

Combined Financial Statements

**COMMUNITY FOUNDATION OF GREATER FORT WAYNE INC.
AND AFFILIATED SUPPORTING ORGANIZATIONS**

*Years ended December 31, 2015 and 2014
with Report of Independent Auditors*

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Combined Financial Statements

Years ended December 31, 2015 and 2014

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Report of Independent Auditors

The Board of Directors
Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Community Foundation of Greater Fort Wayne Inc. and Affiliated Supporting Organizations (Foundation) which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Community Foundation of Greater Fort Wayne Inc. and Affiliated Supporting Organizations as of December 31, 2015 and 2014, and the results of their activities, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Asenbarger & Skiba, LLC

March 30, 2016

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Combined Statements of Financial Position

	December 31	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 346,879	\$ 86,617
Investments, at fair value	128,153,626	134,051,971
Contributions receivable	782,320	118,555
Accrued investment income and other	152,097	313,387
Total current assets	129,434,922	134,570,530
Land, building, and equipment:		
Land	280,000	280,000
Building	1,827,113	1,827,113
Equipment	206,644	203,110
	2,313,757	2,310,223
Less accumulated depreciation	511,088	445,948
	1,802,669	1,864,275
Other assets:		
Cash value of life insurance policies	1,244,084	1,238,977
Beneficial interest in trusts	3,692,694	4,054,454
Notes and accrued interest receivable	1,135,222	1,119,146
Real estate and other assets	253,254	253,254
	6,325,254	6,665,831
Total assets	\$137,562,845	\$143,100,636
Liabilities and net assets		
Current liabilities:		
Current portion of grants and scholarships payable	\$ 1,037,384	658,307
Current portion of annuities payable	83,751	91,222
Current portion of long-term debt	32,230	31,046
Accounts payable and accrued expenses	31,997	12,327
Deferred grant revenue	535,922	1,855,134
Funds held for agencies	5,750,634	6,079,935
Total current liabilities	7,471,918	8,727,971
Grants and scholarships payable, less current portion	259,838	284,687
Annuities payable, less current portion	665,291	705,895
Long-term debt, less current portion	491,330	523,560
Total liabilities	8,888,377	10,242,113
Net assets:		
Unrestricted:		
Unrestricted grant making and operating funds	51,093,300	54,917,686
Donor-advised funds	47,131,861	48,657,915
Other funds	27,653,459	26,172,545
Total unrestricted	125,878,620	129,748,146
Temporarily restricted	96,248	210,083
Permanently restricted	2,699,600	2,900,294
Total net assets	128,674,468	132,858,523
Total liabilities and net assets	\$137,562,845	\$143,100,636

See accompanying notes to combined financial statements.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Combined Statements of Activities and Changes in Net Assets

