

---

# Ann Arbor Area Community Foundation

---

**Financial Report**  
**December 31, 2017 and 2016**

<b>Independent Auditor's Report</b>	1-2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-22



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## **Independent Auditor's Report**

To the Board of Trustees  
Ann Arbor Area Community Foundation

We have audited the accompanying financial statements of the Ann Arbor Area Community Foundation (the "Community Foundation"), which comprise the statement of financial position as of December 31, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Ann Arbor Area Community Foundation as of December 31, 2017 and 2016 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Ann Arbor Area Community Foundation

***Emphasis of Matter***

As explained in Note 12, the financial statements include investments valued at \$54,279,277 (41 percent of net assets) at December 31, 2017 and \$47,220,044 (59 percent of net assets) at December 31, 2016, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

*Plante & Moran, PLLC*

June 21, 2018

## Ann Arbor Area Community Foundation

### Statement of Financial Position

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 4,650,939	\$ 22,770,406
Investments (Note 3)	124,102,871	75,194,210
Accounts receivable	35,480	32,754
Bequests and other deferred gifts receivable	3,266,642	915,400
Pledges receivable - Net (Note 4)	320,798	305,282
Receivable from trusts (Note 5)	201,312	277,693
Charitable remainder unitrust (Note 8)	1,180,401	1,040,389
Property and equipment - Net (Note 6)	1,147,594	894,143
	<u>\$ 134,906,037</u>	<u>\$ 101,430,277</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Grants payable (Note 7)	\$ 216,822	\$ 68,853
Liability to life beneficiaries of planned gifts (Note 8)	495,714	448,064
Annuity payable (Note 13)	135,414	158,263
Other liabilities	39,596	32,515
Assets held for others:		
Endowed	2,353,685	2,005,682
Nonendowed (Note 2)	144,851	18,330,151
	<u>3,386,082</u>	<u>21,043,528</u>
<b>Net Assets</b>		
Unrestricted - Board designated (Note 11)	127,092,207	78,341,739
Temporarily restricted (Note 9)	4,427,748	2,045,010
	<u>131,519,955</u>	<u>80,386,749</u>
	<u>\$ 134,906,037</u>	<u>\$ 101,430,277</u>

## Ann Arbor Area Community Foundation

# Statement of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Gains, and Other Support</b>						
Gifts, grants, and pledges (Note 2)	\$ 40,741,198	\$ 2,728,969	\$ 43,470,167	\$ 6,112,333	\$ 1,080,515	\$ 7,192,848
In-kind donations	24,767	-	24,767	1,470	-	1,470
Rental income	1,628	-	1,628	740	-	740
Change in value of deferred gifts receivable	-	709,261	709,261	-	-	-
Net realized and unrealized gains on investments (Note 3)	11,732,898	-	11,732,898	4,313,610	-	4,313,610
Interest and dividends (Note 3)	1,489,354	-	1,489,354	1,215,400	-	1,215,400
Change in value of charitable remainder trust (Note 8)	-	(89,838)	(89,838)	-	(52,614)	(52,614)
Net assets released from restrictions	965,654	(965,654)	-	1,279,963	(1,279,963)	-
<b>Total revenue, gains, and other support</b>	<b>54,955,499</b>	<b>2,382,738</b>	<b>57,338,237</b>	<b>12,923,516</b>	<b>(252,062)</b>	<b>12,671,454</b>
<b>Expenses</b>						
Program services:						
Grants (Note 7)	4,236,527	-	4,236,527	3,581,797	-	3,581,797
Programs and grants administration	596,071	-	596,071	507,453	-	507,453
Investment service fees (Note 3)	454,447	-	454,447	418,111	-	418,111
<b>Total program services</b>	<b>5,287,045</b>	<b>-</b>	<b>5,287,045</b>	<b>4,507,361</b>	<b>-</b>	<b>4,507,361</b>
Support services:						
Management and general	446,097	-	446,097	397,465	-	397,465
Development	471,889	-	471,889	407,315	-	407,315
<b>Total support services</b>	<b>917,986</b>	<b>-</b>	<b>917,986</b>	<b>804,780</b>	<b>-</b>	<b>804,780</b>
<b>Total expenses</b>	<b>6,205,031</b>	<b>-</b>	<b>6,205,031</b>	<b>5,312,141</b>	<b>-</b>	<b>5,312,141</b>
<b>Increase (Decrease) in Net Assets</b>	<b>48,750,468</b>	<b>2,382,738</b>	<b>51,133,206</b>	<b>7,611,375</b>	<b>(252,062)</b>	<b>7,359,313</b>
<b>Net Assets - Beginning of year</b>	<b>78,341,739</b>	<b>2,045,010</b>	<b>80,386,749</b>	<b>70,730,364</b>	<b>2,297,072</b>	<b>73,027,436</b>
<b>Net Assets - End of year</b>	<b>\$ 127,092,207</b>	<b>\$ 4,427,748</b>	<b>\$ 131,519,955</b>	<b>\$ 78,341,739</b>	<b>\$ 2,045,010</b>	<b>\$ 80,386,749</b>

