COMMUNITY FOUNDATION OF MOUNT VERNON & KNOX COUNTY

(WITH SUPPORTING ORGANIZATIONS)

INDEPENDENT AUDITORS' REPORT &
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 & 2015

Rea & associates

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COMMUNITY FOUNDATION
OF MOUNT VERNON & KNOX COUNTY

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Rea & associates a brighter way

August 2, 2017

To the Board of Directors
Community Foundation of
Mount Vernon &Knox County
Mt. Vernon, Ohio

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Community Foundation of Mount Vernon & Knox County which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, and consolidated statements of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Mount Vernon & Knox County as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Community Foundation of Mount Vernon & Knox County
Consolidated Statements of Financial Position
December 31, 2016 and 2015

ASSETS	2016	2015
Current assets		
Cash and cash equivalents	$ 987,585	$ 717,775
Investments, at fair value		
Marketable equity securities	28,684,716	24,659,159
Mutual funds, index funds & ETFs	12,138,539	10,733,861
Marketable debt securities	13,982,239	12,271,800
Marketable certificates of deposit	1,010,132	904,298
Investment in Commonfund partnership	1,761,282	1,635,871
Total current investments	57,576,908	50,204,989
Total current assets	58,564,493	50,922,764
Noncurrent Assets		
Net real estate & structures	2,038,522	1,951,528
Noncurrent Investments		
Nonmarketable equity securities	499,148	499,148
Investment in Commonfund partnership	820,520	855,805
Total noncurrent investments	1,319,668	1,354,953
Total noncurrent assets	3,358,190	3,306,481
Total Assets	$ 61,922,683	$ 54,229,245
LIABILITIES & NET ASSETS		
Liabilities		
Accounts payable	$ 2,963	$ -
Payroll taxes payable	10,241	-
Grants payable	129,000	178,750
Assets held as agency funds	7,390,907	4,230,411
Liabilities to beneficiaries from split interest agreements	1,207,547	1,079,086
Total liabilities	8,740,658	5,488,247
Net assets		
Unrestricted	8,397,552	6,239,041
Temporarily restricted	17,500,965	17,340,011
Permanently restricted	27,283,508	25,161,946
Total net assets	53,182,025	48,740,998
Total Liabilities & Net Assets	$ 61,922,683	$ 54,229,245

The accompanying notes are an integral part of the financial statements

Community Foundation of Mount Vernon & Knox County
Consolidated Statement of Activities
For the year ended December 31, 2016

		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Revenues, Gains and Other Support								
Public support								
Contributions	$	34,025	$	3,483,683	$	1,841,350	$	5,359,058
Less: amounts received for agency funds		-		*(2,667,314)*		-		*(2,667,314)*
Net public support		34,025		816,369		1,841,350		2,691,744
Investment income								
Dividends & interest		442,763		1,204,960		-		1,647,723
Realized & unrealized gains		1,249,870		2,921,588		-		4,171,458
Less: amounts allocated to agency funds held for others		-		*(629,074)*		-		*(629,074)*
Net investment income		1,692,633		3,497,474		-		5,190,107
Miscellaneous revenues		201		25,202		-		25,403
Change in value of split interest agreements		-		(196,677)		-		(196,677)
Gifts and transfers (to) from funds		1,231,743		(1,511,955)		280,212		-
Net assets released from restrictions								
Grant purpose restriction met		2,088,840		(2,088,840)		-		-
Allocated administrative & investment fees		380,619		(380,619)		-		-
Total Revenues, Gains & Other Support	$	5,428,061	$	160,954	$	2,121,562	$	7,710,577
Expenses:								
Program services								
Charitable grant distributions	$	1,904,428	$	-	$	-	$	1,904,428
Educational scholarships		845,581		-		-		845,581
Schnormeier Gardens expenses		15,979		-		-		15,979
Camp Cornish expenses		11,323		-		-		11,323
Other program expenses		15,991						15,991
Less: Grants made from agency funds		*(74,370)*		-		-		*(74,370)*
Total program services		2,718,932		-		-		2,718,932
General & administrative								
Investment management fees		258,413		-		-		258,413
Personnel		256,987		-		-		256,987
Other professional services		16,440		-		-		16,440
Special events		16,041		-		-		16,041
Other administrative costs		64,259		-		-		64,259
Less: Allocated to agency funds		*(61,522)*		-		-		*(61,522)*
Total general & administrative		550,618		-		-		550,618
Total Expenses	$	3,269,550	$	-	$	-	$	3,269,550
Change in net assets		2,158,511		160,954		2,121,562		4,441,027
Net assets, beginning of year		6,239,041		17,340,011		25,161,946		48,740,998
Net assets, end of year	$	8,397,552	$	17,500,965	$	27,283,508	$	53,182,025