	Year ended December 31							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues, and gains (losses)								
Contributions	\$ 8,168,839	\$ -	\$ -	\$ 8,168,839	\$ 4,199,234	\$ -	\$ -	\$ 4,199,234
Less contributions received for agency funds	73,804	-	-	73,804	177,206	-	-	177,206
Less interfund contributions	141,298	-	-	141,298	164,539	-	-	164,539
Net contributions	7,953,737	-	-	7,953,737	3,857,489	-	-	3,857,489
Interest and dividends	3,400,887	537	-	3,401,424	3,955,953	1,469	-	3,957,422
Realized and unrealized gain (loss) on investments	(7,459,922)	78	-	(7,459,844)	(660,605)	(110)	-	(660,715)
Gain (loss) on beneficial interest in trusts and change in value of other assets	(30,815)	-	(200,694)	(231,509)	17,795	-	499,384	517,179
Other	70,708	-	-	70,708	41,413	-	-	41,413
Total support, revenues, and gains (losses) before net assets released from restrictions	3,934,595	615	(200,694)	3,734,516	7,212,045	1,359	499,384	7,712,788
Net assets released from restrictions for operations	114,450	(114,450)	-	-	192,207	(192,207)	-	-
Total support, revenues, and gains (losses)	4,049,045	(113,835)	(200,694)	3,734,516	7,404,252	(190,848)	499,384	7,712,788
Expenses								
Grants and scholarships:								
Arts and culture	593,625	-	-	593,625	505,537	-	-	505,537
Community development	1,492,612	-	-	1,492,612	776,615	-	-	776,615
Education	1,836,989	-	-	1,836,989	1,500,310	-	-	1,500,310
Health and human services	2,321,350	-	-	2,321,350	1,825,719	-	-	1,825,719
Other charitable purpose	440,371	-	-	440,371	293,005	-	-	293,005
	6,684,947	-	-	6,684,947	4,901,186	-	-	4,901,186
Less grants made from agency funds	182,412	-	-	182,412	185,011	-	-	185,011
Less interfund grants and scholarships	141,298	-	-	141,298	164,539	-	-	164,539
Net grants and scholarships	6,361,237	-	-	6,361,237	4,551,636	-	-	4,551,636
Fees and expenses								
Operating expenses	1,238,342	-	-	1,238,342	1,108,495	-	-	1,108,495
Investment management and custodian fees	294,526	-	-	294,526	292,089	-	-	292,089
Interest expense	21,233	-	-	21,233	24,474	-	-	24,474
Other expenses	3,233	-	-	3,233	48,054	-	-	48,054
Total fees and expenses	1,557,334	-	-	1,557,334	1,473,112	-	-	1,473,112
Total expenses	7,918,571	-	-	7,918,571	6,024,748	-	-	6,024,748
Increase (decrease) in net assets	(3,869,526)	(113,835)	(200,694)	(4,184,055)	1,379,504	(190,848)	499,384	1,688,040
Net assets at beginning of year	129,748,146	210,083	2,900,294	132,858,523	128,368,642	400,931	2,400,910	131,170,483
Net assets at end of year	<u>\$ 125,878,620</u>	<u>\$ 96,248</u>	<u>\$ 2,699,600</u>	<u>\$ 128,674,468</u>	<u>\$ 129,748,146</u>	<u>\$ 210,083</u>	<u>\$ 2,900,294</u>	<u>\$ 132,858,523</u>

See accompanying notes to combined financial statements.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Combined Statements of Cash Flows

	Year ended December 31	
	2015	2014
Operating activities		
Increase (decrease) in net assets	\$ (4,184,055)	\$ 1,688,040
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized and unrealized loss on investments	7,459,844	660,715
Noncash gifts received	(1,378,316)	(1,777,703)
Depreciation	65,140	58,870
Loss (gain) on beneficial interest in trusts and change in value of other assets	231,509	(517,179)
Changes in operating assets and liabilities:		
Contributions receivable	(663,765)	(117,055)
Beneficial interest in trusts	125,144	119,782
Accrued investment income and other	161,290	(84,063)
Grants and scholarships payable	354,228	(204,652)
Annuities payable	(48,075)	164,635
Accounts payable and accrued expenses	19,670	(21,298)
Deferred grant revenue	(1,319,212)	1,855,134
Funds held for agencies	(329,301)	96,705
Net cash provided by operating activities	494,101	1,921,931
Investing activities		
Purchases of investments	(22,745,738)	(34,102,270)
Proceeds from sale and maturities of investments	22,562,555	33,064,829
Purchases of equipment	(3,534)	(39,018)
Advances on notes receivable	(16,076)	(1,119,146)
Net cash used in investing activities	(202,793)	(2,195,605)
Financing activities		
Payments on mortgage note payable	(31,046)	(28,955)
Income (decrease) in cash and cash equivalents	260,262	(302,629)
Cash and cash equivalents at beginning of year	86,617	389,246
Cash and cash equivalents at end of year	\$ 346,879	\$ 86,617

See accompanying notes to combined financial statements.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements

December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The mission of the Community Foundation of Greater Fort Wayne Inc. and affiliated supporting organizations (collectively, the Foundation) is:

“to serve as a community leader to improve the quality of life by building permanent endowments, promoting effective grantmaking, fostering philanthropy, stimulating community dialogue, and helping donors achieve their charitable goals.”