## Ann Arbor Area Community Foundation

### Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services	Support Services		Total
	Community Services	Management and General	Development	
Salaries and wages	\$ 309,233	\$ 244,441	\$ 243,318	\$ 796,992
Payroll taxes and fringe benefits	46,082	36,426	36,259	118,767
Total salaries and related expenses	355,315	280,867	279,577	915,759
Advertising	4,107	1,369	21,906	27,382
Annual report	1,141	143	1,569	2,853
Bad debt expense	33,798	26,716	26,594	87,108
Community leadership	57,476	-	-	57,476
Conferences and meetings	6,911	5,463	5,437	17,811
Depreciation	20,841	16,474	16,399	53,714
Donor services	16,583	8,923	30,386	55,892
Dues and subscriptions	3,319	2,623	2,611	8,553
Events	11,324	1,317	17,636	30,277
Equipment and maintenance	28,756	22,731	22,627	74,114
Insurance	2,913	2,303	2,292	7,508
Miscellaneous	(3,242)	(2,666)	(2,551)	(8,459)
Occupancy	13,141	10,388	10,340	33,869
Postage	2,046	1,618	1,610	5,274
Professional fees	1,136	53,203	3,196	57,535
Supplies	5,354	4,232	4,212	13,798
Telephone	5,694	4,501	4,481	14,676
Website	29,458	5,892	23,567	58,917
Grants	4,236,527	-	-	4,236,527
Investment services	454,447	-	-	454,447
Total functional expenses	<b>\$ 5,287,045</b>	<b>\$ 446,097</b>	<b>\$ 471,889</b>	<b>\$ 6,205,031</b>

## Ann Arbor Area Community Foundation

### Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services		Support Services		Total
	Community Services	Management and General	Development		
Salaries and wages	\$ 271,806	\$ 229,231	\$ 235,176	\$ 736,213	
Payroll taxes and fringe benefits	35,286	29,759	30,531	95,576	
<b>Total salaries and related expenses</b>	<b>307,092</b>	<b>258,990</b>	<b>265,707</b>	<b>831,789</b>	
Advertising	2,975	992	15,867	19,834	
Annual report	454	57	625	1,136	
Bad debt expense	305	257	263	825	
Community leadership	90,223	-	-	90,223	
Conferences and meetings	6,072	5,121	5,254	16,447	
Depreciation	18,215	15,361	15,760	49,336	
Donor services	8,126	6,838	17,241	32,205	
Dues and subscriptions	2,774	2,340	2,401	7,515	
Events	12,807	1,390	22,046	36,243	
Equipment and maintenance	24,556	20,709	21,247	66,512	
Insurance	2,673	2,254	2,313	7,240	
Miscellaneous	(1,476)	(1,244)	(1,277)	(3,997)	
Newsletters	2,915	583	8,160	11,658	
Occupancy	13,597	11,467	11,765	36,829	
Postage	1,249	1,053	1,081	3,383	
Professional fees	3,208	64,125	9,022	76,355	
Supplies	5,225	4,406	4,521	14,152	
Telephone	2,289	1,931	1,981	6,201	
Website	4,174	835	3,338	8,347	
Grants	3,581,797	-	-	3,581,797	
Investment services	418,111	-	-	418,111	
<b>Total functional expenses</b>	<b>\$ 4,507,361</b>	<b>\$ 397,465</b>	<b>\$ 407,315</b>	<b>\$ 5,312,141</b>	

**Statement of Cash Flows**

**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 51,133,206	\$ 7,359,313
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	53,714	49,336
Amortization discount on pledges receivable	(188)	-
Noncash charitable remainder unitrust	(140,012)	(41,828)
Net unrealized gain on investments	(10,397,367)	(4,395,563)
Net realized (gain) loss on investments	(1,335,531)	81,953
Donated investments	(3,424,750)	(2,107,342)
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(2,726)	1,407
Pledges and trusts receivable	61,053	1,206,514
Bequests and other deferred gifts receivable	(2,351,242)	(915,400)
Accounts payable and other liabilities	7,081	1,083
Grants payable	147,969	(81,954)
Annuity payable	(22,849)	158,263
Assets held for others - Endowed	348,003	374,621
Assets held for others - Nonendowed	(18,185,300)	18,015,778
Liability to life beneficiaries of planned gifts	47,650	2,686
Net cash provided by operating activities	15,938,711	19,708,867
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(307,165)	-
Purchases of investments	(104,501,670)	(49,321,680)
Proceeds from sales and maturities of investments	70,750,657	50,349,726
Net cash (used in) provided by investing activities	(34,058,178)	1,028,046
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(18,119,467)	20,736,913
<b>Cash and Cash Equivalents - Beginning of year</b>	22,770,406	2,033,493
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,650,939</b>	<b>\$ 22,770,406</b>

**December 31, 2017 and 2016**

**Note 1 - Nature of Activities**

Ann Arbor Area Community Foundation (the "Community Foundation") enriches the quality of life in its region through its knowledgeable leadership, engaged grantmaking, and creative partnerships with donors to make philanthropic investments and build endowment.