The accompanying notes are an integral part of the financial statements

Community Foundation of Mount Vernon & Knox County
Consolidated Statement of Activities
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Public support				
Contributions	$ 26,965	$ 3,446,520	$ 918,456	$ 4,391,941
Less: amounts received for agency funds	-	*(2,276,237)*	-	*(2,276,237)*
Net public support	26,965	1,170,283	918,456	2,115,704
Investment income				
Dividends & interest	318,004	1,086,569	-	1,404,573
Realized & unrealized losses	(373,188)	(916,860)	-	(1,290,048)
Less: amounts allocated to agency funds held for others	-	*(498)*	-	*(498)*
Net investment income	(55,184)	169,211	-	114,027
Miscellaneous revenues	23,972	16,210	-	40,182
Change in value of split interest agreements	-	-	-	-
Gifts and transfers (to) from funds	36,898	(223,458)	186,560	-
Net assets released from restrictions				
Grant purpose restriction met	2,973,330	(2,973,330)	-	-
Allocated administrative & investment fees	373,246	(373,246)	-	-
Total Revenues, Gains & Other Support	$ 3,379,227	$ (2,214,330)	$ 1,105,016	$ 2,269,913
Expenses:				
Program services				
Charitable grant distributions	$ 4,668,983	$ -	$ -	$ 4,668,983
Educational scholarships	756,493	-	-	756,493
Schnormeier Gardens expenses	23,166	-	-	23,166
Camp Cornish expenses	14,203	-	-	14,203
Less: Grants made from agency funds	*(1,712,125)*	-	-	*(1,712,125)*
Total program services	*3,750,720*	-	-	*3,750,720*
General & administrative				
Investment management fees	291,564	-	-	291,564
Personnel	122,039	-	-	122,039
Consulting & other professional services	24,810	-	-	24,810
Special events	22,715	-	-	22,715
Other administrative costs	65,960	-	-	65,960
Less: Allocated to agency funds	*(37,181)*	-	-	*(37,181)*
Total general & administrative	489,907	-	-	489,907
Total Expenses	$ 4,240,627	$ -	$ -	$ 4,240,627
Change in net assets	(861,400)	(2,214,330)	1,105,016	(1,970,714)
Net assets, beginning of year	7,100,441	19,554,341	24,056,930	50,711,712
Net assets, end of year	$ 6,239,041	$ 17,340,011	$ 25,161,946	$ 48,740,998

