

COMMUNITY FOUNDATION OF PULASKI COUNTY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

Report of Independent Certified Public Accountants

Board of Directors
Community Foundation of Pulaski County, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Pulaski County, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, 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 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 Community Foundation of Pulaski County, Inc. as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
June 15, 2016

Community Foundation of Pulaski County, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 663,929	\$ 935,034
Bequest receivable	-	20,000
Investments	7,808,865	7,665,516
Furniture and equipment, net of accumulated depreciation of \$21,770 and \$21,408 in 2015 and 2014, respectively	<u>550</u>	<u>912</u>
	<u>\$ 8,473,344</u>	<u>\$ 8,621,462</u>
LIABILITIES		
Accounts payable	\$ 776	\$ 1,101
Accrued liabilities	3,547	2,926
Scholarships payable	3,749	5,918
Deferred revenue	105,585	425,795
Annuity reserves	68,926	72,837
Agency funds	<u>480,713</u>	<u>518,834</u>
Total liabilities	663,296	1,027,411
NET ASSETS		
Unrestricted	1,898,734	1,640,475
Temporarily restricted	892,420	1,394,004
Permanently restricted	<u>5,018,894</u>	<u>4,559,572</u>
	<u>7,810,048</u>	<u>7,594,051</u>
	<u>\$ 8,473,344</u>	<u>\$ 8,621,462</u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue				
Contributions	\$ 269,646	\$ 62,781	\$ 459,322	\$ 791,749
Administrative fee income	132,609			132,609
Interest and dividends	67,661	244,331		311,992
Realized gains on investments	16,051	43,043		59,094
Unrealized gains (losses) on investments	(105,110)	(419,013)		(524,123)
Change in value of split-interest agreements		(6,289)		(6,289)
Other income				
	<u>380,857</u>	<u>(75,147)</u>	<u>459,322</u>	<u>765,032</u>
Net assets released from restrictions				
Restrictions satisfied by payments	426,437	(426,437)		
Expenses				
Program services				
Grants and scholarships	258,235			258,235
Program expenses	40,785			40,785
Supporting services				
Operating expenses	81,089			81,089
Administrative fee expense	125,429			125,429
Investment fees	17,494			17,494
Fundraising expenses	26,003			26,003
	<u>549,035</u>			<u>549,035</u>
CHANGE IN NET ASSETS	258,259	(501,584)	459,322	215,997
Net assets at beginning of year	<u>1,640,475</u>	<u>1,394,004</u>	<u>4,559,572</u>	<u>7,594,051</u>
Net assets at end of year	<u><u>\$ 1,898,734</u></u>	<u><u>\$ 892,420</u></u>	<u><u>\$ 5,018,894</u></u>	<u><u>\$ 7,810,048</u></u>

The accompanying notes are an integral part of these statements.

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 46,441	\$ 23,656	\$ 243,375	\$ 313,472
91,597			91,597
10,103	305,193		315,296
22,384	138,555		160,939
83,994	(182,813)		(98,819)
	2,276		2,276
<u>335</u>			<u>335</u>
254,854	286,867	243,375	785,096
311,714	(311,714)		
270,549			270,549
33,858			33,858
65,666			65,666
86,237			86,237
23,242			23,242
<u>24,945</u>			<u>24,945</u>
<u>504,497</u>			<u>504,497</u>
62,071	(24,847)	243,375	280,599
<u>1,578,404</u>	<u>1,418,851</u>	<u>4,316,197</u>	<u>7,313,452</u>
<u>\$ 1,640,475</u>	<u>\$ 1,394,004</u>	<u>\$ 4,559,572</u>	<u>\$ 7,594,051</u>