**Note 2 - Significant Accounting Policies**

***Financial Statement Presentation***

The financial statements are prepared on the accrual basis of accounting. The Community Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income, and expenses, although not required by accounting standards, is a meaningful practice to continue. The Community Foundation utilizes eight fund types to segregate activities as follows:

- General unrestricted - Totally unrestricted resources
- Field of interest - Resources used to support specific areas, such as community development, the performing arts, health care, environmental preservation, education, services for the elderly, or programs for youth
- Scholarship - Resources used to help area students complete their education
- Donor advised - Resources for which the donors are active participants in the giving process, sharing their insights and preferences with the Community Foundation's trustees as fund distributions are made
- Designated - Resources for which the donors specify certain charities as recipients of their gifts. Agency endowments held in the designated funds are shown as a liability.
- Special - This fund is used to account for agency transactions entered into by the Community Foundation. The agreement between the Community Foundation and the interested party allows for distributions of both income and principal. The resources received under these agreements are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.
- Trust - This fund is composed of a charitable remainder unitrust gift and a charitable gift annuity.
- Administrative - Resources used to provide financial support for day-to-day programs and operations

The Community Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Due to variance power, the Community Foundation has no permanently restricted net assets.

***Contributions Received***

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. A transfer of assets to the Community Foundation shall be accounted for as a liability if one or more of the following conditions is present:

- a. The transfer is subject to the resource provider's unilateral right to redirect the use of the assets to another beneficiary.
- b. The transfer is accompanied by the resource provider's conditional promise to give or is otherwise revocable or repayable.
- c. The resource provider controls the recipient organization and specifies an unaffiliated beneficiary.
- d. The resource provider specifies itself or its affiliate as the beneficiary and the transfer is not an equity transaction.

**Note 2 - Significant Accounting Policies (Continued)**

It is the board of trustees' (the "Board") interpretation of accounting standards that all gifts and grants received by the Community Foundation constitute unrestricted assets other than those with time restrictions on the use of the contributions, such as pledges, bequests receivable, and trusts. The bylaws of the Community Foundation, under variance power, give the Board the authority to modify any restriction or condition on distribution of resources for any charitable purposes or to specific organizations if, in its sole judgment, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

***Agency Transactions***

The Community Foundation has adopted established standards for transactions in which the Community Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on the investment of those assets, or both to another entity that is specified by the donor. The Community Foundation refers to these types of resources as designated, agency endowment, or organizational endowment funds and has accounted for these three types of funds in its designated fund and/or special fund. The statement of financial position refers to these resources in the designated fund as "endowed" assets held for others. The statement of financial position also refers to "nonendowed" assets held for others. These assets represent temporary special funds that have an impact on the community and support the individual donors to support time-limited initiatives.

The designated fund agreements between the Community Foundation and the organizations allow for distributions per the spending policy of the Community Foundation. The special fund agreements between the Community Foundation and the organizations or individuals allow for distribution of both income and principal. The resources received under these agreements are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.

In 2017 and 2016, funds of \$362,078 and \$553,377, respectively, were received under agency endowment fund agreements and were recorded directly to the "assets held for others" statement of financial position liability account.

During 2016, the Community Foundation entered into an agreement with Glacier Hills, Inc. (Glacier Hills) and Trinity Continuing Care Services (dba Trinity Senior Living Communities) (Trinity) to temporarily hold charitable assets totaling approximately \$18,000,000 generated through the acquisition of the membership interest in Glacier Hills by Trinity. Due to the conditions of the agreement, the transfer was considered an agency transaction and the assets received were recorded as nonendowed assets held for others. During 2017, the Community Foundation and Glacier Hills entered into new agreements to establish a temporary fund and legacy fund with these assets. As a result of these new agreements, a contribution and corresponding reduction in nonendowed assets held for others was recorded.

**Accounting Treatment for Each Type of Fund**

**Designated Funds** - Designated funds typically are established with gifts from a donor with a request to distribute the transferred assets, the return on the investment of those assets, or both to a specified unaffiliated beneficiary. Additionally, the donor has granted the Community Foundation variance power, which allows the Community Foundation the flexibility to ensure that the donor's charitable interest will be served in perpetuity. When accounting for additions to designated funds, the Community Foundation records the assets received or promised as contributed revenue.

**Agency Endowment Funds** - If a not-for-profit organization (NPO) establishes, with its own funds, a fund at the Community Foundation for its own benefit, the transfer of assets to the Community Foundation is not contribution revenue and is accounted for as a liability. The Community Foundation continues to report the fund as an asset of the Community Foundation; however, a liability for the market value is also recorded, representing the present value of the future payments expected to be made to the NPO.

