

Combined Financial Statements

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

*Years ended December 31, 2017 and 2016
with Independent Auditor's Report*

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

Combined Financial Statements

Years ended December 31, 2017 and 2016

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Independent Auditor's 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, 2017 and 2016, 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, 2017 and 2016, 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
March 15, 2018

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

Combined Statements of Financial Position

	December 31	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 346,875	\$ 184,269
Investments, at fair value	147,053,955	131,074,764
Contributions receivable	66,080	3,680,860
Other current assets	5,081	7,199
Total current assets	147,471,991	134,947,092
Land, building, and equipment:		
Land	280,000	280,000
Building	1,827,113	1,827,113
Equipment	210,282	206,644
	2,317,395	2,313,757
Less accumulated depreciation	631,961	574,825
	1,685,434	1,738,932
Other assets:		
Cash value of life insurance policies	1,249,139	1,248,225
Beneficial interest in trusts	3,776,651	3,530,067
Notes and accrued interest receivable	1,169,811	1,152,368
Long-term contributions receivable	9,078	50,000
Real estate and other assets	253,254	253,254
	6,457,933	6,233,914
Total assets	\$155,615,358	\$142,919,938
 Liabilities and net assets		
Current liabilities:		
Current portion of grants and scholarships payable	\$ 1,593,542	\$ 2,122,849
Current portion of annuities payable	116,917	83,751
Current portion of long-term debt	34,920	33,577
Accounts payable and accrued expenses	30,925	30,264
Funds held for agencies	6,772,086	5,886,584
Total current liabilities	8,548,390	8,157,025
Grants and scholarships payable, less current portion	1,270,850	2,225,400
Annuities payable, less current portion	873,808	631,071
Long-term debt, less current portion	422,832	457,753
Total liabilities	11,115,880	11,471,249
Net assets:		
Unrestricted:		
Unrestricted grant making and operating funds	54,567,679	50,340,667
Donor-advised funds	58,039,981	50,543,591
Other funds	28,849,191	27,827,863
Total unrestricted	141,456,851	128,712,121
Temporarily restricted	-	-
Permanently restricted	3,042,627	2,736,568
Total net assets	144,499,478	131,448,689
Total liabilities and net assets	\$155,615,358	\$142,919,938

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							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues, and gains (losses)								
Contributions	\$ 3,473,734	\$ -	\$ -	\$ 3,473,734	\$ 7,086,912	\$ -	\$ -	\$ 7,086,912
Less contributions received for agency funds	139,595	-	-	139,595	116,768	-	-	116,768
Less interfund contributions	216,511	-	-	216,511	108,437	-	-	108,437
Net contributions	3,117,628	-	-	3,117,628	6,861,707	-	-	6,861,707
Interest and dividends	4,757,604	-	-	4,757,604	3,242,455	374	-	3,242,829
Realized and unrealized gain on investments	14,253,238	-	-	14,253,238	3,976,544	94	-	3,976,638
Gain (loss) on beneficial interest in trusts and change in value of other items, net	(24,408)	-	306,059	281,651	9,913	-	36,968	46,881
Other	57,456	-	-	57,456	56,043	-	-	56,043
Total support, revenues, and gains (losses) before net assets released from restrictions	22,161,518	-	306,059	22,467,577	14,146,662	468	36,968	14,184,098
Net assets released from restrictions for operations	-	-	-	-	96,716	(96,716)	-	-
Total support, revenues, and gains (losses)	22,161,518	-	306,059	22,467,577	14,243,378	(96,248)	36,968	14,184,098
Expenses								
Grants and scholarships:								
Arts and culture	561,106	-	-	561,106	488,768	-	-	488,768
Community development	3,590,550	-	-	3,590,550	5,649,115	-	-	5,649,115
Education	1,251,184	-	-	1,251,184	1,187,683	-	-	1,187,683
Health and human services	2,420,464	-	-	2,420,464	2,560,001	-	-	2,560,001
Other charitable purpose	416,690	-	-	416,690	347,436	-	-	347,436
	8,239,994	-	-	8,239,994	10,233,003	-	-	10,233,003
Less grants made from agency funds	126,182	-	-	126,182	203,658	-	-	203,658
Less interfund grants and scholarships	216,511	-	-	216,511	108,437	-	-	108,437
Net grants and scholarships	7,897,301	-	-	7,897,301	9,920,908	-	-	9,920,908
Fees and expenses								
Operating expenses	1,203,875	-	-	1,203,875	1,179,246	-	-	1,179,246
Investment management and custodian fees	292,662	-	-	292,662	286,448	-	-	286,448
Interest expense	18,702	-	-	18,702	20,049	-	-	20,049
Other expenses	4,248	-	-	4,248	3,226	-	-	3,226
Total fees and expenses	1,519,487	-	-	1,519,487	1,488,969	-	-	1,488,969
Total expenses	9,416,788	-	-	9,416,788	11,409,877	-	-	11,409,877
Increase (decrease) in net assets	12,744,730	-	306,059	13,050,789	2,833,501	(96,248)	36,968	2,774,221
Net assets at beginning of year	128,712,121	-	2,736,568	131,448,689	125,878,620	96,248	2,699,600	128,674,468
Net assets at end of year	<u>\$ 141,456,851</u>	<u>\$ -</u>	<u>\$ 3,042,627</u>	<u>\$ 144,499,478</u>	<u>\$128,712,121</u>	<u>\$ -</u>	<u>\$2,736,568</u>	<u>\$ 131,448,689</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	
	2017	2016
Operating activities		
Increase in net assets	\$ 13,050,789	\$ 2,774,221
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments	(14,253,238)	(3,976,638)
Noncash gifts received	(1,671,318)	(673,075)
Depreciation	57,136	63,737
Gain on beneficial interest in trusts and change in value of other items, net	(281,651)	(46,881)
Changes in operating assets and liabilities:		
Contributions receivable	3,655,702	(2,948,540)
Beneficial interest in trusts	34,153	205,367
Other current assets	2,118	144,898
Grants and scholarships payable	(1,483,857)	3,051,027
Annuities payable	275,903	(34,220)
Accounts payable and accrued expenses	661	(1,733)
Deferred grant revenue	-	(535,922)
Funds held for agencies	885,502	135,950
Net cash provided by (used in) operating activities	271,900	(1,841,809)
Investing activities		
Proceeds from sale and maturities of investments	100,564,765	49,312,187
Purchases of investments	(100,619,400)	(47,583,612)
Purchases of equipment	(3,638)	-
Advances on notes and accrued interest receivable	(17,443)	(17,146)
Net cash provided by (used in) investing activities	(75,716)	1,711,429
Financing activities		
Payments on mortgage note payable	(33,578)	(32,230)
Increase (decrease) in cash and cash equivalents	162,606	(162,610)
Cash and cash equivalents at beginning of year	184,269	346,879
Cash and cash equivalents at end of year	\$ 346,875	\$ 184,269