The Community Foundation of Greater Fort Wayne Inc. operates as an administrator of funds set up exclusively for religious, charitable, scientific, testing for public safety, literary and educational purposes, and for the prevention of cruelty to children and animals, primarily in Allen County, Indiana, unless otherwise designated by a donor.

The Community Foundation of Greater Fort Wayne Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50 percent charitable contribution deduction limitation. The Community Foundation of Greater Fort Wayne Inc. has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting.

Principles of Combination

The combined financial statements include the Community Foundation of Greater Fort Wayne Inc. and its affiliated supporting organizations, the Fort Wayne Central Improvement Foundation, Inc. and Community Partnerships, Inc. All significant interorganization transactions and balances have been eliminated in combination.

Fort Wayne Central Improvement Foundation, Inc.

The Fort Wayne Central Improvement Foundation, Inc. (FWCIF), a supporting organization, was reorganized in 1995. It was reorganized to receive and manage real estate donations for future benefit of the Community Foundation of Greater Fort Wayne Inc. The Community Foundation of Greater Fort Wayne Inc. has the authority to appoint a majority of members to the FWCIF Board of Directors. FWCIF had net assets at December 31, 2015 and 2014 of \$1,423,337 and \$1,441,543, respectively.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Principles of Combination (continued)

Community Partnerships, Inc.

In 1995, Community Partnerships, Inc. (CPI), a supporting organization, was incorporated for the purposes of supporting charitable community projects, which bring together a variety of funding partners. The Community Foundation of Greater Fort Wayne Inc. has the authority to appoint a majority of members of the CPI Board of Directors. CPI had net assets at December 31, 2015 and 2014 of \$96,749 and \$210,583, respectively.

Summit Initiatives Foundation, Inc.

On September 15, 2011, Summit Initiatives Foundation, Inc. (SIF), a supporting organization, was incorporated to support charitable economic development efforts in the greater Fort Wayne area. The purposes for which SIF was formed include charitable and educational purposes, including the support of community projects to facilitate charitable activities that carry out the purposes of the Foundation. The Community Foundation of Greater Fort Wayne Inc. has the authority to appoint a majority of members of the SIF Board of Directors. SIF had net assets at December 31, 2015 and 2014 of \$135,171 and \$100,104, respectively.

The aforementioned affiliated supporting organizations were established as supporting organizations to the Community Foundation of Greater Fort Wayne Inc. as described in Section 509(a)(3) of the Internal Revenue Code.

The Foundation and its affiliated supporting organizations are exempt from income taxes under Section 501(c)(3) and Section 509(a)(3), respectively, of the Internal Revenue Code and similar provisions of state law. However, the Foundation and its affiliated supporting organizations are subject to federal income tax on any unrelated business taxable income. Management believes the Foundation and its affiliated supporting organizations are no longer subject to examination by tax authorities for years before December 31, 2012.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, except those short-term investments managed as part of long-term investment strategies. The Foundation maintains cash accounts at a local bank. From time to time during the year, the Foundation's cash accounts exceeded federally insured limits due to the transfer of funds to pay for grants awarded.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments and Investment Income

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See *Note 3* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively. These amounts are reported in the combined statements of activities and changes in net assets as realized and unrealized gain (loss) on investments.

The Foundation maintains a significant and diverse investment portfolio, without concentration of risk by type, industry, or geographic area, which is managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect account balances.

Funds Held for Agencies

The Foundation holds certain funds for other organizations as agencies and recognizes the related liability in the combined statements of financial position. Funds held for agencies were \$5,750,634 and \$6,079,935 at December 31, 2015 and 2014, respectively.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor-imposed restrictions placed upon them. Unrestricted net assets consist of the following types of internally-designated funds:

Unrestricted grantmaking and operating funds—funds used for discretionary grantmaking and the general operation of the Foundation.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Donor-advised funds—funds established by donor contributions that enable donors to make recommendations from time to time about the distributions from the funds. The donors' advice in the grantmaking process is considered by the Board of Directors in making grants from these resources.

