF has not identified any material uncertain tax positions requiring accrual or disclosure in the financial statements. ONSF is no longer subject to examinations by tax authorities in any major tax jurisdiction before 2014.

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

Endowment - ONSF applies the FASB Codification topic Presentation of Financial Statements for Not-for-Profit Entities as it relates to the presentation of endowment funds. A portion of ONSF's net assets are donor-restricted endowment funds and are governed by the Commonwealth of Pennsylvania's Act 141, a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. (See Note 6.)

Recent Accounting Pronouncement - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. ASU 2016-02 will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard leases (Topic 840). ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ONSF is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on its financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting.

Specifically, ASU 2016-14:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.
- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Enhances disclosures for:
 - Self-imposed limits on the use of resources without donor-imposed restrictions.
 - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources.
 - Qualitative disclosures on how a not-for-profit manages its available liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.
 - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date.
 - Methods used to allocate costs among program and support functions.
- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.
- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) the policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.
- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.
- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. ONSF is currently evaluating the impact this standard will have on its consolidated financial statements.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through May 1, 2018, the date on which the financial statements were available to be issued.

NOTE 3 - FAIR VALUE MEASUREMENT

The fair value of investments such as equity securities, mutual funds and U.S. government bonds is based on quoted market prices in an active market for identical assets. The fair value of ONSF's investments in corporate bonds utilized a market approach using primarily matrix pricing prepared by external pricing sources.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

There have been no changes in the methodologies used at December 31, 2017 and 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ONSF 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 fair value of financial assets at December 31 is as follows:

	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	\$ 4,919,811	-	-	\$ 4,919,811
Mutual funds	4,533,734	-	-	4,355,994
Government bonds	2,355,994	-	-	2,144,251
Corporate bonds	-	\$ 2,168,235	-	2,168,235
Real estate investment trust	282,047	-	-	282,047
	<u>\$ 12,091,586</u>	<u>\$ 2,168,235</u>	<u>-</u>	<u>\$ 14,259,821</u>
	2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities	\$ 4,590,936	-	-	\$ 4,587,855
Mutual funds	3,508,240	-	-	3,508,240
Government bonds	2,144,251	-	-	2,144,251
Corporate bonds	-	\$ 2,004,259	-	2,004,259
	<u>\$ 10,243,427</u>	<u>\$ 2,004,259</u>	<u>-</u>	<u>\$ 12,247,686</u>

NOTE 4 - RELATED-PARTY TRANSACTIONS

Oncology Nursing Society (ONS), Oncology Nursing Certification Corporation (ONCC), ONS:Edge, Inc. (ONS:Edge) and ONSF are separate entities governed by their own boards of directors. The entities are affiliated by common interests and work closely together.

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 - RELATED-PARTY TRANSACTIONS (Continued)

Related-party transactions and balances for the years ended December 31 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Income:		
Contributions from:		
ONS	\$ 129,036	\$ 45,000
ONCC	51,200	51,200
Staff services fee received from:		
ONS	<u>16,762</u>	<u>22,919</u>
Total income	<u>\$ 196,998</u>	<u>\$ 119,919</u>
Expenses:		
Paid to ONS:		
Management fee	\$ 416,196	\$ 406,252
Grants	180,236	250,000
Staff service fee	56,020	64,435
Rent	<u>49,500</u>	<u>49,799</u>
Total expenses	<u>\$ 701,952</u>	<u>\$ 770,486</u>
Contributions receivable - related party	<u>\$ 19,117</u>	<u>\$ 53,264</u>
Accounts payable - related party	<u>\$ 38,010</u>	<u>\$ 77,033</u>

ONSF has a 3.96% interest and has contributed an aggregate of \$191,432 to the Partnership. The Partnership owns the building and land for the headquarters of ONS and its affiliates. ONSF and its affiliates are limited partners in the Partnership. The general partner of the Partnership is ONS Building, LLC (Building), of which ONS is the sole member. Building controls and manages the Partnership as general partner. The Partnership leases the entire building to ONS, which occupies a major portion of the building and subleases the remaining portions to related organizations and other tenants. A summary of ONSF's equity investment in the Partnership at December 31 is as follows:

Balance, January 1, 2016	\$ 485,209
Income from Partnership	<u>15,309</u>
Balance, December 31, 2016	500,518
Income from Partnership	<u>16,089</u>
Balance, December 31, 2017	<u>\$ 516,607</u>

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 - RELATED-PARTY TRANSACTIONS (Continued)

ONSF leases commercial office space under an operating lease with ONS. The lease provides future minimum lease payments and additional rents calculated on the increase of certain operating costs over base amounts defined in the lease.

