

Combined Financial Statements

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

*Years ended December 31, 2016 and 2015
with Independent Auditors' Report*

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

Combined Financial Statements

Years ended December 31, 2016 and 2015

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Independent Auditors' Report

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, 2016 and 2015, 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, 2016 and 2015, and 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

Fort Wayne, Indiana
April 10, 2017

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

Combined Statements of Financial Position

	December 31	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 184,269	\$ 346,879
Investments, at fair value	131,074,764	128,153,626
Contributions receivable	3,680,860	782,320
Accrued investment income and other current assets	7,199	152,097
Total current assets	134,947,092	129,434,922
Land, building, and equipment:		
Land	280,000	280,000
Building	1,827,113	1,827,113
Equipment	206,644	206,644
	2,313,757	2,313,757
Less accumulated depreciation	574,825	511,088
	1,738,932	1,802,669
Other assets:		
Cash value of life insurance policies	1,248,225	1,244,084
Beneficial interest in trusts	3,530,067	3,692,694
Notes and accrued interest receivable	1,152,368	1,135,222
Long-term contributions receivable	50,000	-
Real estate and other assets	253,254	253,254
	6,233,914	6,325,254
Total assets	\$142,919,938	\$137,562,845
Liabilities and net assets		
Current liabilities:		
Current portion of grants and scholarships payable	\$ 2,122,849	\$ 1,037,384
Current portion of annuities payable	83,751	83,751
Current portion of long-term debt	33,577	32,230
Accounts payable and accrued expenses	30,264	31,997
Deferred grant revenue	-	535,922
Funds held for agencies	5,886,584	5,750,634
Total current liabilities	8,157,025	7,471,918
Grants and scholarships payable, less current portion	2,225,400	259,838
Annuities payable, less current portion	631,071	665,291
Long-term debt, less current portion	457,753	491,330
Total liabilities	11,471,249	8,888,377
Net assets:		
Unrestricted:		
Unrestricted grant making and operating funds	50,340,667	51,093,300
Donor-advised funds	50,543,591	47,131,861
Other funds	27,827,863	27,653,459
Total unrestricted	128,712,121	125,878,620
Temporarily restricted	-	96,248
Permanently restricted	2,736,568	2,699,600
Total net assets	131,448,689	128,674,468
Total liabilities and net assets	\$142,919,938	\$137,562,845