The accompanying notes are an integral part of the financial statements

Community Foundation of Mount Vernon & Knox County

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 4,441,027	$ (1,970,714)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Unrealized (gain) loss on investments	(2,572,926)	2,777,290
Realized (gain) loss on investments	(1,598,532)	(1,575,700)
Depreciation expense	13,948	10,289
Non-cash contributions of stock or other investments	(1,310,002)	(1,230,845)
Change in assets and liabilities		
Operating payables	13,204	-
Grants payable	(49,750)	169,575
Funds held as agency endowments	3,160,496	527,429
Liability to beneficiaries from split-interest agreements	128,461	(69,672)
Total adjustments	(2,215,101)	608,366
Net cash provided (used) by operating activities	2,225,926	(1,362,348)
Cash flows from investing activities		
Net investments (purchased) sold	(1,821,674)	550,106
Acquisition of improvements - Schnormeier Gardens	(100,942)	(67,925)
Acquisition of campgrounds - Camp Cornish	-	(11,250)
Capital (contribution) to Commonfund interests	(33,500)	(35,000)
Net cash (used) provided by investing activities	(1,956,116)	435,931
Net increase (decrease) in cash and cash equivalents	269,810	(926,417)
Cash and cash equivalents, beginning of year	717,775	1,644,192
Cash and cash equivalents, end of year	$ 987,585	$ 717,775

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

NOTE 1 – DESCRIPTION OF THE FOUNDATION

The Community Foundation of Mount Vernon & Knox County (the "Foundation") is a publicly supported, nonprofit organization established to enhance the quality of life in Knox County through its responsible stewardship of individual philanthropic funds. The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests including:

Donor Advised Funds: Donor Advised funds allow donors to recommend grant recipients, subject to the Foundation's approval, to target issues the donor cares about most.

Designated Funds: Designated funds allow donors to establish a designated fund to support the charitable work of a specific non-profit organization. Also considered designated funds, field of interest funds allow donors to address needs in an important area of community life including arts & humanities, community improvement, education, health & wellness, human & social services, and youth enrichment.

Scholarship Funds: Scholarship funds allow donors to invest in the community's future by assisting students from preschool to postgraduate with their financial needs.

Unrestricted & Field of Interest Funds: Unrestricted funds allow the Foundation to act strategically to improve the community by responding to the most pressing needs, today and tomorrow. Field of interest funds allow donors to identify an area of interest while allowing the Foundation to determine the most effective manner of distributing funds.

Organizational Funds: Non-profit organizations can establish an agency endowment fund and designate itself the beneficiary of the fund to establish a future stream of income, in addition to principal, from investments managed by the Foundation's professional advisors. Organizational funds provide non-profit organizations a flexible option that allows for a more diversified portfolio that balances market risk and return.

Consolidation - Supporting Organizations

The Schnormeier Gardens Foundation was established to support the operations and maintenance of the Schnormeier Gardens. The Foundation appoints a majority of the members of the governing board of Schnormeier Gardens Foundation and maintains effective control of the supporting organization. Accordingly, the supporting organization is consolidated for financial statement purposes in 2016 and 2015.

The Foundation established a supporting organization, Camp Cornish Foundation, to raise funds, purchase and manage the Camp Cornish property to provide camping opportunities for children. The Foundation appoints all members of the governing board of Camp Cornish Foundation and maintains effective control of the supporting organization. Accordingly, the supporting organization is consolidated for financial statements purposes in 2016 and 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting principles and practices of the Foundation are set forth to facilitate the understanding of data presented in the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles as applicable to not-for-profits.

Use of Estimates

The preparation of the consolidating 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 the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash & Cash Equivalents

Cash consists of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase. At various times during the year, amounts on deposit at financial institutions may be in excess of federally insured limits. The Foundation does not believe it is exposed to any significant credit risk on uninsured amounts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with FASB Accounting Standards Codification 958-210-45, formerly known as SFAS No. 117, *Financial Statements of Not-for-Profit Organizations.* Under ASC 958-210-45, the Organization is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Under these guidelines, contributions of cash and other assets are classified as one of the three categories listed below:

Unrestricted net assets – Unrestricted net assets represent resources whose use is not limited or restricted by donors arising from unrestricted contributions, restricted contributions whose restrictions have expired, or from investment income not restricted for purpose or time.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions including restrictions limiting expenditures to a specific charitable purpose or identified charitable organization or occurrence of a certain future event. When the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation and the transfer instrument does not provide for the invasion of corpus. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Revenue Recognition

All contributions, including unconditional promises to give, are recorded as received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions and variance power per the transfer agreement. Noncash contributions are recorded at the fair market value at date of receipt. Real estate and nonmarketable securities contributed to the Foundation are recorded at appraised value on the date of the gift.