**December 31, 2017 and 2016**

**Note 2 - Significant Accounting Policies (Continued)**

***Cash Equivalents***

The Community Foundation considers all unrestricted, highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

***Concentration of Credit Risk Arising for Deposit Accounts***

The Community Foundation maintains cash balances at one institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation in accordance with the program limit. In addition, the Community Foundation uses a cash management product through its primary depository institution to ensure any deposits over \$250,000 are insured with other banking institutions. At times, the balances held in nonprimary deposit accounts may exceed federally insured amounts. The Community Foundation evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Investments***

Money market investment funds held under the custody of fund managers represent temporarily uninvested monies and are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills, and mutual funds are carried at quoted fair value. The Community Foundation's investments in nonmarketable limited partnerships are generally carried at fair value, which is estimated based on the net asset value per share (or its equivalent) by the investment manager. Audited information is only available annually, typically six months or more after the end of the partnership's year. Management of the Community Foundation reviews monthly and/or quarterly valuations provided by the general partner or manager of the funds and assesses the reasonableness of the fair values provided at the interim dates and included in the Community Foundation's financial statements. Because of the inherent uncertainty of valuations, the fair values used may differ from values that would have been used had a ready market existed. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of the securities sold. Unrealized gains or losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year.

***Risks and Uncertainties***

The Community Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

***Bequests Receivable and Other Deferred Gifts Receivable***

Bequests receivable consist of gifts made by means of wills and trusts for which the donor is deceased and are otherwise considered irrevocable. Other deferred gifts receivable consist of other gifts for which payment is expected in the future. Deferred gifts are recorded at the present value of the revenue to be received, using discount rates appropriate for the timeframe and risk level of the asset. Payment on these receivables is expected in the next year. The bequests receivable totaled \$3,015,729 and \$915,400 as of December 31, 2017 and 2016, respectively, and are deemed fully collectible.

***Pledges Receivable***

Pledges receivable consist of contributions that donors intend to contribute over time. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

**December 31, 2017 and 2016**

**Note 2 - Significant Accounting Policies (Continued)**

***In-kind Donations***

In-kind donations consist of materials and services given without remuneration. In 2017 and 2016, this consisted of catering services and construction-related materials and services.

***Property and Equipment***

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

***Tax Status***

The Internal Revenue Service (IRS) has ruled that the Community Foundation is a public charity, as described in Section 509(a)(1) of the Internal Revenue Code. Consequently, the Community Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations under Section 501(c)(3) of the United States Internal Revenue Code.

***Functional Allocation of Expenses***

The Community Foundation allocates expenses on a functional basis to program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Certain expenses, such as administration and occupancy, are allocated based on estimates and charged to specific programs. Although allocation methods used are considered reasonable, other methods could be used that would produce different results. Management and general and development costs are shown as administrative costs under support services on the statement of activities and changes in net assets.

***Grants***

Grants are recorded as expense in the year they are approved for payment by the authorized Community Foundation personnel, as empowered by the Board.

***Fair Value Disclosures***

The estimated fair value amounts have been determined by the Community Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Community Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Community Foundation adopted a standard permitting the Community Foundation to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to a portion of instruments. The Community Foundation has elected the fair value option election with respect to the liability to life beneficiaries of planned gifts related to the charitable remainder unitrust.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**December 31, 2017 and 2016**

**Note 2 - Significant Accounting Policies (Continued)**

***Restatement of Cash Flows***

The operating and investing cash flows were misclassified in 2016 and adjusted in the current year financial statements. As a result, 2016 operating cash flows decreased by and investing cash flows increased by approximately \$2,100,000. These changes had no effect on the December 31, 2016 net assets, change in net assets, or total cash flows, as previously reported.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including June 21, 2018, which is the date the financial statements were available to be issued.

**Note 3 - Investments**

Investments are composed of the following fair values at December 31:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 7,416,001	\$ 337,492
Fixed income	17,880,850	7,515,971
Equity securities	44,526,743	20,120,703
Alternative investments	54,279,277	47,220,044
Total	<u>\$ 124,102,871</u>	<u>\$ 75,194,210</u>

Investment income and expenses are composed of the following at December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,489,354	\$ 1,215,400
Net realized gains (losses)	1,335,531	(81,953)
Net unrealized gains	10,397,367	4,395,563
Investment fees	(454,447)	(418,111)
Total	<u>\$ 12,767,805</u>	<u>\$ 5,110,899</u>

**Note 4 - Pledges Receivable**

Pledges are recognized as revenue in the period the pledges are received. No allowance was deemed necessary for uncollectible pledges at December 31, 2017 and 2016.

Pledges outstanding at December 31, 2017 and 2016 are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable in less than one year	\$ 161,075	\$ 177,592
Pledges receivable in one to five years	171,122	139,277
Gross unconditional promises to give	332,197	316,869
Less unamortized discount on pledges due in greater than one year	(11,399)	(11,587)
Unconditional promises to give	<u>\$ 320,798</u>	<u>\$ 305,282</u>

**December 31, 2017 and 2016**

**Note 4 - Pledges Receivable (Continued)**

Pledges receivable activity for 2017 and 2016 is detailed below:

	<u>2017</u>	<u>2016</u>
Balance - January 1	\$ 305,282	\$ 1,440,362
Add new pledges	191,400	165,115
Less collections	(108,290)	(1,299,150)
Less uncollectible pledges written off	<u>(67,594)</u>	<u>(1,045)</u>
Balance - December 31	<u>\$ 320,798</u>	<u>\$ 305,282</u>

**Note 5 - Receivable from Trusts**

The Community Foundation is the beneficiary of two charitable lead trusts. The receivable from each of the two trusts is reduced annually by the principal portion of the distribution, and interest income is also recognized. One trust began making annual distributions in 1998. The annual distribution continues through 2018, the date of the trust termination. At the inception of the trust, a receivable from the trust and contribution revenue of \$246,654 were recognized by the Community Foundation. The receivable represents the discounted value (at 8 percent) of the future stream of annual distributions of \$25,000 through 2018. At December 31, 2017 and 2016, the net present value of the receivable was \$15,919 and \$37,887, respectively.

