Grand Traverse Regional Community Foundation

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016 and 2015

Dennis, Gartland & Niergarth

C O N T E N T S

Page

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS....2

STATEMENTS OF FINANCIAL POSITION....4

STATEMENTS OF ACTIVITIES....5

STATEMENTS OF CASH FLOWS....6

NOTES TO FINANCIAL STATEMENTS....7

DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Grand Traverse Regional Community Foundation

We have audited the accompanying financial statements of the ***Grand Traverse Regional Community Foundation*** (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

Auditor's 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 the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Traverse Regional Community Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dennis, Gartland & Niergarth

April 5, 2017

Grand Traverse Regional Community Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,170,950	$ 527,537
Investments	52,104,226	48,057,962
Pledges receivable, current portion	78,817	132,692
Prepaid expenses	21,412	21,725
Other	2,948	2,948
Total current assets	53,378,353	48,742,864
OTHER ASSETS		
Beneficial interest in charitable remainder trusts	634,000	597,000
Pledges receivable, net of current portion	6,419	81,916
Total other assets	640,419	678,916
Total assets	$ 54,018,772	$ 49,421,780
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants payable, current portion	$ 267,478	$ 67,500
Accounts payable	3,858	7,842
Accrued liabilities	8,909	7,526
Total current liabilities	280,245	82,868
OTHER LIABILITIES		
Grants payable, net of current portion	-	3,450
Total liabilities	280,245	86,318
NET ASSETS		
Unrestricted - for operating purposes (Note A)	396,931	437,869
Unrestricted - deficit in endowment assets (Note A)	(1,352,251)	(2,465,965)
Temporarily restricted (Note H)	4,954,011	3,861,134
Permanently restricted for endowments	49,739,836	47,502,424
Total net assets	53,738,527	49,335,462
Total liabilities and net assets	$ 54,018,772	$ 49,421,780

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

Grand Traverse Regional Community Foundation

STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Donations	$ 12,684	$ 1,522,494	$ 2,055,154	$ 3,590,332	$ 8,100	$ 661,007	$ 973,308	$ 1,642,415
Interest and dividends	15,537	1,249,868	-	1,265,405	13,567	1,252,864	-	1,266,431
Net realized gain (loss) on sales of investments	(2,765)	258,758	-	255,993	(5,875)	(108,792)	-	(114,667)
Net unrealized gain (loss) on investments	(3,746)	2,540,504	-	2,536,758	(1,702)	(2,123,327)	-	(2,125,029)
Change in value of beneficial interest in charitable remainder trusts	-	37,000	-	37,000	-	(52,000)	-	(52,000)
Miscellaneous income	12,800	-	-	12,800	12,000	3,725	-	15,725
Change in deficit in endowments	1,113,714	(1,113,714)	-	-	(1,935,961)	1,935,961	-	-
Net assets released due to satisfaction of restrictions	3,289,498	(3,289,498)	-	-	3,383,824	(3,383,824)	-	-
Net assets transferred to permanently restricted by Board action pursuant to fund advisor request	(69,723)	(112,535)	182,258	-	3,230	(65,998)	62,768	-
Total revenue and support	4,367,999	1,092,877	2,237,412	7,698,288	1,477,183	(1,880,384)	1,036,076	632,875
EXPENSES								
Grants	2,530,262	-	-	2,530,262	2,680,251	-	-	2,680,251
Component fund program and fundraising expenses	58,893	-	-	58,893	55,529	-	-	55,529
Investment fees	54,902	-	-	54,902	53,534	-	-	53,534
Administrative operating and other expenses	651,166	-	-	651,166	610,386	-	-	610,386
Total expenses	3,295,223	-	-	3,295,223	3,399,700	-	-	3,399,700
CHANGES IN NET ASSETS	1,072,776	1,092,877	2,237,412	4,403,065	(1,922,517)	(1,880,384)	1,036,076	(2,766,825)
NET ASSETS, beginning of year	(2,028,096)	3,861,134	47,502,424	49,335,462	(105,579)	5,741,518	46,466,348	52,102,287
NET ASSETS, end of year	$ (955,320)	$ 4,954,011	$ 49,739,836	$ 53,738,527	$ (2,028,096)	$ 3,861,134	$ 47,502,424	$ 49,335,462

