

COMMUNITY FOUNDATION OF PULASKI COUNTY, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2016 and 2015

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, 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 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, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
August 15, 2017

## Community Foundation of Pulaski County, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 553,066	\$ 663,929
Investments	8,419,012	7,808,865
Furniture and equipment, net of accumulated depreciation of \$21,990 and \$21,770 in 2016 and 2015, respectively	<u>330</u>	<u>550</u>
	<u>\$ 8,972,408</u>	<u>\$ 8,473,344</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,235	\$ 776
Accrued liabilities	4,559	3,547
Scholarships payable	7,208	3,749
Deferred revenue	-	105,585
Annuity reserves	65,762	68,926
Agency funds	<u>518,873</u>	<u>480,713</u>
Total liabilities	599,637	663,296
<b>NET ASSETS</b>		
Unrestricted	2,026,236	1,898,734
Temporarily restricted	1,139,642	892,420
Permanently restricted	<u>5,206,893</u>	<u>5,018,894</u>
	<u>8,372,771</u>	<u>7,810,048</u>
	<u>\$ 8,972,408</u>	<u>\$ 8,473,344</u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue				
Contributions	\$ 84,777	\$ 177,358	\$ 187,999	\$ 450,134
Administrative fee income	145,056			145,056
Interest and dividends	79,710	265,615		345,325
Realized gains on investments	106,521	391,165		497,686
Unrealized losses on investments	(45,254)	(147,429)		(192,683)
Change in value of split-interest agreements		(7,036)		(7,036)
Other income	141			141
	<u>370,951</u>	<u>679,673</u>	<u>187,999</u>	<u>1,238,623</u>
Net assets released from restrictions				
Restrictions satisfied by payments	432,451	(432,451)		
Expenses				
Program services				
Grants and scholarships	359,378			359,378
Program expenses	36,251			36,251
Supporting services				
Operating expenses	86,110			86,110
Administrative fee expense	137,412			137,412
Investment fees	29,276			29,276
Fundraising expenses	27,473			27,473
	<u>675,900</u>			<u>675,900</u>
<b>CHANGE IN NET ASSETS</b>	<b>127,502</b>	<b>247,222</b>	<b>187,999</b>	<b>562,723</b>
Net assets at beginning of year	<u>1,898,734</u>	<u>892,420</u>	<u>5,018,894</u>	<u>7,810,048</u>
Net assets at end of year	<u><u>\$ 2,026,236</u></u>	<u><u>\$ 1,139,642</u></u>	<u><u>\$ 5,206,893</u></u>	<u><u>\$ 8,372,771</u></u>

The accompanying notes are an integral part of these statements.

2015			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 269,646	\$ 62,781	\$ 459,322	\$ 791,749
132,609			132,609
67,661	244,331		311,992
16,051	43,043		59,094
(105,110)	(419,013)		(524,123)
	(6,289)		(6,289)
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380,857	(75,147)	459,322	765,032
426,437	(426,437)		
258,235			258,235
40,785			40,785
81,089			81,089
125,429			125,429
17,494			17,494
26,003			26,003
<hr/>	<hr/>	<hr/>	<hr/>
549,035			549,035
258,259	(501,584)	459,322	215,997
<hr/>	<hr/>	<hr/>	<hr/>
1,640,475	1,394,004	4,559,572	7,594,051
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 1,898,734</u>	<u>\$ 892,420</u>	<u>\$ 5,018,894</u>	<u>\$ 7,810,048</u>

## Community Foundation of Pulaski County, Inc.

## STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 562,723	\$ 215,997
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:		
Depreciation	220	362
Realized gains on investments	(497,686)	(59,094)
Unrealized losses on investments	192,683	524,123
Change in value of split-interest agreements	7,036	6,289
Contributions to restricted funds	(187,999)	(459,322)
Increase in bequest receivable		20,000
Increase (decrease) in liabilities:		
Accounts payable	2,459	(325)
Accrued liabilities	1,012	621
Scholarships payable	3,459	(2,169)
Deferred revenue	(105,585)	(320,210)
Agency funds	38,160	(38,121)
Net cash provided by (used in) operating activities	16,482	(111,849)
Cash flows from investing activities:		
Payments on charitable gift annuities	(10,200)	(10,200)
Proceeds from sale of investments	1,464,588	344,587
Purchase of investments	(1,769,732)	(952,965)
Net cash used in investing activities	(315,344)	(618,578)
Cash flows from financing activities:		
Cash received from contributors for restricted funds	187,999	459,322
Net cash provided by financing activities	187,999	459,322
Net decrease in cash and cash equivalents	(110,863)	(271,105)
Cash and cash equivalents at beginning of year	663,929	935,034
Cash and cash equivalents at end of year	<u>\$ 553,066</u>	<u>\$ 663,929</u>

The accompanying notes are an integral part of these statements.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

## 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

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, 2016 and 2015, the Foundation exceeded the insured limit by \$115,037 and \$-0-, respectively.

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, 2016 and 2015

## 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 \$134,518 and \$461,514 towards the matching requirement and recorded \$105,585 and \$320,210 as contribution revenue from the matching gift during 2016 and 2015, respectively. The unmatched portion of the Lilly GIFT VI is \$0- and \$105,585 as of December 31, 2016 and 2015 and is recorded as deferred revenue on the Statements of Financial Position. The Foundation completed Lilly GIFT VI on March 21, 2016.

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, 2016 and 2015 was \$359,378 and \$258,235, respectively.