The other trust began making annual distributions in 2001. The annual distribution continues through 2020, the date of the trust termination. At the inception of the trust, a receivable from the trust and contribution revenue of \$771,295 was recognized by the Community Foundation. The receivable represents the discounted value (at 6.25 percent) of the future stream of annual distributions of \$70,000 through 2020. At December 31, 2017 and 2016, the net present value of the receivable was \$185,393 and \$239,806, respectively.

**Note 6 - Property and Equipment**

The cost of property and equipment is summarized as follows:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 1,349,615	\$ 1,128,667
Furniture and fixtures	87,170	81,052
Computer equipment and software	<u>240,667</u>	<u>206,397</u>
Total cost	1,677,452	1,416,116
Accumulated depreciation	<u>529,858</u>	<u>521,973</u>
Net property and equipment	<u>\$ 1,147,594</u>	<u>\$ 894,143</u>

Depreciation expense for 2017 and 2016 was \$53,714 and \$49,336, respectively.

Notes to Financial Statements

December 31, 2017 and 2016

Note 7 - Grant/Grant Payable

Grants are recognized as liabilities at the time the authorized community foundation personnel, as empowered by the Board, authorize the expenditures, regardless of the year in which the grant is paid. Grants are authorized subject to the spending policy limitations. A summary of grants and grants payable for 2017 and 2016 is as follows:

	2017			
	Commitment - Beginning of Year	Authorizations (Net of Reversals)	Payments	Commitment - End of Year
Administrative endowments	\$ -	\$ 37,687	\$ (37,687)	\$ -
Designated	8,000	803,135	(803,135)	8,000
Donor advised	30,000	1,758,778	(1,758,778)	30,000
Field of interest	2,946	566,474	(466,848)	102,572
General unrestricted	15,000	618,103	(623,103)	10,000
Special	-	487,372	(441,072)	46,300
Scholarship	12,907	255,729	(248,686)	19,950
Gross grants and liability	<u>\$ 68,853</u>	<u>\$ 4,527,278</u>	<u>\$ (4,379,309)</u>	<u>\$ 216,822</u>

Less grants made from funds held for others:

Authorizations (from above)	\$ 4,527,278
Special - Pass-through grants	(487,372)
Designated - Agency transaction grants	(37,687)
Interfund grants	243,686
Returned grants	<u>(9,378)</u>
Total grants per statement of activities and changes in net assets	<u>\$ 4,236,527</u>

The grant expense increase of \$654,730 from 2016 to 2017 was driven primarily by an increase in contributions during the year.

	2016			
	Commitment - Beginning of Year	Authorizations (Net of Reversals)	Payments	Commitment - End of Year
Administrative endowments	\$ -	\$ 40,863	\$ (40,863)	\$ -
Designated	8,000	660,899	(660,899)	8,000
Donor advised	-	1,263,231	(1,233,231)	30,000
Field of interest	-	467,810	(464,864)	2,946
General unrestricted	137,400	700,774	(823,174)	15,000
Special	-	506,481	(506,481)	-
Scholarship	5,407	236,400	(228,900)	12,907
Gross grants and liability	<u>\$ 150,807</u>	<u>\$ 3,876,458</u>	<u>\$ (3,958,412)</u>	<u>\$ 68,853</u>

Less grants made from funds held for others:

Authorizations (from above)	\$ 3,876,458
Special - Pass-through grants	(506,481)
Designated - Agency transaction grants	(40,863)
Interfund grants	253,240
Returned grants	<u>(557)</u>
Total grants per statement of activities and changes in net assets	<u>\$ 3,581,797</u>

**Note 8 - Charitable Remainder Unitrust**

During the year ended December 31, 1999, the Community Foundation began to administer a planned gift under a charitable remainder unitrust. A charitable remainder unitrust provides for the payment of a fixed percentage of the net fair value of the trust's assets as determined each year. Upon termination of the income beneficiary's interest, the assets of the trust are to be transferred in the following amounts: (1) \$50,000 to an unrelated charity and (2) the balance of the trust to the Community Foundation for donor-designated purposes.

The portion of the planned gift attributable to the present value of the future benefits to be received by the Community Foundation, \$422,107, was recorded in the statement of activities and changes in net assets as a contribution in the period the planned gift was established. The balance of the charitable remainder unitrust assets was \$1,180,401 and \$1,040,389 at December 31, 2017 and 2016, respectively.