Concentrations – Credit Risk

The Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, corporate stocks, mutual and index funds and various alternative investments. Investment securities, in general, are subject to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. The Foundation has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. The guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates.

Concentration - Major Contributors

For the years ended December 31, 2016 and 2015, 63% and 25% of contributions received by the Foundation, including agency endowment funds, were received from the three largest donors, respectively. Significant donors will vary depending upon estate and other non-recurring gifts received annually.

Assets Held for Agency Funds

The Foundation is following the provisions of FASB ASC 958-605-50 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.* This provision establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. Under this provision, if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-605-50, a liability has been established for the fair value of the funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective varies by investment pool.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (approximately 70%) to achieve its long-term return objectives within prudent risk parameters.

The spending policy determines the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute an amount equal to 5.5% of the fund's market value based on a rolling average from the trailing twelve quarters. Included in the calculation for available distributions is an assessed support fee to endowed funds of 1% to allocate operational and investment expenses. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Grants Expense

Grants are recognized when they have been formally approved by the Board distribution committee. The Foundation does not reflect as liabilities the amount of future years' grant commitments if they are subject to review and other contingencies before they are paid. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives the unspent grant funds.

The following summarizes the change in grants payable for the current year:

		2016
Grants payable – beginning of year	$	178,750
2016 Grants awarded		2,767,460
Grant refunds received in 2016		(17,451)
Payments made		(2,799,759)
Grants payable – end of year	$	129,000

Included in the grants payable amount as of December 31, 2016 is an $80,000 grant pledge to be paid out in $20,000 installments annually through 2020.

Split-interest Gifts

The Foundation received an irrevocable remainder beneficiary interest in a charitable remainder trust whose maturity is based on the life expectancy of the income beneficiaries in 2014. As the trustee and remainder beneficiary, the trust is recorded in the consolidated financial statements at the fair value of the assets in the trust. The corresponding liability for future amounts due to beneficiaries is recorded at the fair value of the projected annuity payments. The present value discount rate used for the liability was 7.0% for 2016 and 2015 which is equal to the estimated return on invested assets during the expected term of the agreement.

Income Taxes

Per a determination letter dated April 11, 2002, the Foundation and its supporting organizations are exempt from federal income tax under IRC Section 501 (c)(3) except to the extent of unrelated business taxable income. Accordingly, no provision for federal income taxes has been made in the financial statements.

The Foundation is required to file information tax returns with the Internal Revenue Service. With few exceptions, the organization is no longer subject to income tax examinations for years before 2012.

Date of Management Review

The Foundation has evaluated subsequent events through August 2, 2017, the date which the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.

NOTE 3 – ENDOWMENT FUNDS

The State of Ohio adopted UPMIFA effective June 1, 2009. The Foundation has determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA. The Foundation has further interpreted the Act 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. Consequently, the Foundation classifies permanently restricted net assets as: 1) the original value of gifts donated to the permanent endowment, and 2) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund, except for unrestricted and field of interest funds, not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board. 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 endowment fund, 2) the purposes of the Foundation and the endowment funds, 3) general economic conditions, 4) the expected total return from income and the appreciation of investments, and 5) the Foundation's investment policies.

The Foundation Board has designated unrestricted net assets as an administrative operating fund and other funds to support the mission of the Foundation. Since these funds resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted within the Statement of Financial Position.