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							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues, and gains (losses)								
Contributions	\$ 7,086,912	\$ -	\$ -	\$ 7,086,912	\$ 8,168,839	\$ -	\$ -	\$ 8,168,839
Less contributions received for agency funds	116,768	-	-	116,768	73,804	-	-	73,804
Less interfund contributions	108,437	-	-	108,437	141,298	-	-	141,298
Net contributions	6,861,707	-	-	6,861,707	7,953,737	-	-	7,953,737
Interest and dividends	3,242,455	374	-	3,242,829	3,400,887	537	-	3,401,424
Realized and unrealized gain (loss) on investments	3,976,544	94	-	3,976,638	(7,459,922)	78	-	(7,459,844)
Gain (loss) on beneficial interest in trusts and change in value of other assets	9,913	-	36,968	46,881	(30,815)	-	(200,694)	(231,509)
Other	56,043	-	-	56,043	70,708	-	-	70,708
Total support, revenues, and gains (losses) before net assets released from restrictions	14,146,662	468	36,968	14,184,098	3,934,595	615	(200,694)	3,734,516
Net assets released from restrictions for operations	96,716	(96,716)	-	-	114,450	(114,450)	-	-
Total support, revenues, and gains (losses)	14,243,378	(96,248)	36,968	14,184,098	4,049,045	(113,835)	(200,694)	3,734,516
Expenses								
Grants and scholarships:								
Arts and culture	488,768	-	-	488,768	593,625	-	-	593,625
Community development	5,649,115	-	-	5,649,115	1,492,612	-	-	1,492,612
Education	1,187,683	-	-	1,187,683	1,836,989	-	-	1,836,989
Health and human services	2,560,001	-	-	2,560,001	2,321,350	-	-	2,321,350
Other charitable purpose	347,436	-	-	347,436	440,371	-	-	440,371
	10,233,003	-	-	10,233,003	6,684,947	-	-	6,684,947
Less grants made from agency funds	203,658	-	-	203,658	182,412	-	-	182,412
Less interfund grants and scholarships	108,437	-	-	108,437	141,298	-	-	141,298
Net grants and scholarships	9,920,908	-	-	9,920,908	6,361,237	-	-	6,361,237
Fees and expenses								
Operating expenses	1,179,246	-	-	1,179,246	1,238,342	-	-	1,238,342
Investment management and custodian fees	286,448	-	-	286,448	294,526	-	-	294,526
Interest expense	20,049	-	-	20,049	21,233	-	-	21,233
Other expenses	3,226	-	-	3,226	3,233	-	-	3,233
Total fees and expenses	1,488,969	-	-	1,488,969	1,557,334	-	-	1,557,334
Total expenses	11,409,877	-	-	11,409,877	7,918,571	-	-	7,918,571
Increase (decrease) in net assets	2,833,501	(96,248)	36,968	2,774,221	(3,869,526)	(113,835)	(200,694)	(4,184,055)
Net assets at beginning of year	125,878,620	96,248	2,699,600	128,674,468	129,748,146	210,083	2,900,294	132,858,523
Net assets at end of year	<u>\$ 128,712,121</u>	<u>\$ -</u>	<u>\$ 2,736,568</u>	<u>\$ 131,448,689</u>	<u>\$125,878,620</u>	<u>\$ 96,248</u>	<u>\$2,699,600</u>	<u>\$ 128,674,468</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	
	2016	2015
Operating activities		
Increase (decrease) in net assets	\$ 2,774,221	\$ (4,184,055)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized (gain) loss on investments	(3,976,638)	7,459,844
Noncash gifts received	(673,075)	(1,378,316)
Depreciation	63,737	65,140
Loss (gain) on beneficial interest in trusts and change in value of other assets	(46,881)	231,509
Changes in operating assets and liabilities:		
Contributions receivable	(2,948,540)	(663,765)
Beneficial interest in trusts	205,367	125,144
Accrued investment income and other current assets	144,898	161,290
Grants and scholarships payable	3,051,027	354,228
Annuities payable	(34,220)	(48,075)
Accounts payable and accrued expenses	(1,733)	19,670
Deferred grant revenue	(535,922)	(1,319,212)
Funds held for agencies	135,950	(329,301)
Net cash provided by (used in) operating activities	(1,841,809)	494,101
Investing activities		
Purchases of investments	49,312,187	(22,745,738)
Proceeds from sale and maturities of investments	(47,583,612)	22,562,555
Purchases of equipment	-	(3,534)
Advances on notes receivable	(17,146)	(16,076)
Net cash provided by (used in) investing activities	1,711,429	(202,793)
Financing activities		
Payments on mortgage note payable	(32,230)	(31,046)
Income (decrease) in cash and cash equivalents	(162,610)	260,262
Cash and cash equivalents at beginning of year	346,879	86,617
Cash and cash equivalents at end of year	\$ 184,269	\$ 346,879

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, 2016

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 the 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, 2016 and 2015 of \$1,406,377 and \$1,423,337, 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, 2016 and 2015 of \$504 and \$96,749, 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, 2016 and 2015 of \$57,078 and \$135,171, 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, 2013.

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 \$5,886,584 and \$5,750,634 at December 31, 2016 and 2015, 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	
	2016	2015
Contributions to unrestricted grantmaking and operating funds	\$ 204,802	\$ 1,219,118
Contributions to donor-advised funds	4,801,279	2,736,736
Contributions to other funds	1,964,063	4,139,181
Contributions received for agencies	116,768	73,904
	\$ 7,086,912	\$ 8,168,939

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 ended March 31, 2016 or whenever the matching limit was reached, whichever came first. Qualifying matching gifts received has resulted in conditional grant funds of \$535,922 in 2016, \$1,319,212 in 2015, and \$144,866 in 2014 being recognized. At December 31, 2015, the remainder of the conditional grant received, but not yet matched of \$535,922 was reflected as deferred grant revenue in the combined statement of financial position.