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

Grand Traverse Regional Community Foundation

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,403,065	$ (2,766,825)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Endowment gifts	(2,055,154)	(973,308)
Net realized (gain) loss on sales of investments	(255,993)	114,667
Net unrealized (gain) loss on investments	(2,536,758)	2,125,029
Noncash contribution of investments	(968,764)	(460,871)
Change in value of beneficial interest in charitable remainder trusts	(37,000)	52,000
Changes in operating assets and liabilities which provided (used) cash		
Pledges receivable	129,372	257,053
Prepaid expenses	313	(961)
Grants payable	196,528	(158,584)
Accounts payable	(3,984)	2,662
Accrued liabilities	1,383	(1,598)
Net cash used by operating activities	(1,126,992)	(1,810,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,779,180)	(4,734,009)
Proceeds from sales of investments	3,494,431	5,128,453
Net cash flows provided (used) in investing activities	(284,749)	394,444
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash donations restricted for endowment	2,055,154	973,308
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	643,413	(442,984)
Cash and cash equivalents, beginning of year	527,537	970,521
Cash and cash equivalents, end of year	$ 1,170,950	$ 527,537

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

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Grand Traverse Regional Community Foundation (the "Foundation") was formed in January 1992 to accept, administer and distribute property for educational, scientific, literary, cultural and charitable purposes in accordance with the terms of gifts, bequests or devises. The Foundation primarily serves the residents of Antrim, Benzie, Grand Traverse, Kalkaska and Leelanau counties in northern Michigan.

Description of Funds

The Foundation administers approximately 300 funds under fund agreements established between original donors and the Foundation. Fund distributions are approved by the Board of Directors of the Foundation according to the purpose of the fund. Interfund grants and administrative charges are eliminated in the basic financial statements of the Foundation.

Basis of Accounting and Financial Statement Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Foundation reports information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions and are as follows:

Unrestricted Net Assets - For Operating Purposes - Net assets that are not subject to donor-imposed stipulations.

Unrestricted Net Assets - Deficit in Endowment Funds - Donor restricted funds with accumulated investment losses are classified as unrestricted net assets until future investment gains and/or unrestricted contributions restore the deficits.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, and unappropriated earnings on endowment funds. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted funds with accumulated investment losses in excess of temporarily restricted net assets are classified as unrestricted net assets until future investment gains and/or unrestricted contributions restore the deficits. Board approved fund advisors may, with the Foundation's Board of Directors' approval, at any time, recommend that all or a portion of the fund's temporarily restricted net assets be maintained permanently within the fund, at which time the net assets are transferred to permanently restricted net assets as reported in the statement of activities.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Under certain circumstances, the Foundation's Board of Directors may allow donors or their designated advisory committees to amend fund agreements and, thereby, release all or a portion of the fund's assets from permanent restriction. Net assets are reclassified to unrestricted or temporarily restricted as appropriate and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits in a bank, money market funds and all unendowed temporary investments with an original maturity of three months or less.

Pledges

Pledges are recognized as revenue when the donor makes a promise to give to the Foundation that is, in substance, unconditional and collection is reasonably assured. Pledges are reported at the face value which approximates present value. Pledges are periodically offset against revenue when management has deemed collection unlikely.

Investments

Investment securities purchased are initially recorded at cost and investment securities received by gift are recorded at fair value at the date of donation. Thereafter, the carrying value of such investments are adjusted to fair value, which is determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Net appreciation (depreciation) in fair value of investments is reflected in the accompanying statements of activities.