Community Foundation of Pulaski County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 215,997	\$ 280,599
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	362	698
Realized gains on investments	(59,094)	(160,939)
Unrealized losses on investments	524,123	98,819
Change in value of split-interest agreements	6,289	(2,276)
Contributions to restricted funds	(459,322)	(243,375)
Increase in bequest receivable	20,000	(20,000)
Increase (decrease) in liabilities:		
Accounts payable	(325)	183
Accrued liabilities	621	(697)
Scholarships payable	(2,169)	(1,324)
Deferred revenue	(320,210)	425,795
Agency funds	(38,121)	1,848
Net cash provided by (used in) operating activities	(111,849)	379,331
Cash flows from investing activities:		
Contribution of annuity reserves		28,643
Payments on charitable gift annuities	(10,200)	(8,000)
Proceeds from sale of investments	344,587	1,847,920
Purchase of investments	(952,965)	(1,907,920)
Net cash used in investing activities	(618,578)	(39,357)
Cash flows from financing activities:		
Cash received from contributors for restricted funds	459,322	243,375
Net cash provided by financing activities	459,322	243,375
Net increase (decrease) in cash and cash equivalents	(271,105)	583,349
Cash and cash equivalents at beginning of year	935,034	351,685
Cash and cash equivalents at end of year	<u>\$ 663,929</u>	<u>\$ 935,034</u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Community Foundation of Pulaski County, Inc. (Foundation) was incorporated as a not-for-profit organization on November 30, 2001, under the laws of the State of Indiana. The Foundation is a public foundation located in Winamac, Indiana, which secures permanent funds to serve the philanthropic goals of donors who wish to better their community by providing them with flexible, efficient, and tax-effective ways to achieve the greatest possible impact. Support consists of donations from private and public organizations or individuals. Other sources of revenue are primarily investment earnings from the endowed funds held by the Foundation.

2. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at financial institutions which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

In accordance with the Not-for-Profit Entities - Investments - Debt and Equity Securities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), investments are recorded at fair value. The changes in the difference between fair value and cost are reflected in the financial statements as net unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

5. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 and 2014, the Foundation did not exceed the insured limit.

6. Property, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support and revenue at the estimated fair-market value at the date of gift. Depreciation is computed according to the estimated useful lives of the respective assets, which range from three to forty years, using the straight-line method.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Deferred Revenue

During 2014, the Foundation received a \$500,000 gift from Lilly GIFT VI, which has a matching requirement. The Foundation raised \$461,514 and \$122,022 towards the matching requirement and recorded \$320,208 and \$74,205 as contribution revenue from the matching gift during 2015 and 2014, respectively. The unmatched portion of the Lilly GIFT VI is \$105,585 and \$425,795 as of December 31, 2015 and 2014 and is recorded as deferred revenue on the Statements of Financial Position. The Foundation earned the remaining \$105,585 on March 21, 2016, which completed Lilly GIFT VI.

8. Grants and scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2015 and 2014 was \$258,235 and \$270,549, respectively.

9. Net Assets and Spending Policy

The financial statements have been prepared in accordance with FASB ASC 958-205-05. Under the provisions, net assets are classified based upon the existence or absence of donor-imposed restrictions. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation.

Permanently restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

The primary investment objective of the Foundation is to maximize total return of the Portfolio net of inflation, spending, and expenses, over a full market cycle without undue exposure to risk. It is expected that the Portfolio will outperform this weighted benchmark index over a full market cycle. The benchmark index is comprised of each asset class index weighted by its target allocation.

The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. The target spending amount for the Foundation will be up to 4.0% of the previous twelve-quarter, moving average of the Portfolio's market value. The formula shall be applied to the twelve quarters ending each fiscal year prior to payout.

10. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes. The Foundation is not considered to be a private foundation.

11. Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Compensated Absences

The Foundation's policy for compensated absences requires employees to take their paid time off during the year for which it is earned. Therefore, no accumulation results and no accrual are necessary.

13. Functional Allocation of Expenses

The costs of providing the various programs and supporting services 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.

14. Advertising

Advertising costs are expensed as incurred and included in functional expenses. Advertising expenses totaled \$10,785 and \$3,399 for 2015 and 2014, respectively.