The present value of the estimated future payments to the beneficiary was re-determined in 2017 and 2016 using the IRS discount rate of 2.6 percent and 1.8 percent, respectively, and the applicable mortality tables, adjusting the liability and recognizing loss by \$89,838 and \$52,614, respectively. The liability to life beneficiaries of planned gifts was \$495,714 and \$448,064 for 2017 and 2016, respectively.

**Note 9 - Net Assets**

Temporarily restricted net assets are those assets resulting from contributions whose use by the Community Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation pursuant to those stipulations.

Temporarily restricted net assets consist of the following:

	2017	2016
Pledges receivable (Note 4)	\$ 320,798	\$ 305,282
Less pledges receivable under agency	(45,691)	(45,600)
Pledges receivable - Net	275,107	259,682
Receivable from trusts (Note 5)	201,312	277,693
Bequests and other deferred gifts receivable	3,266,642	915,400
Charitable remainder unitrust - Net (Note 8)	684,687	592,235
Total temporarily restricted net assets	\$ 4,427,748	\$ 2,045,010

**Note 10 - Pension**

For the years ended December 31, 2017 and 2016, the Community Foundation had a SIMPLE IRA plan under which it contributed 2 percent of eligible wages. The Community Foundation incurred expenses of \$15,524 and \$14,835 during 2017 and 2016, respectively.

**Note 11 - Designated Endowments**

The Community Foundation's unrestricted net assets include designated endowments that would be classified as donor-restricted endowments, except that the Community Foundation has variance power over those assets. Therefore, the Board treats these funds as designated endowments and they are classified and reported based on the existence or absences of donor-imposed restrictions.

**Note 11 - Designated Endowments (Continued)**

***Interpretation of Relevant Law***

The board of trustees of the Community Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which is designed to help ensure the long-term preservation of the corpus of endowed funds. As a result of this law and variance power provision rights, the Community Foundation classifies within unrestricted net assets (a) the original value of gifts donated to the designated endowment, (b) the original value of subsequent gifts to the designated endowment, and (c) accumulations to the designated endowment. In accordance with UPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Community Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Community Foundation
- The investment policies of the Community Foundation

***Changes in Endowment Net Assets for the Year Ended December 31, 2017***

	<u>Unrestricted</u>
Board-designated endowment net assets - Beginning of year	\$ 78,341,739
Investment return:	
Investment income	1,489,354
Net appreciation (realized and unrealized)	<u>11,732,898</u>
Total investment return	13,222,252
Contributions and other support	41,733,247
Appropriation for distributions and administrative fees	<u>(6,205,031)</u>
Endowment net assets - End of year	<u>\$ 127,092,207</u>

***Changes in Endowment Net Assets for the Year Ended December 31, 2016***

	<u>Unrestricted</u>
Board-designated endowment net assets - Beginning of year	\$ 70,730,364
Investment return:	
Investment income	1,215,400
Net appreciation (realized and unrealized)	<u>4,313,610</u>
Total investment return	5,529,010
Contributions and other support	7,394,506
Appropriation for distributions and administrative fees	<u>(5,312,141)</u>
Endowment net assets - End of year	<u>\$ 78,341,739</u>

**Note 11 - Designated Endowments (Continued)**

***Return Objectives and Risk Parameters***

The Community Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the board of trustees, the Community Foundation has four objectives: (1) to preserve and grow the assets of the Foundation, (2) balance long-term growth with appropriate risk and liquidity, (3) achieve market returns, and (4) comply with applicable laws, rules, and regulations.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a broadly diversified asset allocation model with performance benchmarks based on each asset class.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Community Foundation has a policy of appropriating for distributions and administrative fees each year up to 5 percent of its endowed investment pool's average fair value over the prior 16 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on its investment portfolio. By limiting its spending policy, over the long term, the Community Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Community Foundation's objective to maintain the purchasing power of the investment portfolio and net assets, as well as to provide real growth through new gifts and investment returns.

The annual spending amount, as defined above, is used for both amounts available to grant from each fund, as well as administrative fees charged to each fund. The administrative fee is calculated based on the fund fee schedule approved by the board of trustees and in effect at the time the calculation is made. Amounts available to grant are calculated by subtracting the administrative fee from the total calculated spending amount. For the year ended December 31, 2016 and a portion of 2017, endowed funds were not allowed to make grants until they had been at the Community Foundation for four consecutive quarters. During 2017, the board of trustees modified this policy to allow endowed funds to make grants after they had been at the Community Foundation for two consecutive quarters. Pass-through and donor-advised funds do not have the two-quarter restriction. Administrative fees will be charged to funds from the date that the fund is established, as prescribed by the fund fee schedule in effect at the time. The annual spending amount is determined and recommended by the finance committee and approved by the board of trustees annually. In 2017 and 2016, the Community Foundation used 5 percent as the spending policy.

**Note 12 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Community Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 and the valuation techniques used by the Community Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Community Foundation has the ability to access.