At December 31, 2017, future minimum lease payments under the lease, which expires in 2023, are \$259,875 (approximately \$49,500 annually for each of the next six years).

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are held for research grants, scholarships, sponsorships and endowment income not yet appropriated for expenditure. Permanently restricted net assets represent endowment funds, the majority of the income from which is restricted for the oncology nursing leadership, information and research projects.

Net assets released from donor-imposed restrictions by incurring expenses satisfying the restricted purpose or release of accumulated gains according to the endowment spending policy during the years ended December 31 were as follows:

	<u>2017</u>		<u>2016</u>
Grants, scholarships and sponsorships	\$ 89,731	\$	270,813
Endowment spending	<u>491,090</u>		<u>430,005</u>
	\$ <u>580,821</u>	\$	<u>700,818</u>

NOTE 6 - ENDOWMENT

ONSF's endowment consists of various investment funds established primarily for leadership, information and research. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. ONSF includes the corpus as permanently restricted net assets. Effective January 1, 2015, management determined that income not yet appropriated for expenditure should be included as temporarily restricted net assets and was transferred from unrestricted net assets.

Interpretation of Relevant Law - The Board of Trustees of ONSF has elected to be governed by Act 141, a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the board elects the amount. On an annual basis, the board, in writing, must elect a spending rate of between 2% and 7%. This percentage is applied to the average market value of the investments at the end of the prior year. Average market value is based on a minimum three previous years. ONSF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included in temporarily restricted net assets. ONSF considers the following factors in making a determination to set a spending rate:

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 - ENDOWMENT (Continued)

1. Protecting the corpus of the endowment fund
2. Preserving the spending power of the assets
3. Obtaining maximum investment return with reasonable risk and operational consideration
4. Complying with applicable laws

Endowment funds as of December 31 are composed of the following net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2017	<u>-</u>	\$ <u>3,139,675</u>	\$ <u>10,538,378</u>	\$ <u>13,678,053</u>
2016	<u>-</u>	\$ <u>1,676,001</u>	\$ <u>10,538,322</u>	\$ <u>12,214,323</u>

The changes in donor-restricted endowment funds by net asset type for the year ended December 31 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	-	\$ 1,345,623	\$ 10,538,322	\$ 11,883,945
Investment return:				
Investment income	-	200,779	-	200,779
Net appreciation	-	559,604	-	559,604
	-	760,383	-	760,383
Contributions				
Appropriation of endowment assets for expenditure	-	-	-	-
	-	(430,005)	-	(430,005)
Endowment net assets, December 31, 2016	-	1,676,001	10,538,322	12,214,323
Investment return:				
Investment income	-	289,749	-	289,749
Net appreciation	-	1,665,015	-	1,665,015
	-	1,954,764	-	1,954,764
Contributions	-	-	56	56
Appropriation of endowment assets for expenditure	-	(491,090)	-	(491,090)
Endowment net assets, December 31, 2017	<u>-</u>	\$ <u>3,139,675</u>	\$ <u>10,538,378</u>	\$ <u>13,678,053</u>

ONS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - ONSF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that ONSF must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results comparable to a balanced index fund consisting of 50% of the S&P 500 and 50% of the Barclays Aggregate Bond Index. ONSF expects its endowment funds, over time, to provide an average rate of return consistent with the balanced index fund noted above. Actual returns in any given year can vary from this amount. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus amounts, which must remain in perpetuity.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, ONSF 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). ONSF targets a diversified asset allocation that places a relatively equal emphasis on equity-based and fixed-income investments to achieve its long-term return objectives within prudent risk constraints. All investments are actively traded on open markets, and investment managers are specifically prohibited from alternative investments and those with companies that distribute carcinogenic products or tobacco products. Investment managers are also given guidelines to the percentage that can be committed to a particular investment and particular industry.