Other funds—other funds include field of interest funds used to support particular interests to the donor, designated funds intended to benefit designated charitable organizations, and scholarship funds intended to assist students in obtaining an education.

In addition, the Foundation has received certain net assets for specific purposes, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the Foundation pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed stipulations are met, 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. Permanently restricted net assets include amounts whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations, donor-advised and other funds, or assets set aside by the Board of Directors are not considered to be donor restricted.

In August 2008, the Financial Accounting Standards Board (FASB) released Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* now included in FASB Accounting Standards Codification (ASC) Topic 958 (ASC 958). ASC 958 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Effective July 1, 2007, the Indiana General Assembly amended the Uniform Management of Institutional Funds of Colleges and Universities, (UMIFA) by adopting provisions of UPMIFA. ASC 958 also improved disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Based on the advice of legal counsel and review of the by-laws of the Foundation and donor documentation by management, the Board of Directors believes that the majority of the funds held by the Foundation are not institutional endowment funds under UPMIFA because the terms of the funds do not specifically restrict the ability of the Foundation to spend the whole fund.

The Foundation may hold donor restricted endowment funds where the gift instrument clearly stipulates that the Foundation is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede the Foundation's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

Management continues to evaluate ASC 958 and has determined that it does not have a significant impact on the net asset classifications in the statements of financial position and statements of activities and changes in net assets of the Foundation.

Contributions and Contributions Receivable

Contributions, including gifts, grants, bequests, pledges, and other unconditional promises, without restrictions or stipulations are recorded as support in the period received. Unrestricted contributions consisted of the following:

	Year ended December 31	
	2015	2014
Contributions to unrestricted grantmaking and operating funds	\$ 1,219,118	\$ 555,274
Contributions to donor-advised funds	2,736,736	2,172,425
Contributions to other funds	4,139,181	1,294,329
Contributions received for agencies	73,904	177,206
	\$ 8,168,939	\$ 4,199,234

Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions and Contributions Receivable (continued)

Conditional promises or pledges are recognized when the conditions on which they depend are substantially met. During the year ended December 31, 2014, the Foundation was awarded and received a \$2,000,000 matching grant from Lilly Endowment Inc. that will support grantmaking in Allen County and the City of Fort Wayne's riverfront development efforts. The matching period for contributions pursuant to this conditional grant ends March 31, 2016 or whenever the matching limit is reached, whichever comes first. Qualifying matching gifts received has resulted in conditional grant funds of \$1,319,212 in 2015 and \$144,866 in 2014 being recognized. The remainder of the conditional grant received, but not yet matched of \$535,922 is reflected as deferred grant revenue in the combined statement of financial position at December 31, 2015.

Contributions of assets other than cash are recorded at their fair market value.

Unconditional promises or pledges are recorded at net realizable value. The Foundation provides an allowance for uncollectible pledges which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all pledges receivable. As of December 31, 2015 and 2014, no allowance for uncollectible pledges was deemed necessary.

Land, Building, and Equipment

Land, building, and equipment are stated at cost or if donated, at fair value at the date of the donation, except for land, building, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets at December 31, 2015. Items with a cost or value of \$500 or more for computers and software and \$1,000 or more for other capital expenditures are capitalized.

Depreciation is computed by the straight-line method over the following estimated useful lives:

Building	40 years
Equipment	3-5 years

Expenditures for normal repairs and maintenance are expensed when incurred.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Legacies, Bequests, and Beneficial Interest in Trusts

The Foundation is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

The Foundation is also the income or principal beneficiary under various term and perpetual trusts, the corpus of which are not controlled or administered by the management of the Foundation. In the absence of donor-imposed conditions, the Foundation recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

Although the Foundation has no control over the administration or investment of the funds held in these term and perpetual trusts, the present value of the estimated expected future cash flows from the trusts is recognized as an asset in the accompanying combined financial statements. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is recorded as additional contribution revenue.