Beneficial Interest in Charitable Remainder Trusts

The Foundation may be the beneficiary of irrevocable charitable remainder trusts in connection with split-interest agreements with donors. Contribution revenue is recognized at the date the trusts are established based on the expected present value of the Foundation's interest in the assets of the trusts. Subsequent changes in the value of the assets and other changes in the estimates of future receipts are recognized in the accompanying statements of activities.

Grants Payable

The Foundation approves assets for distribution and reduces grants payable upon payment to local nonprofit organizations or individual scholarship recipients.

Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. FASB ASC 820, applies whenever other financial reporting standards require or permit assets or liabilities to be measured at fair value on a recurring basis and, therefore, does not expand the use of fair value in any new circumstances. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or more advantageous market for the asset or liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. FASB ASC 820, clarifies that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. For assets and liabilities recorded at fair value, it is the Foundation's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market.

Donations

Donations, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation records donations of non-cash assets at their appraised or fair value at the date of gift.

Change in Deficit Endowment Funds

Market conditions may cause the value of donor restricted assets to fall below the value that is accounted for as restricted. When that happens, the difference between the restricted balance and the fair value is accounted for as an unrealized loss to unrestricted net assets. When market gains cause current values to approach or meet the restricted value, that amount is recognized as change in deficit endowment funds.

Tax Status

The Internal Revenue Service has determined that the Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Also, the Foundation has been certified as a community foundation by the State of Michigan and has received determination as an "other than private foundation" under section 170(b)(1)(A)(vi) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Foundation files information returns in the U.S. Federal jurisdiction. With few exceptions, the Foundation is no longer subject to U.S. Federal examinations by tax authorities for years before December 31, 2013.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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 amounts could differ from those estimates. The Foundation used estimates, which could change by material amounts in the near-term, in the valuation of pledges receivable and charitable remainder trusts.

Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition and disclosure through April 5, 2017, the date the financial statements were available to be issued.

NOTE B - DEPOSITS

The Foundation maintains its cash in bank deposit accounts at various financial institutions. The balances periodically exceed the Federal insurance limit for deposits. At December 31, 2016 and 2015, $583,124 and $279,782 were uninsured, respectively. Management evaluates the financial institutions in which the Foundation deposits its funds and assesses the level of risk associated with those institutions.

NOTE C - INVESTMENTS

The Foundation's investments are held by financial institutions and consisted of the following at December 31:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Endowment Funds:				
Fixed income	$14,762,498	$15,156,732	$14,203,015	$14,819,531
Domestic equity	17,430,526	13,493,982	15,846,055	13,480,176
International equity	10,607,173	11,423,672	9,668,921	10,840,134
Alternative investments	7,571,267	7,455,756	6,916,771	7,180,529
Temporary Funds:				
Fixed income	1,732,762	1,729,881	1,423,200	1,430,834
Total investments	$52,104,226	$49,260,023	$48,057,962	$47,751,204

Alternative investments consist of gold, commodities, long/short, floating rate high yield bonds, emerging market equities and bonds, nontraditional bonds, real estate investment trusts and hedge funds.

Concentration of Credit Risk - Investments

Brokerage accounts have insurance of $500,000 per broker, provided by the Securities Investor Protection Corporation. The balance of investments exceeded insured limits by $46.3 million at December 31, 2016.

NOTE D - PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2016 and 2015 consist of unconditional promises to give. The carrying value of these pledges approximates present value. No allowance for uncollectible pledges is recorded as of December 31, 2016 and 2015 because such amounts are expected to be insignificant. Amounts are to be received as follows:

	2016	2015
2016	$ -	$ 132,692
2017	78,817	74,816
2018	4,119	4,800
2019	2,300	2,300
	$ 85,236	$ 214,608

NOTE E - FAIR VALUE

The Foundation utilizes fair value measurements to record fair value adjustments to investments and beneficial interest in charitable remainder trusts and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

Fair Value Hierarchy

Under FASB ASC 820, the Foundation groups its investments and beneficial interest in charitable remainder trusts at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds valued at net asset value of shares held by the Foundation at year-end.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Foundation's investments is based upon quoted prices. Level 1 investments include equity securities (primarily mutual funds) and debt securities (principally corporate bonds). Level 3 investments include private company stock.