Endowment net assets consisted of the following as December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor designated:			
Donor Advised	$ -0-	$ 1,893,185	$ 2,309,906
Designated	-0-	3,164,462	5,105,330
Scholarship	-0-	4,083,534	10,088,894
Unrestricted & F.O.I.	4,797,683	-0-	8,078,109
Total	$ 4,797,683	$ 9,141,181	$ 25,582,239

The following summarized the changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net Assets, beginning of year:	$ 3,862,686	$ 7,821,863	$ 23,460,678
Interest & dividends	340,526	697,180	-0-
Realized & unrealized gain (loss)	896,572	1,776,359	-0-
Contributions	-0-	621,162	1,841,350
Gifts & transfers between funds	294,041	11,976	280,211
Appropriation for expenditure	(596,142)	(1,787,359)	-0-
Net assets, end of year:	$ 4,797,683	$ 9,141,181	$ 25,582,239

NOTE 4 – INVESTMENTS & FAIR VALUE DISCLOSURES

The Foundation maintains investment pool accounts for its funds. Realized and unrealized gains, investment income and related expenses, and administrative expenses are allocated quarterly to the individual funds based on the relationship of the market value of the fund to the total market value of the investment pool accounts.

Investments are classified in the Statement of Financial Position based upon liquidity of the investments and the Foundation's intentions regarding holding period. Certificates of deposit with the intent to hold to maturity are recorded at cost. Marketable certificates of deposit held for investment purposes are valued at fair market value.

Commonfund investments are classified as current or noncurrent assets based upon restrictions imposed by the investment manager. Investment in the Commonfund Multi-Strategy Equity Investors LLC, a limited liability company that invests in a broad spectrum of equity strategies, is reported as a current asset. Investments in the Commonfund Private Equity Partners, which invests in private equity strategies, are recorded as noncurrent assets due to restrictions in the redemption of partnership interests.

NOTE 4 – INVESTMENTS & FAIR VALUE DISCLOSURES (CONTINUED)

The Foundation follows the provisions of FASB ASC 820-10-50-2 for financial assets and liabilities measured at fair value on a recurring basis. This standard clarifies the definition of fair value for financial reporting, establishes a hierarchical disclosure framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The standard prioritizes the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

> Level 1 – Valuation is based on observable inputs using quoted prices in active markets for identical assets that are accessible at the measurement date.
>
> Level 2- Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not as active; or valuation methods using modes, interest rates and yield curves as observable inputs.
>
> Level 3 – Valuation is based on unobservable inputs for the asset where there is little or no market activity for the investment and significant judgment or estimates are required.

Level 1 investments include marketable securities, exchange traded funds and cash equivalents that are carried at fair value based on observable quoted market prices in active markets; and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity.

Level 2 investments include bank issued certificates of deposit that are fully FDIC insured and valued using maturity and interest rates as observable inputs, bonds other than U.S. Treasury securities (including U.S. agencies, corporate, municipal and foreign) that are valued using matrix pricing or market corroborated pricing and inputs such as yield curves and indices.

Level 3 investments include nonmarketable investments in privately-held securities that are illiquid. Also included are investments in partnerships where valuation is determined through consideration of information provided by the Commonfund investment managers. Factors included in the determination of fair market value of these partnerships include estimates of fair market value assets held and corresponding liabilities and estimates of liquidation value.

The following table presents the investments and liabilities carried at fair value on the Statement of Financial Position as of December 31, 2016:

Fair Value Measurement Input	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Money market funds	$ -0-	$ 1,010,132	$ -0-	$ 1,010,132
U.S. & foreign equities	28,684,716	-0-	-0-	28,684,716
Mutual funds & EFTs	12,138,539	-0-	-0-	12,138,539
Corporate & govt. bonds	-0-	13,982,239	-0-	13,982,239
Nonmarketable equity securities	-0-	-0-	499,148	499,148
Alternative investments				
Commonfund partnerships	-0-	-0-	2,581,802	2,581,802
Total Assets	$ 40,823,255	$ 14,992,371	$ 3,080,950	$ 58,896,576
Liabilities				
Liabilities to beneficiaries from split interest agreements	$ -0-	$ -0-	$ (1,207,547)	$ (1,207,547)

NOTE 4 – INVESTMENTS & FAIR VALUE DISCLOSURES (CONTINUED)

The following table presents the investments and liabilities carried at fair value on the Statement of Financial Position as of December 31, 2015:

Fair Value Measurement Input	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Certificates of deposit	$ -0-	$ 904,298	$ -0-	$ 904,298
U.S. & foreign equities	24,659,159	-0-	-0-	24,659,159
Mutual/index funds & EFTs	10,733,861	-0-	-0-	10,733,861
Corporate & govt. bonds	-0-	12,271,800	-0-	12,271,800
Nonmarketable equity securities	-0-	-0-	499,148	499,148
Alternative investments				
Commonfund partnerships	-0-	-0-	2,491,676	2,491,676
Total Assets	$ 35,393,020	$ 13,176,098	$ 2,990,824	$ 51,559,942
Liabilities				
Liabilities to beneficiaries from split interest agreements	$ -0-	$ -0-	$ (1,079,086)	$ (1,079,086)

The following table includes a roll-forward of the amounts in the Statement of Financial Position for the year ended December 31, 2016 (including the change in fair value) for investments classified within Level 3 of the fair value hierarchy:

Commonfund partnerships:

Balance at January 1, 2015	$ 2,498,383
Net redemptions	(88,906)
Unrealized gains	82,199
Balance at December 31, 2015	$ 2,491,676
Net redemptions	(152,453)
Unrealized gains	242,579
Balance at December 31, 2016	$ 2,581,802

Non-marketable Securities:

Balance at December 31, 2015	$ 499,148
Donated shares	-0-
Unrealized gains (losses)	-0-
Balance at December 31, 2016	$ 499,148

Split interest agreements:

The following table includes a roll-forward of the amounts in the Statement of Financial Position for the year ended December 31, 2016 for fair value of liabilities to income beneficiaries (including the change in fair value) for split interest agreements trusteed by the Foundation classified within Level 3 of the fair value hierarchy:

Balance at January 1, 2016	$ 1,079,086
New trusts during 2016	-0-
Change in value due to change in life expectancy/ trust assets value	128,461
Balance at December 31, 2016	$ 1,207,547

NOTE 4 – INVESTMENTS & FAIR VALUE DISCLOSURES (CONTINUED)

The charitable remainder trust, of which the Foundation is the trustee, holds assets in the amount of $ 1,332,645 and $1,190,877 at December 31, 2016 and 2015 which is included in the Statement of Financial Position as follows:

	2016	2015
Cash & cash equivalents	$ 14,593	$ 46,780
Marketable equity securities	1,178,872	1,004,788
Marketable debt securities	10,804	11,104
Mutual funds	128,376	128,205
Assets held in trust	$ 1,332,645	$ 1,190,877

NOTE 5 – INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE

The following table presents information about significant unobservable inputs related to material categories of Level 3 financial assets and liabilities at December 31, 2016:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Commonfund partnerships:		Estimated	Comparable	
Institutional Multi-Strategy Equity	$ 1,761,282	valuation of	Transactions;	N/A
Private Equity Partners VII, LP	$ 820,520	underlying assets	Cash flows	Undetermined
Liabilities to beneficiaries from split interest agreements	$ 1,207,547	Discounted cash flow	Discount Rate Life expectancy	41 years

The following table presents the unfunded commitments and redemption requirements for investments in entities that calculate fair value using net asset value per share or its equivalent:

	Note	Fair Value	Unfunded Commitments	Redemption Notice
Alternative Investments				
Commonfund				
Institutional Multi-Strategy Equity Investors, LLC	(A)	$ 1,761,282	$ -0-	Monthly
Private Equity Partners VII, LP	(B)	820,520	110,500	Illiquid
Total		$ 2,581,802	$ 110,500	

(A) Institutional Multi-Strategy Equity Investors, LLC – This investment seeks exposure to global equity markets with a primary focus in the U.S. equity market. The Foundation may redeem its investments monthly with five business days notice.

(B) Private Equity Partners VII, LP – This investment focuses primarily in private limited partnerships that include holdings of securities, warrants and other options that are generally not actively traded. Due to the nature of the underlying investments within the limited partnerships, redemptions or transfers are strictly limited and the investment is considered illiquid.