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, 2016 and 2015, no allowance for uncollectible pledges was deemed necessary.

Contributions receivable at December 31, 2016 are scheduled to be received by the Foundation in the amount of \$3,680,860 in 2017 and \$50,000 in 2018.

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, 2016. 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, 2016 and 2015, 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, 2016 and 2015 is \$34,968 and \$17,822, 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 March 31, 2017. The Summit Initiatives Foundation, Inc. has amended the note receivable due date to be upon sale of the collateralized real estate. 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)

Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses) and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Foundation in the year ending December 31, 2018, early adoption is allowed. The Foundation is currently evaluating the impact of the adoption of the standard on its combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the combined statement of activities. The new standard is effective for the Foundation's December 31, 2020 combined financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the combined financial statements, with certain practical expedients available. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the combined financial statements.

Fair Value of Financial Instruments

The carrying amounts reported in the Foundation's statements of financial position of financial instruments, including cash and cash equivalents, receivables, and payables approximate their fair values at December 31, 2016 and 2015 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, 2016 and 2015 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	
	2016	2015
Money market funds	\$ 7,773,534	\$ 2,481,137
Mutual and exchange traded funds:		
International equity funds	27,767,404	37,778,823
United States equity funds	34,725,427	30,457,404
Bonds/fixed income funds	22,309,039	26,064,079
Natural resource funds	149,385	76,600
Real estate funds	3,311,084	2,938,907
Total mutual and exchange traded funds	88,262,339	97,315,813
Alternative investments:		
Liquid hedge funds	145,007	158,987
Equity oriented hedge funds	9,953,796	10,394,427
Absolute return hedge fund	10,196,928	10,499,135
Private capital fund	4,478,439	2,127,044
Master limited partnership income fund	5,043,620	1,943,285
Global emerging markets fund	1,734,966	-
Total alternative investments	31,552,756	25,122,878
Certificates of deposit	3,486,135	3,233,798
Total investments, at fair value	\$ 131,074,764	\$ 128,153,626
Total investments, at historical cost	\$ 127,233,399	\$ 131,450,608

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

	Year ended December 31	
	2016	2015
Investment income:		
Interest and dividends	\$ 3,242,829	\$ 3,401,424
Net realized loss on investments	(3,161,709)	(1,868,638)
Net unrealized gain (loss) on investments	7,138,347	(5,591,206)
	7,219,467	(4,058,420)
Less investment management and custodial fees	286,448	294,526
Net investment income (loss)	\$ 6,933,019	\$ (4,352,946)

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, 2016 and 2015.

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 2016, the Foundation has invested \$4,500,000 in the FEG Private Opportunities Fund II and has committed to invest an additional \$5,500,000. 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, 2016 and 2015.

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, 2016 and 2015:

	Assets at Fair Value at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 7,773,534	\$ -	\$ -	\$ 7,773,534
Mutual and exchange traded funds:				
International equity funds	27,767,404	-	-	27,767,404
United States equity funds	34,725,427	-	-	34,725,427
Bonds/fixed income funds	22,309,039	-	-	22,309,039
Natural resource funds	149,385	-	-	149,385
Real estate funds	-	3,311,084	-	3,311,084
Total mutual and exchange traded funds	84,951,255	3,311,084	-	88,262,339
Alternative investments:				
Liquid hedge funds	145,007	-	-	145,007
Equity oriented hedge funds	-	-	9,953,796	9,953,796
Absolute return hedge fund	-	-	10,196,928	10,196,928
Private capital fund	-	-	4,478,439	4,478,439
Master limited partnership income fund	-	-	5,043,620	5,043,620
Global emerging markets fund	-	-	1,734,966	1,734,966
Total alternative investments	145,007	-	31,407,749	31,552,756
Certificates of deposit	-	3,486,135	-	3,486,135
Total investments at fair value	92,869,796	6,797,219	31,407,749	131,074,764
Cash value of life insurance policies	-	1,248,225	-	1,248,225
Beneficial interest in trusts	-	1,547,781	1,982,286	3,530,067
Real estate and other assets	-	-	253,254	253,254
Total other assets at fair value	-	2,796,006	2,235,540	5,031,546
Assets at fair value	\$ 92,869,796	\$ 9,593,225	\$ 33,643,289	\$ 136,106,310