Notes and Accrued Interest Receivable

At December 31, 2015 and 2014, the Foundation has two notes receivable from the Fort Wayne Downtown Development Trust, Inc. totaling \$1,117,400 pursuant to the development of Columbia Street in Fort Wayne, Indiana. The notes receivable issued by the Summit Initiatives Foundation, Inc. bear interest at 1.5 percent and accrued interest at December 31, 2015 and 2014 is \$17,822 and \$1,746, respectively. One note receivable is unsecured and will be repaid on the sale of real estate and the other note receivable is secured by real estate. This note receivable was originally due on or before December 30, 2015 but was extended by the Summit Initiatives Foundation, Inc. to June 30, 2016. Notes receivable are recorded at cost (carrying value), which approximates fair value.

Grants and Scholarships

Grants and scholarships are considered incurred and recorded as payable upon their approval by the Board of Directors and communication to designated grantees.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying amounts reported in the Foundation's statements of financial position of the financial instruments, including cash and cash equivalents, receivables, and payables approximate their fair values at December 31, 2015 and 2014 primarily due to the short-term nature of these instruments. The carrying amount reported in the Foundation's statements of financial position for long-term debt at December 31, 2015 and 2014 approximates its fair value based on the current interest rate environment and the terms of the instrument (see *Note 7*). See Investments, Beneficial Interest in Trusts, Notes and Accrued Interest Receivable, and Charitable Gift Annuities Payable in *Notes 1, 2, 3, 4, and 6* for further discussion of the fair value of the Foundation's other financial instruments.

Use of Estimates

Preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

2. Investments

Investments consist of the following:

	December 31	
	2015	2014
Money market funds	\$ 2,481,137	\$ 3,989,694
Mutual and exchange traded funds:		
International equity funds	37,778,823	36,933,183
United States equity funds	30,457,404	33,610,868
Bonds/fixed income funds	26,064,079	27,025,587
Natural resource funds	76,600	5,844,374
Real estate funds	2,938,907	3,381,177
Total mutual and exchange traded funds	97,315,813	106,795,189
Alternative investments:		
Liquid hedge funds	158,987	143,470
Equity oriented hedge funds	10,394,427	9,996,267
Absolute return hedge fund	10,499,135	9,899,387
Private capital fund	2,127,044	600,000
Master limited partnership income fund	1,943,285	-
Total alternative investments	25,122,878	20,639,124
Certificates of deposit	3,233,798	2,627,964
Total investments, at fair value	\$ 128,153,626	\$ 134,051,971
Total investments, at historical cost	\$ 131,450,608	\$ 131,757,747

The composition of investment return recognized in the combined statements of activities and changes in net assets are as follows:

	Year ended December 31	
	2015	2014
Investment income:		
Interest and dividends	\$ 3,401,424	\$ 3,957,422
Net realized gain (loss) on investments	(1,868,638)	1,544,884
Net unrealized loss on investments	(5,591,206)	(2,205,599)
	(4,058,420)	3,296,707
Less investment management and custodial fees	294,526	292,089
Net investment income (loss)	\$ (4,352,946)	\$ 3,004,618

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

3. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Money market funds: The money market funds are valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by the Foundation at year-end.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Foundation at year-end.

Exchange traded funds: Exchange traded funds are publicly traded on major exchanges and are valued at the closing price reported on the major market on which the individual securities are traded.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

3. Fair Value Measurements (continued)

Alternative investments: Certain alternative investments in hedge and pooled investment funds are valued at estimated fair value based on the periodic financial information received from the investment advisor and/or managing member and the Foundation's percentage ownership in the alternative investment entity whose underlying assets are valued using prices and other relevant information generated by market transactions involving identical or comparable assets, appraised values, or other valuation methodology. The Foundation may withdraw funds from the hedge and pooled investment funds either on a semi-annual or quarterly basis depending upon the terms of the respective fund subscription documents. As of December 31 2015, the Foundation has invested \$2,300,000 in the FEG Private Opportunities Fund II and has committed to invest an additional \$7,700,000. FEG Private Opportunities Fund II is a pooled investment fund that seeks to invest in private equity, real assets, and special situations funds.