15. Uncertain Tax Positions

The Foundation follows the Income Tax topic of the FASB ASC. The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

16. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2015 and 2014, by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - INVESTMENTS - Continued

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds - equities:		
Foreign large blend	\$ 797,412	\$ 887,242
Large value	2,605,617	2,470,118
World allocation	65,678	70,065
Small growth	303,980	268,946
Large growth	605,137	579,205
Small blend	196,201	175,690
Diversified emerging markets	192,915	187,335
Diversified Pacific/Asia	275,133	305,107
World stock fund	174,443	170,727
Tactical allocation	261,880	232,488
US large blend	261,820	255,401
Total mutual funds - equity	<u>5,740,216</u>	<u>5,602,324</u>
Mutual funds - fixed income:		
Short-term bond	206,108	204,728
Intermediate-term bond	1,349,180	1,317,831
High yield bond	107,285	116,003
World bond	406,076	424,630
Total mutual funds - fixed income	<u>2,068,649</u>	<u>2,063,192</u>
Total investments, at fair value	<u>\$ 7,808,865</u>	<u>\$ 7,665,516</u>
Total investments, at historical cost	<u>\$ 7,032,580</u>	<u>\$ 6,595,627</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014.

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment return	\$ 67,661	\$ 244,331	\$ 311,992
Realized gains on investments	16,051	43,043	59,094
Unrealized losses on investments	<u>(105,110)</u>	<u>(419,013)</u>	<u>(524,123)</u>
	<u>\$ (21,398)</u>	<u>\$ (131,639)</u>	<u>\$ (153,037)</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE B - INVESTMENTS - Continued

	2014		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 10,103	\$ 305,193	\$ 315,296
Realized gains on investments	22,384	138,555	160,939
Unrealized gains (losses) on investments	83,994	(182,813)	(98,819)
	<u>\$ 116,481</u>	<u>\$ 260,935</u>	<u>\$ 377,416</u>

NOTE C - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note B). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

NOTE D - FAIR VALUE MEASUREMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value 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.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2015 and 2014, respectively:

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE D - FAIR VALUE MEASUREMENTS - Continued

	2015			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 7,808,865	\$ 7,808,865		
Liabilities:				
Annuity reserves	\$ 68,926		\$ 68,926	
	2014			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 7,665,516	\$ 7,665,516		
Liabilities:				
Annuity reserves	\$ 72,837		\$ 72,837	

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for annuity reserves is determined by present value calculations done on an annual basis.

NOTE E - SPLIT-INTEREST AGREEMENT

The Foundation administers two split-interest agreements which require future payments to contributors or their named beneficiaries. The assets received are recorded at their fair value. The fair market value of assets held for the charitable gift annuity totaled \$106,091 and \$120,138 at December 31, 2015 and 2014, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of future payment obligations at December 31, 2015 and 2014 was \$68,926 and \$72,837, respectively. The liability was determined using discount rates of 5.7% to 7.2%. The change in the actuarial value of the annuity obligations resulted in an increase in liabilities and a decrease in revenue of \$6,289 at December 31, 2015, and a decrease in liabilities and an increase in revenue of \$2,276 at December 31, 2014.

NOTE F - RESTRICTED NET ASSETS

The Foundation adopted the topic Donor-Restricted Endowment Fund under FASB ASC 958. FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. Upon adoption, there was no change in the Foundation's net asset classification. In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE F - RESTRICTED NET ASSETS - Continued

The Foundation's endowment consists of 94 and 91 individual funds established for a variety of purposes as of December 31, 2015 and 2014, respectively. The endowment includes both funds established by donors and funds designated by the Board to function as endowments. The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2015 and 2014 was as follows:

		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	endowment funds		\$ 855,652	\$ 5,018,894	\$ 5,874,546
Board-designated	endowment funds	\$ 1,475,967			1,475,967
		<u>\$ 1,475,967</u>	<u>\$ 855,652</u>	<u>\$ 5,018,894</u>	<u>\$ 7,350,513</u>
		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	endowment funds		\$ 1,298,348	\$ 4,559,572	\$ 5,857,920
Board-designated	endowment funds	\$ 1,286,071			1,286,071
		<u>\$ 1,286,071</u>	<u>\$ 1,298,348</u>	<u>\$ 4,559,572</u>	<u>\$ 7,143,991</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE F - RESTRICTED NET ASSETS - Continued