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

3. Fair Value Measurements (continued)

	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	<u>\$ 97,017,030</u>	<u>\$ 9,191,577</u>	<u>\$ 27,135,051</u>	<u>\$ 133,343,658</u>

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, 2016				
Balance at beginning of year	\$ 24,963,891	\$ 1,917,906	\$ 253,254	\$ 27,135,051
Purchases, net of sales and redemptions	6,633,690	-	-	6,633,690
Actual return on assets—net unrealized gain relating to assets still held at year-end	(189,832)	64,380	-	(125,452)
Balance at end of year	<u>\$ 31,407,749</u>	<u>\$ 1,982,286</u>	<u>\$ 253,254</u>	<u>\$ 33,643,289</u>
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>

4. Beneficial Interest in Trusts

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

	December 31	
	2016	2015
Perpetual trusts	\$ 2,736,568	\$ 2,699,600
Charitable remainder annuity trust	115,194	345,832
Charitable remainder unitrust	537,485	507,105
Supplemental and other trusts	140,820	140,157
	<u>\$ 3,530,067</u>	<u>\$ 3,692,694</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, 2016 and 2015, based on the age of the life beneficiaries using the following key assumptions:

Discount rate	3.06% at December 31, 2016; 3.01% at December 31, 2015
Long-term discount rate (utilized by a perpetual trust)	3.06% at December 31, 2016; 3.01% at December 31, 2015
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 through 2018.

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

5. Grants and Scholarships Payable

The following summarizes the changes in grants and scholarships payable:

	Year ended December 31	
	2016	2015
Grants and scholarships payable at beginning of year	\$ 1,297,222	\$ 942,994
Unconditional grants and scholarships expensed	10,233,003	6,684,947
Less payments made	7,181,976	6,330,719
Grants and scholarships payable at end of year	<u>\$ 4,348,249</u>	<u>\$ 1,297,222</u>

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

5. Grants and Scholarships Payable (continued)

Grants and scholarships payable at December 31, 2016 are scheduled to be disbursed as follows:

2017	\$ 2,122,849
2018	1,154,150
2019	1,068,750
2020	2,500
	\$ 4,348,249

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	
	2016	2015
Investments	\$ 1,096,200	\$ 1,173,343
Current portion of annuities payable	\$ 83,751	\$ 83,751
Annuities payable, less current portion	631,071	665,291
	\$ 714,822	\$ 749,042

The liability for the charitable gift annuities was calculated as of December 31, 2016 and 2015, 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, 2016 are as follows:

2017	\$ 33,577
2018	34,920
2019	<u>422,833</u>
	<u>\$ 491,330</u>

Interest expense and interest paid was \$20,049 in 2016 and \$21,233 in 2015.

8. Net Assets

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

	December 31	
	2016	2015
Big Goal Collaborative College to Career Action Team (CoCAT) Grant	<u>\$ -</u>	<u>\$ 96,248</u>

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 \$19,730 in 2016 and \$20,051 in 2015.

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	
	2016	2015
Grants, scholarships, and other program services:		
Grants and scholarships, net	\$ 9,920,908	\$ 6,361,237
Other program services, including grantmaking expenses	312,594	292,817
	10,233,502	6,654,054
Fundraising expenses	253,755	296,018
Management and general expenses:		
Investment management and custodian fees	286,448	294,526
Interest expense	20,049	21,233
Other management and general expenses	616,123	652,740
	922,620	968,499
	\$ 11,409,877	\$ 7,918,571

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 April 10, 2017, the date on which the financial statements were available to be issued.