Fair value measurement for the beneficial interest in charitable remainder trust is based upon an estimated rate of return, anticipated future payments to be made to the donor during the donor's life, donor's life expectancy and an assumed discount rate as discussed further in Note F.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value:

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Assets				
Fixed income	$ 16,495,260	$ -	$ -	$ 16,495,260
Domestic equity	17,430,526	-	-	17,430,526
International equity	10,607,173	-	-	10,607,173
Alternative investments	7,571,267	-	-	7,571,267
Charitable remainder trusts	-	-	634,000	634,000
	$ 52,104,226	$ -	$ 634,000	$ 52,738,226

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Assets				
Fixed income	$ 15,626,215	$ -	$ -	$ 15,626,215
Domestic equity	15,846,055	-	-	15,846,055
International equity	9,668,921	-	-	9,668,921
Alternative investments	6,916,771	-	-	6,916,771
Charitable remainder trusts	-	-	597,000	597,000
	$ 48,057,962	$ -	$ 597,000	$ 48,654,962

Alternative investments consist of gold, commodities, long/short, floating rate high yield bonds, emerging market equities and bonds, nontraditional bonds, real estate investment trusts and hedge funds.

The table below presents a reconciliation for the Foundation's beneficial interest in charitable remainder trusts and private stock measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31, 2016 and 2015:

	Beneficial Interest in Charitable Remainder Trusts
Balance, January 1, 2015	$ 649,000
Change in value of beneficial interest in charitable remainder trusts	(52,000)
Balance December 31, 2015	597,000
Change in value of beneficial interest in charitable remainder trusts	37,000
Balance, December 31, 2016	$ 634,000

NOTE F - CHARITABLE REMAINDER TRUSTS

As of January 1, 2014, a donor having a charitable remainder unitrust managed by a third party named the Foundation as the remainder beneficiary. Under the terms of this split-interest agreement, the third party trustee must pay the donor 4.5% - 5% of the net fair value of the assets of the trust as valued on the first day of each taxable year of the trust. Such payments continue throughout the donor's life; at the time of the donor's death, the trust will terminate, and the remaining trust assets will be distributed to the Foundation.

At December 31, 2016, based on the donors' life expectancies and an assumed 1.8% discount rate, the fair value of the beneficial interest to be received by the Foundation was estimated at $634,000.

At December 31, 2015, based on the donors' life expectancies and an assumed 2.0% discount rate, the fair value of the beneficial interest to be received by the Foundation was estimated at $597,000.

NOTE G - GRANTS PAYABLE

The Foundation has an annual spending policy to distribute the larger of each fund's (1) previous year's endowment earnings, (2) 4% of the fund's average fair values over the prior 12 quarters through the previous year-end or (3) the remaining balance in grants payable. Grants payable consist of grants approved for distribution under this spending policy but not paid to local non-profit organizations or individual scholarship recipients. At December 31, 2016 and 2015, amounts scheduled to be paid are as follows:

2016	$ -	$ 67,500
2017	267,478	3,450
	$ 267,478	$ 70,950

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following amounts at December 31:

	2016	2015
Pledges and charitable remainder trusts	$ 719,236	$ 811,608
Endowments	2,352,445	1,678,124
Grant making	1,882,330	1,371,402
Total temporarily restricted net assets	$ 4,954,011	$ 3,861,134

NOTE I - ENDOWMENT

The Foundation's endowment consists of individual funds that are donor restricted or Board designated, and have been established for a variety of 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.