Spending Policy and How the Investment Objectives Relate to Spending Policy - In 2017 and 2016, the spendable return totaled approximately \$491,000 and \$430,000, respectively. This spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with ONSF's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

SUPPLEMENTARY INFORMATION



Big Thinking. Personal Focus.

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors and Officers
ONS Foundation
Pittsburgh, Pennsylvania

We have audited the financial statements of ONS Foundation as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated May 1, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules of functional expenses on Page 16 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the 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 financial statements taken as a whole.

The graphs presented on Pages 17-20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on it.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
May 1, 2018

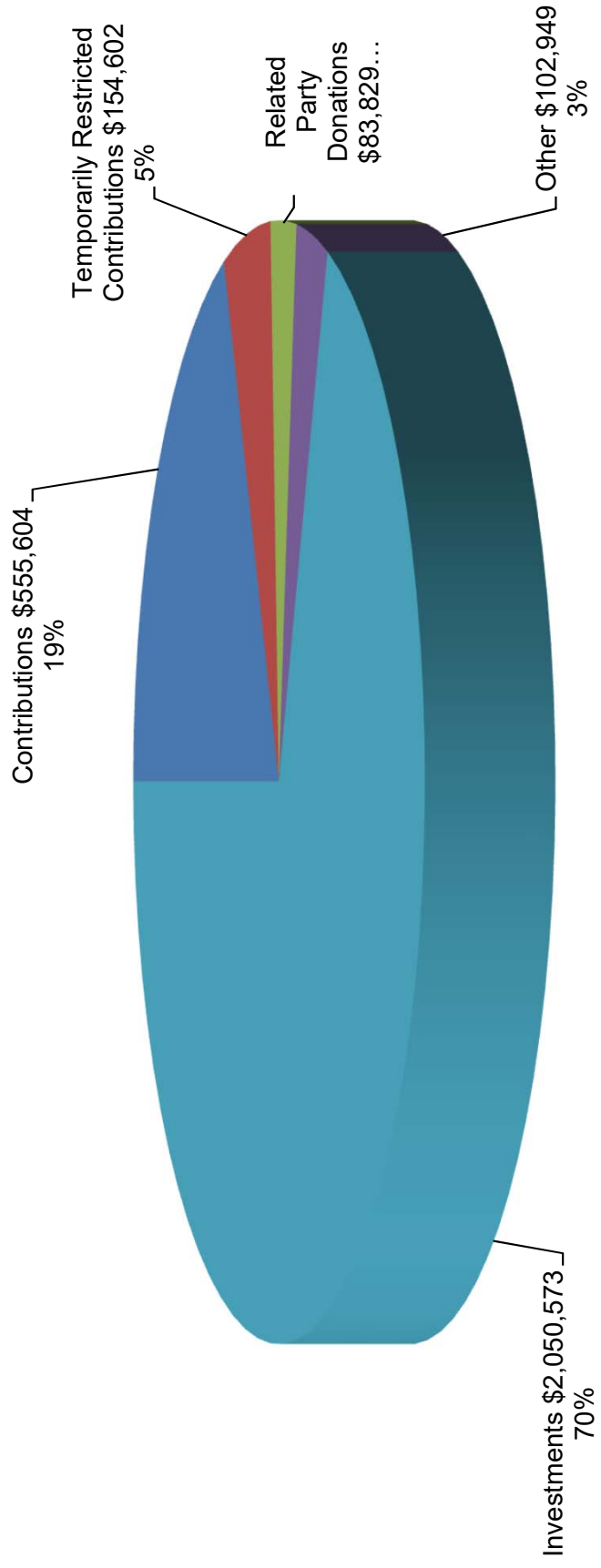
ONS FOUNDATION

SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

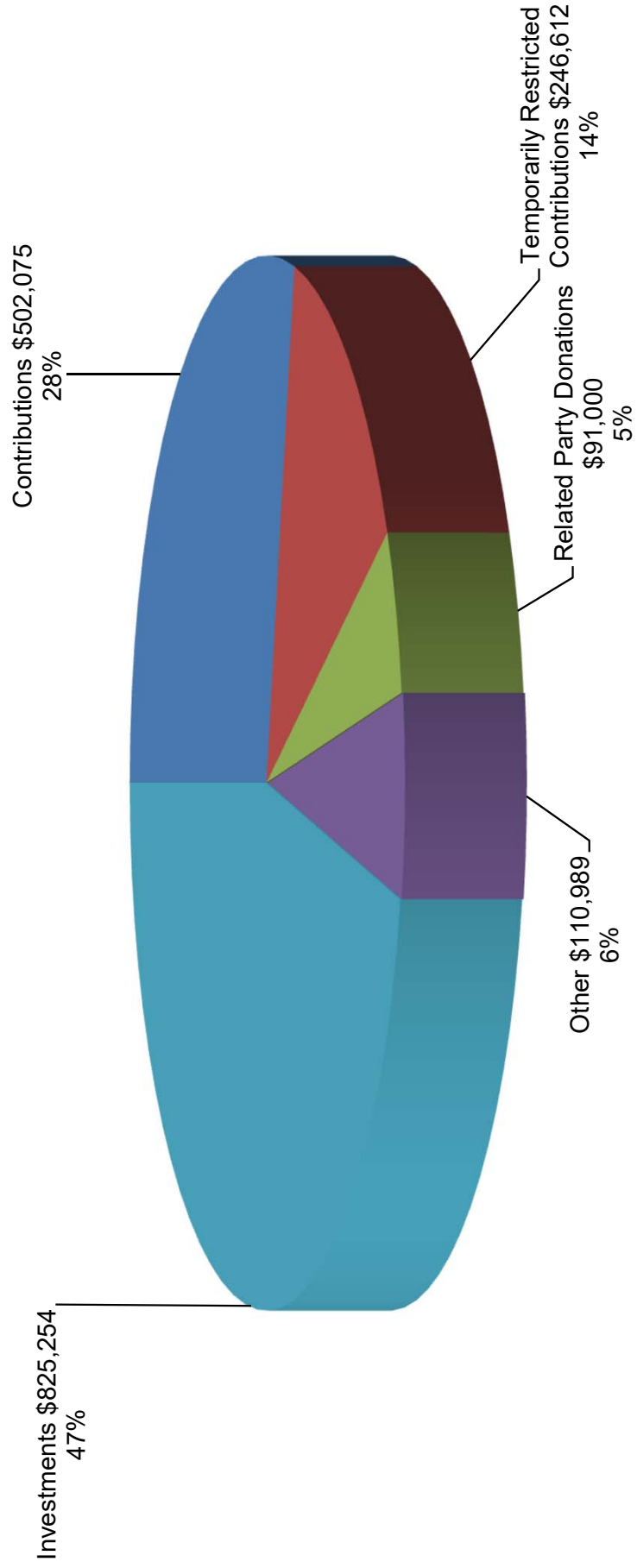
	2017			
	Program	Administrative	Fundraising	Total