NOTE 6 – REAL ESTATE

The Schnormeier Gardens Foundation, a supporting organization of the Foundation, holds real estate and structures associated with the grounds and property at Schnormeier Gardens. The real estate is valued at the fair market value upon the original contribution date. The real estate and structures, as reported on the consolidated financial statements, are not held for investment purposes but rather for the operation of the Schnormeier Gardens.

NOTE 6 – REAL ESTATE (CONTINUED)

Schnormeier Gardens Foundation capitalizes property and equipment, with an expected life of more than one year, at cost. Property and equipment is depreciated using the straight-line method over their estimated useful lives.

	2016	2015
Land – Donated value	$ 1,538,999	$ 1,538,999
Structures & improvements – Donated Value	95,470	95,470
Structures & improvements – Acquisitions	207,023	106,081
Accumulated Depreciation	(32,960)	(22,715)
Net real estate & structures, end of year	$ 1,808,532	$ 1,717,835

Depreciation expense associated with The Schnormeier Gardens Foundation was $10,245 and $7,148 for the year ended December 31, 2016 and 2015, respectively.

The Camp Cornish Foundation, a supporting organization of the Foundation, holds real estate and structures associated with the campgrounds at Camp Cornish. The real estate and structures, as reported on the consolidated financial statements, are not held for investment purposes but rather for the operation of Camp Cornish.

Camp Cornish Foundation capitalizes property and equipment, with an expected life of more than one year, at cost. Property and equipment is depreciated using the straight-line method over their estimated useful lives.

Depreciation expense associated with Camp Cornish Foundation was $3,703 and $3,141 for the year ended December 31, 2016 and 2015, respectively.

	2016	2015
Land & Building – Initial Acquisition Cost	$ 107,949	$ 107,949
Land & Building – Donated Value	121,501	121,501
Equipment	11,250	11,250
Accumulated Depreciation	(10,710)	(7,007)
Net real estate & structures, end of year	$ 229,990	$ 233,693

NOTE 7 – ASSETS HELD AS AGENCY FUNDS

At December 31, 2016, the Foundation held 38 agency endowment funds with a combined fair market value of $7,390,907. All financial activity for these funds is segregated on the Consolidated Statement of Activities and has been reclassified to the agency fund liability. The following table summarizes the activity in such funds.

	2016	2015
Agency Fund balances, beginning of year	$ 4,230,411	$ 3,702,982
Amounts raised in contributions or transferred in	2,655,394	2,153,001
Amounts contributed from other endowment funds	11,920	123,236
Investment income including unrealized gains	629,074	498
Grants distributed to agency	(74,370)	(1,712,125)
Expenses allocated	(61,522)	(37,181)
Agency Fund balances, end of year	$ 7,390,907	$ 4,230,411

NOTE 8 – RETIREMENT PLAN

The Foundation had a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Contributions by the Foundation for the year ended December 31, 2015 were $9,000. In 2016, the Foundation created a Section 401(k) defined contribution retirement plan where employer contributions are based upon specified percentages of salary for all eligible employees. Contributions by the Foundation to the Section 401(k) plan for 2016 were $10,775.

NOTE 9 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01 entitled "Financial Instruments (Topic 825-10)," which may change the Company's method of balance sheet classification of investments. This new standard is effective for annual reporting periods beginning after December 15, 2017, while allowing nonpublic companies an additional year to implement this new standard. Early implementation is permitted, but not before the original implementation date for periods beginning before December 31, 2016. Management has not yet determined whether this new standard will have a material effect on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14 entitled "Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)" which will, among other changes, change the presentation of the Foundation's classifications of net assets from three classes to two (with donor restrictions and without donor restrictions) and require a schedule of expenses by both natural and functional classification. This new standard is effective for annual reporting periods beginning after December 15, 2017. Early implementation is permitted. Management has not yet determined whether this new standard will have a material effect on its financial statements.