Interpretation of Relevant Law

The Foundation has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act ("UPMIFA") (Act 87 of 2009) 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 instrument, if any, at the time of the accumulation. 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 UPMIFA. Temporarily restricted donations specified by the donor to restore funds with deficiencies to the original corpus amount are recorded as unrestricted endowment net assets. In accordance with UPMIFA, 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 fund;
2. The purpose of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation (depreciation) of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

This space left blank intentionally

Following is a summary of the changes in the endowment net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of January 1, 2015	$ (530,004)	$ 2,774,231	$ 46,466,348	$ 48,710,575
Investment return:				
Investment income	-	1,206,035	-	1,206,035
Net realized and unrealized loss	-	(2,213,122)	-	(2,213,122)
Net investment loss	-	(1,007,087)	-	(1,007,087)
Contributions and other revenue	-	160,640	973,308	1,133,948
Transfers from temporary funds requested by fund advisors	-	57,729	62,768	120,497
Change in deficit in endowments	(1,935,961)	1,935,961	-	-
Appropriation of endowment assets for expenditure	2,243,350	(2,243,350)	-	-
Expenditure of endowment assets or approval of distribution	(2,243,350)	-	-	(2,243,350)
Changes to endowment net assets	(1,935,961)	(1,096,107)	1,036,076	(1,995,992)
Endowment net assets as of December 31, 2015	(2,465,965)	1,678,124	47,502,424	46,714,583
Investment return:				
Investment income	-	1,216,571	-	1,216,571
Net realized and unrealized gain	-	2,798,948	-	2,798,948
Net investment gain	-	4,015,519	-	4,015,519
Contributions and other revenue	-	147,619	2,055,154	2,202,773
Transfers from temporary funds requested by fund advisors	-	(35,016)	182,258	147,242
Change in deficit in endowments	1,113,714	(1,113,714)	-	-
Appropriation of endowment assets for expenditure	2,340,087	(2,340,087)	-	-
Expenditure of endowment assets or approval of distribution	(2,340,087)	-	-	(2,340,087)
Changes to endowment net assets	1,113,714	674,321	2,237,412	4,025,447
Endowment net assets as of December 31, 2016	$ (1,352,251)	$ 2,352,445	$ 49,739,836	$ 50,740,030

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 Foundation policy requires the Foundation to retain as a fund of perpetual duration as a result of unrealized investment losses. The Foundation has deficiencies of this nature that are reported in unrestricted net assets of $1,352,251 and $2,465,965 as of December 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations which management believes are temporary.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to maximize total return over the long-term, recognizing there will be some volatility over the short-term, to provide a stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 7.5% annually. Actual returns in any given year may vary from this range.

Strategies Employed for Achieving Objectives

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

NOTE J - ADMINISTRATIVE FEES

The Foundation charges a fee for management of each fund. The fees are assessed at the end of each quarter based upon the ending quarterly average balances for net assets on a trailing twelve quarter rolling period. Fees vary by the fund agreement for each fund. Fees charged to most funds have been established at 1%. For the more recently established funds, the fee has been established at 1.5%. Any endowed fund that has been established for three full calendar years will be charged a minimum fee of $250 annually. In the case of sponsored temporary funds, policy calls for a 2% fee. Exceptions to these fees may be made by the Executive Director of the Foundation.

Administrative fees charged by the Foundation to temporarily and permanently restricted funds amounted to $648,011 and $596,627 during the years ended December 31, 2016 and 2015, respectively.

NOTE K - RETIREMENT PLAN

The Foundation participates in a Group Retirement Annuities 403(b) Plan and contributes 8% of each employee's wages. The Foundation contributed $28,849 and $27,692 during the years ended December 31, 2016 and 2015, respectively.

NOTE L - OPERATING LEASE

On November 1, 2015, the Foundation entered into a five-year operating lease for its current office space. The lease requires monthly rental payments of $2,050 to $2,168 over the five-year period. Property taxes, maintenance and insurance are paid by the landlord.

Total rent expense for this lease amounted to $24,664 and $24,271 during the years ended December 31, 2016 and 2015, respectively.

Future minimum lease payments as of December 31, 2016 are as follows:

2017	$ 25,015
2018	25,367
2019	25,718
2020	21,676
	$ 97,776