Scholarships and grants	\$ 651,411	-	-	\$ 651,411
Salaries and benefits	198,816	\$ 21,546	\$156,300	376,662
General and administrative	44,391	47,704	31,751	123,846
Miscellaneous	63,229	20,956	108	84,293
Staff services	19,706	34,912	1,402	56,020
Travel	17,485	2,186	24,758	44,429
Services and honorarium	4,824	3,402	28,425	36,651
Postage and shipping	13	352	16,914	17,279
Printing	5	641	13,712	14,358
Professional fees	-	11,404	-	11,404
Depreciation expense	-	3,106	-	3,106
	<u>\$ 999,880</u>	<u>\$146,209</u>	<u>\$273,370</u>	<u>\$1,419,459</u>
	2016			
	Program	Administrative	Fundraising	Total
Scholarships and grants	\$ 760,118	-	-	\$ 760,118
Salaries and benefits	204,809	\$ 23,330	\$155,035	383,174
General and administrative	45,643	39,957	33,506	119,106
Miscellaneous	71,694	23,898	391	95,983
Staff services	25,238	38,968	230	64,436
Travel	37,098	2,462	20,693	60,253
Services and honorarium	14,395	1,801	34,574	50,770
Postage and shipping	362	510	2,789	3,661
Printing	604	-	7,288	7,892
Professional fees	-	9,356	-	9,356
Depreciation expense	-	4,433	-	4,433
	<u>\$1,159,961</u>	<u>\$144,715</u>	<u>\$254,506</u>	<u>\$1,559,182</u>

The independent auditors' report on supplementary financial information should be read with these schedules.