**Note 12 - Fair Value Measurements (Continued)**

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at  
December 31, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Balance at December 31, 2017
<b>Assets</b>					
Investments:					
Money market funds - Short-term investment	\$ 7,416,001	\$ -	\$ -	\$ -	\$ 7,416,001
Mutual funds - Fixed income	17,880,850	-	-	-	17,880,850
Mutual funds - Domestic equity	24,540,595	-	-	-	24,540,595
Mutual funds - Foreign equity	19,986,148	-	-	-	19,986,148
Alternative investments	-	-	-	54,279,277	54,279,277
Subtotal	69,823,594	-	-	54,279,277	124,102,871
Charitable remainder unitrust	-	-	1,180,401	-	1,180,401
Total assets	<u>\$ 69,823,594</u>	<u>\$ -</u>	<u>\$ 1,180,401</u>	<u>\$ 54,279,277</u>	<u>\$ 125,283,272</u>
<b>Liabilities - Liability to life beneficiaries of planned gifts</b>					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,714</u>	<u>\$ -</u>	<u>\$ 495,714</u>

Notes to Financial Statements

December 31, 2017 and 2016

Note 12 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at  
December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Balance at December 31, 2016
<b>Assets</b>					
Investments:					
Money market funds - Short-term investment	\$ 337,492	\$ -	\$ -	\$ -	\$ 337,492
Mutual funds - Fixed income	7,515,971	-	-	-	7,515,971
Mutual funds - Domestic equity	14,899,108	-	-	-	14,899,108
Mutual funds - Foreign equity	5,221,595	-	-	-	5,221,595
Alternative investments	-	-	-	47,220,044	47,220,044
Subtotal	27,974,166	-	-	47,220,044	75,194,210
Charitable remainder unitrust	-	-	1,040,389	-	1,040,389
Total assets	<u>\$ 27,974,166</u>	<u>\$ -</u>	<u>\$ 1,040,389</u>	<u>\$ 47,220,044</u>	<u>\$ 76,234,599</u>
<b>Liabilities - Liability to life beneficiaries of planned gifts</b>					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,064</u>	<u>\$ -</u>	<u>\$ 448,064</u>

The following table sets forth a summary of the changes in the fair value of the Community Foundation's Level 3 assets for the years ended December 31, 2017 and 2016:

	Fair Value at January 1, 2017	Purchases/ Issuances	Sales/ Distributions	Total Realized Gains	Total Unrealized Losses	Fair Value at December 31, 2017
Charitable remainder unitrust	\$ 1,040,389	\$ 38,870	\$ (64,007)	\$ 386,183	\$ (221,034)	\$ 1,180,401
Liability to life beneficiaries of planned gifts	(448,064)	-	51,721	-	(99,371)	(495,714)
Total Level 3 assets and liabilities at fair value	<u>\$ 592,325</u>	<u>\$ 38,870</u>	<u>\$ (12,286)</u>	<u>\$ 386,183</u>	<u>\$ (320,405)</u>	<u>\$ 684,687</u>
	Fair Value at January 1, 2016	Purchases/ Issuances	Sales/ Distributions	Total Realized Gains	Total Unrealized Gains (Losses)	Fair Value at December 31, 2016
Charitable remainder unitrust	\$ 998,561	\$ 16,208	\$ (77,244)	\$ 62,270	\$ 40,594	\$ 1,040,389
Liability to life beneficiaries of planned gifts	(445,378)	-	49,928	-	(52,614)	(448,064)
Total Level 3 assets and liabilities at fair value	<u>\$ 553,183</u>	<u>\$ 16,208</u>	<u>\$ (27,316)</u>	<u>\$ 62,270</u>	<u>\$ (12,020)</u>	<u>\$ 592,325</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

December 31, 2017 and 2016

**Note 12 - Fair Value Measurements (Continued)**

Charitable remainder unitrust assets are categorized as Level 3 assets. The Community Foundation estimates the fair value of these assets based upon the fair value of the assets in the trust, unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

The related liability to life beneficiaries of planned gifts was also classified as Level 3 and consists of amounts to be paid out under a charitable gift annuity agreement. The Community Foundation estimates the fair value of this liability based upon the present value of the expected future cash flows using management's best estimates of key assumptions including the life expectancy of the annuitant, payment periods, and a discount rate commensurate with the current market and other risks involved.

The following table summarizes the valuation methods and inputs used to determine fair value at December 31, 2017 and 2016 for assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at December 31, 2017	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Assets - Charitable remainder unitrust	\$ 1,180,401	Fair value of trust investments	Underlying investments in the trust	N/A
Liabilities - Liability to life beneficiaries of planned gifts	(495,714)	Present value of future cash outflows	Life expectancy of beneficiary, discount rate, growth rate	2.6 percent discount rate
	Fair Value at December 31, 2016	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Assets - Charitable remainder unitrust	\$ 1,040,389	Fair value of trust investments	Underlying investments in the trust	N/A
Liabilities - Liability to life beneficiaries of planned gifts	(448,064)	Present value of future cash outflows	Life expectancy of beneficiary, discount rate, growth rate	1.8 percent discount rate

The Community Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes are described in Note 2.