Changes in endowment net assets for the years ended December 31, 2015 and 2014, were as follows:

	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and other	\$ 264,284		\$ 459,322
Investment return	55,787	\$ 240,836	
Net depreciation of investments	(81,213)	(360,702)	
Total revenue and support	238,858	(119,866)	459,322
Appropriation of endowment assets for expenditure	48,962	322,830	
Change in endowment net assets	189,896	(442,696)	459,322
Endowment net assets, beginning of year	1,286,071	1,298,348	4,559,572
Endowment net assets, end of year	<u>\$ 1,475,967</u>	<u>\$ 855,652</u>	<u>\$ 5,018,894</u>
	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and other	\$ 50,697		\$ 243,375
Investment return	54,757	\$ 251,913	
Net appreciation of investments	9,997	44,440	
Total revenue	115,451	296,353	243,375
Appropriation of endowment assets for expenditure	69,243	291,296	
Change in endowment net assets	46,208	5,057	243,375
Endowment net assets, beginning of year	1,239,863	1,293,291	4,316,197
Endowment net assets, end of year	<u>\$ 1,286,071</u>	<u>\$ 1,298,348</u>	<u>\$ 4,559,572</u>

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2015 and 2014, no endowment funds were underwater. Deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that may be deemed prudent by the board of directors.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE F - RESTRICTED NET ASSETS - Continued

The Foundation follows the topic Donor-Restricted Endowment Fund under FASB ASC 958. FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted.

Donor restrictions have been imposed on a significant portion of the Foundation's net assets for the following areas of interest at December 31, 2015 and 2014.

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowments	\$ 703,265	\$ 3,516,023	\$ 1,010,731	\$ 3,109,943
Scholarship	152,387	1,433,548	287,617	1,380,306
Charitable gift annuities		69,323		69,323
Growing and pass-through funds	36,768		95,656	
	<u>\$ 892,420</u>	<u>\$ 5,018,894</u>	<u>\$ 1,394,004</u>	<u>\$ 4,559,572</u>

NOTE G - AGENCY FUNDS

In accordance with FASB ASC-958-20-15, the Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments.

During the years ended December 31, 2015 and 2014, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	2015	2014
Support and revenue		
Contributions and pledges	\$ 2,039	\$ 1,476
Investment income	22,045	23,188
Realized gains on investments	4,075	12,118
Unrealized losses on investments	(37,066)	(7,819)
	<u>\$ (8,907)</u>	<u>\$ 28,963</u>
Expenses		
Grants expense	20,735	19,972
Bank trustee fees	1,299	1,783
Administrative fees	7,180	5,360
	<u>29,214</u>	<u>27,115</u>
Change in agency funds	(38,121)	1,848
Balance at beginning of year	<u>518,834</u>	<u>516,986</u>
Balance at end of year	<u>\$ 480,713</u>	<u>\$ 518,834</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE H - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge of 1.5% to 2.0% on endowment and pass-through funds. The amount assessed to the funds is based upon the principal balance of the fund. This amount is used primarily to support the operations of the Foundation.

For the years ended December 31, 2015 and 2014, \$132,609 and \$91,597, respectively, is included as support and revenue and \$125,429 and \$86,237, respectively is included as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE I - OPERATING LEASE AGREEMENT

In December 2015, the Foundation entered into a one year operating lease for its office facility. The lease requires annual payments of \$6,000 payable in installments of \$500 per month. Rent expense at December 31, 2015 and 2014 was \$6,000.

NOTE J - BEQUESTS

Bequests from estates are recorded when the Foundation is notified by the executor or other representative of a deceased person of an amount due the Foundation from an estate. The Foundation was notified during 2014 that it will receive a \$20,000 irrevocable bequest during the year ending December 31, 2015. The bequest has been recorded as a contribution and a receivable as of December 31, 2014. The bequest was received in July 2015.

NOTE K - RELATED-PARTY TRANSACTIONS

During 2015 and 2014, officers and board members made donations to the Foundation totaling \$21,653 and \$16,980, respectively.

NOTE L - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through June 15, 2016, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2015, have been incorporated into these financial statements herein.