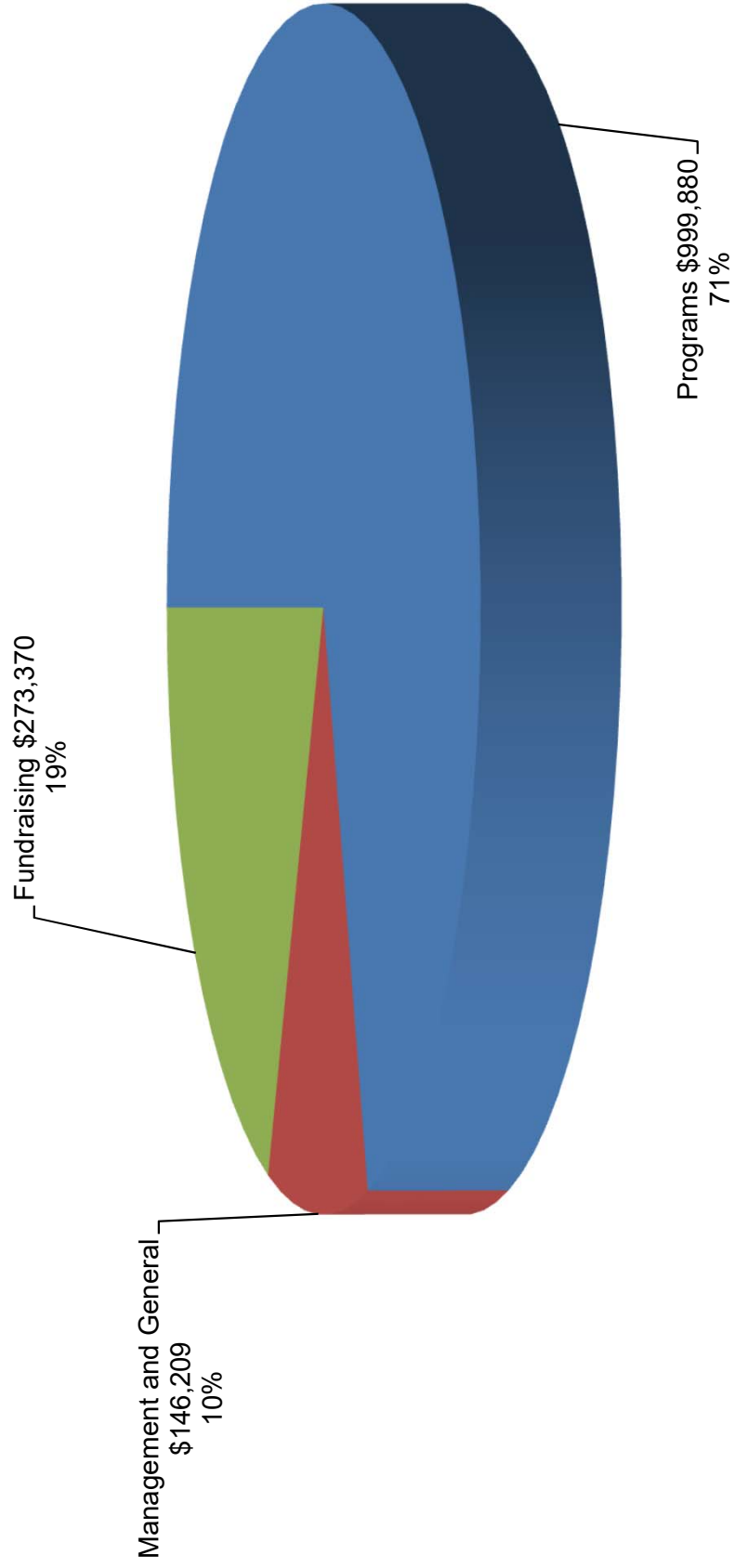
ONS FOUNDATION 2017 INCOME



ONS FOUNDATION 2016 INCOME



ONS FOUNDATION 2017 EXPENSES



ONS FOUNDATION 2016 EXPENSES