Certificates of deposit: Recorded at cost plus accrued interest (carrying value), which approximates fair value.

Cash value of life insurance policies: Valued at the redemption value as determined by the insurance carrier at year-end.

Beneficial interest in trusts: The Foundation's beneficial interest in trusts are valued at its proportional interest in the underlying trust assets which are valued at the fair market value as reported by the investment manager at year-end or the present value of the expected future cash flows.

Real estate and other assets: Quoted market prices are not available for certain investments, including limited partnership investments and real property. These investments are recorded at their estimated fair market value; therefore, the reported value may differ from the value that would have been used had a quoted market price existed. The Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at December 31, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

3. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2015 and 2014:

	Assets at Fair Value at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,481,137	\$ -	\$ -	\$ 2,481,137
Mutual and exchange traded funds:				
International equity funds	37,778,823	-	-	37,778,823
United States equity funds	30,457,404	-	-	30,457,404
Bonds/fixed income funds	26,064,079	-	-	26,064,079
Natural resource funds	76,600	-	-	76,600
Real estate funds	-	2,938,907	-	2,938,907
Total mutual and exchange traded funds	94,376,906	2,938,907	-	97,315,813
Alternative investments:				
Liquid hedge funds	158,987	-	-	158,987
Equity oriented hedge funds	-	-	10,394,427	10,394,427
Absolute return hedge fund	-	-	10,499,135	10,499,135
Private capital fund	-	-	2,127,044	2,127,044
Master limited partnership income fund	-	-	1,943,285	1,943,285
Total alternative investments	158,987	-	24,963,891	25,122,878
Certificates of deposit	-	3,233,798	-	3,233,798
Total investments at fair value	97,017,030	6,172,705	24,963,891	128,153,626
Cash value of life insurance policies	-	1,244,084	-	1,244,084
Beneficial interest in trusts	-	1,774,788	1,917,906	3,692,694
Real estate and other assets	-	-	253,254	253,254
Total other assets at fair value	-	3,018,872	2,171,160	5,190,032
Assets at fair value	\$ 97,017,030	\$ 9,191,577	\$ 27,135,051	\$ 133,343,658

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

3. Fair Value Measurements (continued)

	Assets at Fair Value at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,989,694	\$ -	\$ -	\$ 3,989,694
Mutual and exchange traded funds:				
International equity funds	36,933,183	-	-	36,933,183
United States equity funds	33,610,868	-	-	33,610,868
Bonds/fixed income funds	27,025,587	-	-	27,025,587
Natural resource funds	5,844,374	-	-	5,844,374
Real estate funds	-	3,381,177	-	3,381,177
Total mutual and exchange traded funds	103,414,012	3,381,177	-	106,795,189
Alternative investments:				
Liquid hedge funds	143,470	-	-	143,470
Equity oriented hedge funds	-	-	9,996,267	9,996,267
Absolute return hedge fund	-	-	9,899,387	9,899,387
Private capital fund	-	-	600,000	600,000
Total alternative investments	143,470	-	20,495,654	20,639,124
Certificates of deposit	-	2,627,964	-	2,627,964
Total investments at fair value	107,547,176	6,009,141	20,495,654	134,051,971
Cash value of life insurance policies	-	1,238,977	-	1,238,977
Beneficial interest in trusts	-	1,977,337	2,077,117	4,054,454
Real estate and other assets	-	-	253,254	253,254
Total other assets at fair value	-	3,216,314	2,330,371	5,546,685
Assets at fair value	\$ 107,547,176	\$ 9,225,455	\$ 22,826,025	\$ 139,598,656

Community Foundation of Greater Fort Wayne Inc.
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Notes to Combined Financial Statements (continued)

3. Fair Value Measurements (continued)

The changes in assets classified as Level 3 are as follows:

	Alternative Investments	Beneficial Interest in Trusts	Real Estate and Other Assets	Total
Year ended December 31, 2015				
Balance at beginning of year	\$ 20,495,654	\$ 2,077,117	\$ 253,254	\$ 22,826,025
Purchases, net of sales and redemptions	4,500,000	-	-	4,500,000
Actual return on assets—net unrealized loss relating to assets still held at year-end	(31,763)	(159,211)	-	(190,974)
Balance at end of year	<u>\$ 24,963,891</u>	<u>\$ 1,917,906</u>	<u>\$ 253,254</u>	<u>\$ 27,135,051</u>
Year ended December 31, 2014				
Balance at beginning of year	\$ 18,730,370	\$ 1,610,979	\$ 253,254	\$ 20,594,603
Purchases, net of sales and redemptions	551,700	-	-	551,700
Actual return on assets—net unrealized gain relating to assets still held at year-end	1,213,584	466,138	-	1,679,722
Balance at end of year	<u>\$ 20,495,654</u>	<u>\$ 2,077,117</u>	<u>\$ 253,254</u>	<u>\$ 22,826,025</u>

4. Beneficial Interest in Trusts

The estimated present value of the Foundation's beneficial interest in trusts is as follows:

	December 31	
	2015	2014
Perpetual trusts	\$ 2,699,600	\$ 2,900,294
Charitable remainder annuity trust	345,832	470,377
Charitable remainder unitrust	507,105	532,973
Supplemental and other trusts	140,157	150,810
	<u>\$ 3,692,694</u>	<u>\$ 4,054,454</u>

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

4. Beneficial Interest in Trusts (continued)

The Foundation has a beneficial interest in a unitrust, a supplemental trust, and perpetual trusts that it does not control or administer. The estimated present value of the beneficial interest in the unitrust, supplemental trust, and perpetual trusts was calculated as of December 31, 2015 and 2014, based on the age of the life beneficiaries using the following key assumptions:

Discount rate	3.01% at December 31, 2015; 2.75% at December 31, 2014
Long-term discount rate (utilized by a perpetual trust)	3.01% at December 31, 2015; 2.75% at December 31, 2014
Mortality table	Published mortality-rate tables adopted by the Internal Revenue Service

The Foundation is also the beneficiary of a charitable lead and exemption trust and charitable remainder annuity trust that it does not control or administer. The Foundation receives periodic fixed payments over the terms of these trusts which expire in 2014 and 2018, respectively.

The Foundation's permanently restricted net assets consist of the aforementioned beneficial interest perpetual trusts.

5. Grants and Scholarships Payable

The following summarizes the changes in grants and scholarships payable:

	Year ended December 31	
	2015	2014
Grants and scholarships payable at beginning of year	\$ 942,994	\$ 1,147,646
Unconditional grants and scholarships expensed	6,684,947	4,901,186
Less payments made	6,330,719	5,105,838
Grants and scholarships payable at end of year	<u>\$ 1,297,222</u>	<u>\$ 942,994</u>

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

5. Grants and Scholarships Payable (continued)

Grants and scholarships payable at December 31, 2015 are scheduled to be disbursed as follows:

2016	\$ 1,037,383
2017	175,939
2018	78,900
2019	2,500
2020	2,500
	\$ 1,297,222

6. Charitable Gift Annuities Payable

The Foundation has entered into various charitable gift annuities in which the donor contributes assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetime and/or, for joint annuitants, the lifetime of the donor's spouse, whichever is longer. The fair value of the assets contributed over the present value of the liability for future payments has been recognized as a contribution at the date of the gift. The contributed assets are comprised of various equity and fixed income investments, which are included in the Foundation's investments. The fair value of these investments and corresponding liabilities (including payments currently due and the present value of the estimated future actuarial liability to annuitants) of the charitable gift annuities are as follows:

	December 31	
	2015	2014
Investments	\$ 1,173,343	\$ 1,344,609
Current portion of annuities payable	\$ 83,751	\$ 91,222
Annuities payable, less current portion	665,291	705,895
	\$ 749,042	\$ 797,117

The liability for the charitable gift annuities was calculated as of December 31, 2015 and 2014, based on the age of the donor(s) using the following key assumptions:

Range of annuity rates	4.8% - 10.2%
Range of discount rates	1.2% - 6.2%
Mortality tables	Published mortality-rate tables adopted by the Internal Revenue Service

Community Foundation of Greater Fort Wayne Inc.
and Affiliated Supporting Organizations

Notes to Combined Financial Statements (continued)

7. Debt Arrangement

Pursuant to a debt agreement, as modified on November 10, 2014, the Foundation pays monthly principal and interest installments of \$4,357 with a final payment due on November 10, 2019. The mortgage note payable bears interest at a fixed rate of 3.875 percent and is secured by land and a building.