9. Net Assets and Spending Policy

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, 2016 and 2015

## 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 \$4,755 and \$10,785 for 2016 and 2015, respectively.

15. Uncertain Tax Positions

The Foundation 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 2013, 2014, and 2015 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, 2016 and 2015, 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, 2016 and 2015

## NOTE B - INVESTMENTS - Continued

	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds - equities:		
Foreign large blend	\$ 851,834	\$ 797,412
Large value	2,651,994	2,605,617
World allocation	67,783	65,678
Small growth	221,699	303,980
Large growth		605,137
Small blend	244,908	196,201
Large blend	208,751	
Diversified emerging markets	252,527	192,915
Diversified Pacific/Asia	317,568	275,133
World stock fund	84,708	174,443
Tactical allocation	630,787	261,880
US large blend		261,820
Total mutual funds - equity	<u>5,532,559</u>	<u>5,740,216</u>
Mutual funds - fixed income:		
Corporate bonds	144,219	
Short-term bond	503,800	206,108
Intermediate-term bond	1,699,167	1,349,180
High yield bond	124,960	107,285
World bond	414,307	406,076
Total mutual funds - fixed income	<u>2,886,453</u>	<u>2,068,649</u>
Total investments, at fair value	<u>\$ 8,419,012</u>	<u>\$ 7,808,865</u>
Total investments, at historical cost	<u>\$ 7,826,188</u>	<u>\$ 7,032,580</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2016 and 2015.

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment return	\$ 79,710	\$ 265,615	\$ 345,325
Realized gains on investments	106,521	391,165	497,686
Unrealized losses on investments	(45,254)	(147,429)	(192,683)
	<u>\$ 140,977</u>	<u>\$ 509,351</u>	<u>\$ 650,328</u>

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

## NOTE B - INVESTMENTS - Continued

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

Fair value is 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.

A hierarchy of inputs is 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, 2016 and 2015, respectively:

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

## NOTE D - FAIR VALUE MEASUREMENTS - Continued

	2016			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 8,419,012	\$ 8,419,012		
Liabilities:				
Annuity reserves	\$ 65,762		\$ 65,762	
	2015			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 7,808,865	\$ 7,808,865		
Liabilities:				
Annuity reserves	\$ 68,926		\$ 68,926	

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 \$100,386 and \$106,091 at December 31, 2016 and 2015, 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, 2016 and 2015 was \$65,762 and \$68,926, 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 a decrease in liabilities and a decrease in revenue of \$7,036 at December 31, 2016, and a decrease in liabilities and a decrease in revenue of \$6,289 at December 31, 2015.

## NOTE F - RESTRICTED NET ASSETS

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, 2016 and 2015

## NOTE F - RESTRICTED NET ASSETS - Continued

The Foundation's endowment consists of 98 and 94 individual funds established for a variety of purposes as of December 31, 2016 and 2015, 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, 2016 and 2015 was as follows:

		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	endowment funds		\$ 1,030,954	\$ 5,206,893	\$ 6,237,847
Board-designated	endowment funds	\$ 1,573,873			1,573,873
		<u>\$ 1,573,873</u>	<u>\$ 1,030,954</u>	<u>\$ 5,206,893</u>	<u>\$ 7,811,720</u>
		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>

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

## NOTE F - RESTRICTED NET ASSETS - Continued

Changes in endowment net assets for the years ended December 31, 2016 and 2015, were as follows:

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and other	\$ 121,930		\$ 187,999
Investment return	71,621	\$ 265,022	
Net appreciation of investments	61,267	230,334	
Total revenue and support	254,818	495,356	187,999
Appropriation of endowment assets for expenditure	156,912	320,054	
Change in endowment net assets	97,906	175,302	187,999
Endowment net assets, beginning of year	1,475,967	855,652	5,018,894
Endowment net assets, end of year	<u>\$ 1,573,873</u>	<u>\$ 1,030,954</u>	<u>\$ 5,206,893</u>
	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	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>

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, 2016 and 2015, 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, 2016 and 2015

## NOTE F - RESTRICTED NET ASSETS - Continued

Donor restrictions have been imposed on a significant portion of the Foundation's net assets for the following areas of interest at December 31, 2016 and 2015.

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowments	\$ 843,990	\$ 3,665,303	\$ 703,265	\$ 3,516,023
Scholarship	186,964	1,472,267	152,387	1,433,548
Charitable gift annuities		69,323		69,323
Growing and pass-through funds	108,688		36,768	
	<u>\$ 1,139,642</u>	<u>\$ 5,206,893</u>	<u>\$ 892,420</u>	<u>\$ 5,018,894</u>

## NOTE G - AGENCY FUNDS

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, 2016 and 2015, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	2016	2015
Support and revenue		
Contributions and pledges	\$ 26,622	\$ 2,039
Investment income	22,975	22,045
Realized gains on investments	33,516	4,075
Unrealized losses on investments	(14,522)	(37,066)
	<u>\$ 68,591</u>	<u>\$ (8,907)</u>
Expenses		
Grants expense	20,813	20,735
Bank trustee fees	1,974	1,299
Administrative fees	7,644	7,180
	<u>30,431</u>	<u>29,214</u>
Change in agency funds	38,160	(38,121)
Balance at beginning of year	<u>480,713</u>	<u>518,834</u>
Balance at end of year	<u>\$ 518,873</u>	<u>\$ 480,713</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

**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, 2016 and 2015, \$145,056 and \$132,609, respectively, is included as support and revenue and \$137,412 and \$125,429, 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 2016, 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, 2016 and 2015 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 2016 and 2015, officers and board members made donations to the Foundation totaling \$35,001 and \$21,653, respectively.

**NOTE L - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through August 15, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2016, have been incorporated into these financial statements herein.