Of the Level 3 assets and liabilities still held by the Community Foundation at December 31, 2017 and 2016, the unrealized loss for the years ended December 31, 2017 and 2016 was \$320,405 and \$12,020, respectively.

**Investments in Entities that Calculate Net Asset Value per Share**

The Community Foundation holds shares or interests in investments at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment.

**Note 12 - Fair Value Measurements (Continued)**

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at December 31, 2017 and 2016							
	Fair Value at December 31, 2017	Unfunded Commitments at December 31, 2017	Fair Value at December 31, 2016	Unfunded Commitments at December 31, 2016	Redemption Frequency, if Eligible	Redemption Notice Period	Redemption Restrictions and Lock-up Period
Real estate REIT fund	\$ 4,039,438	\$ -	\$ 2,856,805	\$ -	Monthly	15 days	N/A
Global fixed-income fund	2,736,775	-	1,790,611	-	Monthly	5 days	N/A
Equity mutual funds - Foreign	5,275,643	-	4,006,513	-	Monthly	6 days	N/A
Commodities fund	2,320,771	-	960,996	-	Monthly	5 days	N/A
Equity mutual funds - Domestic	11,462,835	-	9,273,479	-	Quarterly	60 days	Subject to redemption gate of 20%
Equity - Long only - Global	6,081,559	-	5,203,306	-	Monthly 50%	6 days	N/A
Equity long/short hedge fund of funds	4,133,667	-	5,180,532	-	Semiannual (6/30 and 12/31)	Mar 15 or Sep 15	N/A
Multistrategy hedge fund of funds	3,900,621	-	5,388,677	-	Semiannual (6/30 and 12/31)	95 days	Subject to redemption gate of 25%
Distressed opportunities fund of funds	361,893	90,601	494,209	63,750	Illiquid	N/A	N/A
Natural resources fund of funds	64,635	156,503	169,380	156,503	Illiquid	N/A	N/A
Private equity fund of funds	13,901,440	5,755,624	11,895,536	3,564,501	Various	N/A	N/A
<b>Total</b>	<b>\$ 54,279,277</b>	<b>\$ 6,002,728</b>	<b>\$ 47,220,044</b>	<b>\$ 3,784,754</b>			

The real estate REIT funds category consists of a manager that focuses on long-only investments in publicly traded real estate investment trusts (REITs).

The global fixed-income fund category invests in a manager that pursues investments in global sovereign debt instruments.

Equity mutual funds, foreign and domestic, are held indirectly through investments in limited partnerships. These equities are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider assumptions, including time value and yield curve as well as other relevant economic measures.

The commodities fund category invests in a manager that deploys a liquid and diverse commodity investment strategy, including exposure to energy, industrial metals, precious metals, agriculture, livestock, and food commodities.

The equity long-only fund category invests in a manager that provides participants with an opportunity to obtain long-term growth primarily from a diversified portfolio of global equity securities.

**December 31, 2017 and 2016**

**Note 12 - Fair Value Measurements (Continued)**

The equity long/short hedge fund of funds category includes investments in fund of funds that invest with fund managers that deploy both long and short in U.S. and global common stocks. Management of the underlying hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

The multistrategy hedge fund of funds category includes investments in fund of funds that invest through a wide variety of hedge fund managers employing many different strategies, with a bias toward credit spreads and arbitrage-type styles.

The absolute return hedge fund of funds category includes investments in fund of funds that deploy a wide variety of styles that target low volatility and low correlation to traditional equity markets.

The distressed opportunities hedge fund of funds category includes investments in fund of funds that deploy a spectrum of distressed securities investment approaches.

The natural resource fund category invests in fund of funds managers that pursue investments in private natural resource enterprises, primarily in oil and gas exploration and development.

The private equity funds category includes several venture capital and private equity fund of funds that invest in both domestic and foreign private equity and venture capital firms.

The investments in the natural resources, distressed opportunities, and private equity categories above can never be redeemed from the funds' managers. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 3 to 10 years.

The Community Foundation also monitors the liquidity of its investment portfolio to be certain that cash needs for any particular period of time can be met. At December 31, 2017 and 2016, the entire portfolio was invested as follows: 59 percent and 40 percent in assets with daily redemption terms, 15 percent and 17 percent monthly redemption, 9 percent and 14 percent quarterly redemption, 6 percent and 14 percent in semiannual redemption, 5 percent and 6 percent annual redemption, and 6 percent and 9 percent illiquid, respectively. These figures are measured and monitored on a quarterly basis.

**Note 13 - Annuity Payable**

Annuity payable is composed of a charitable gift annuity, which is a contract between the Community Foundation and a donor in which the Community Foundation agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. A liability is recorded for the amount due to an income beneficiary of a charitable gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is remeasured for changes in actuarial assumptions, and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue, gains, and other support.

**Note 14 - Line of Credit**

During 2015, the Community Foundation obtained an unsecured revolving line of credit from a bank with a limit of \$500,000 and bearing interest at the prime rate (an effective rate of 3.75 percent at December 31, 2016). There was no outstanding balance at December 31, 2016. The line of credit matured on July 5, 2017 and was not renewed.