Maturities on the mortgage note payable as of December 31, 2015 are as follows:

2016	\$ 32,230
2017	33,577
2018	34,920
2019	422,833
	\$ 523,560

Interest expense and interest paid was \$21,233 in 2015 and \$24,474 in 2014.

8. Net Assets

Temporarily restricted net assets are to be used for the following purposes:

	December 31	
	2015	2014
Big Goal Collaborative College to Career Action Team (CoCAT) Grant	\$ 96,248	\$ 210,083

Big Goal Collaborative's College to Career Action Team (CoCAT) Grant—In 2013, Lilly Endowment Inc. awarded \$375,000 to the Northeast Indiana Regional Partnership (Regional Partnership) and CPI to improve the alignment of education programs offered at area colleges and universities with the needs of employers.

The efforts, which will be carried out through the Regional Partnership's talent development efforts known as the Big Goal Collaborative, are aimed at preparing graduates for successful employment in Northeast Indiana.

Community Foundation of Greater Fort Wayne Inc.
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Notes to Combined Financial Statements (continued)

8. Net Assets (continued)

This grant will support the Big Goal Collaborative's College to Career Action Team, which is composed of representatives from Huntington University, Indiana Tech, Indiana University-Purdue University Fort Wayne (IPFW), Ivy Tech-Northeast, Manchester University, the University of Saint Francis, the Graduate Retention Program of Greater Fort Wayne Inc., Northeast Indiana Works, and the Questa Foundation for Education, Inc.

The grant will enable CoCAT to:

- Create an integrated employer database to track the skills, education, and training needs of local employers, which schools in Northeast Indiana can use to develop or refine programs.
- Build stronger connections between businesses and higher education institutions within the region and explore opportunities for collaboration, such as internships, training programs and adjunct faculty positions.
- Develop an educational asset map and analyze the programs offered at area schools to determine if there are any gaps between what is being offered and what employers need.

9. Employee Retirement Plan

The Foundation sponsors a Simple IRA Plan (Plan). All employees are eligible to participate in the Plan, which allows the maximum employee contribution permitted under the Internal Revenue Code. The Foundation is required to match 100 percent of employee contributions up to 3 percent of the employee's salary. Expense for the Plan was \$20,051 in 2015 and \$17,908 in 2014.

Community Foundation of Greater Fort Wayne Inc.
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Notes to Combined Financial Statements (continued)

10. Functional Classification of Expenses

Expenses incurred were for:

	Year ended December 31	
	2015	2014
Grants, scholarships, and other program services:		
Grants and scholarships, net	\$ 6,361,237	\$ 4,551,636
Other program services, including grantmaking expenses	292,817	309,883
	6,654,054	4,861,519
 Fundraising expenses	 296,018	 232,988
 Management and general expenses:		
Investment management and custodian fees	294,526	292,089
Interest expense	21,233	24,474
Other management and general expenses	652,740	613,678
	968,499	930,241
	\$ 7,918,571	\$ 6,024,748

The cost of providing the program and other activities has been summarized above on a functional basis. Accordingly, certain costs have been classified based on direct expenditures and allocations among the program and supporting services benefited.

11. Related Party Transactions

Certain members of the Board of Directors are employed by, or affiliated with, organizations that provide financial, computer, and other services to the Foundation. The fees paid for these services were based on customary and reasonable rates for such services.

12. Subsequent Events

Management has evaluated subsequent events through March 30, 2016, the date on which the financial statements were available to be issued.