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, 2017

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., Community Partnerships, Inc., and Summit Initiatives Foundation, 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, 2017 and 2016 of \$1,390,936 and \$1,406,377, 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, 2017 and 2016 of \$510 and \$504, 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 consisting of cash at December 31, 2017 and 2016 of \$1,000 and \$57,078, respectively. In 2017, the Community Foundation of Greater Fort Wayne Inc. Board of Directors restructured the SIF Board of Directors to be a standing committee of the Community Foundation of Greater Fort Wayne Inc. and the SIF became an inactive supporting organization with nominal net assets. In conjunction with this restructuring, net assets of \$56,274 were transferred from the SIF to the Community Foundation of Greater Fort Wayne Inc.

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, 2014.

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)

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.

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 \$6,772,086 and \$5,886,584 at December 31, 2017 and 2016, 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)

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.

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

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)

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.

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 substantially all 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	
	2017	2016
Contributions to unrestricted grantmaking and operating funds	\$ 359,294	\$ 204,802
Contributions to donor-advised funds	2,220,374	4,801,279
Contributions to other funds	754,471	1,964,063
Contributions received for agencies	139,595	116,768
	\$ 3,473,734	\$ 7,086,912

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.

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, 2017 and 2016, no allowance for uncollectible pledges was deemed necessary.

Contributions receivable at December 31, 2017 are scheduled to be received by the Foundation in the amount of \$66,080 in 2018 and \$9,078 in 2019.

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, 2017. 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, 2017 and 2016, the Foundation has two notes receivable from the Fort Wayne Downtown Development Trust, Inc. totaling \$1,117,500 pursuant to the development of Columbia Street in Fort Wayne, Indiana. The notes receivable which were originally issued by the SIF bear interest at 1.5 percent. Accrued interest related to these notes receivable at December 31, 2017 and 2016 is \$52,273 and \$34,968, 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 other note receivable was originally due on or before December 30, 2015 but was extended to March 31, 2017. The note receivable due date was again amended to be upon sale of the collateralized real estate. In 2017, the notes receivable were assigned by the SIF to the Community Foundation of Greater Fort Wayne Inc., which provided the original funding to the SIF for the Columbia Street development project. 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, 2017 and 2016 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, 2017 and 2016 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	
	2017	2016
Money market funds	\$ 2,990,660	\$ 7,773,534
Mutual and exchange traded funds:		
International equity funds	30,129,148	27,767,404
United States equity funds	63,121,919	34,725,427
Bonds/fixed income funds	25,445,410	22,309,039
Natural resource funds	9,855,736	149,385
Real estate funds	6,807,794	3,311,084
Total mutual and exchange traded funds	135,360,007	88,262,339
Alternative investments:		
Private capital fund	6,628,027	4,478,439
Global emerging markets fund	2,075,261	1,734,966
Liquid hedge funds	-	145,007
Equity oriented hedge funds	-	9,953,796
Absolute return hedge fund	-	10,196,928
Master limited partnership income fund	-	5,043,620
Total alternative investments	8,703,288	31,552,756
Certificates of deposit	-	3,486,135
Total investments, at fair value	\$ 147,053,955	\$ 131,074,764
Total investments, at historical cost	\$ 131,733,628	\$ 127,233,399

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

	Year ended December 31	
	2017	2016
Investment income:		
Interest and dividends	\$ 4,757,604	\$ 3,242,829
Net realized gain (loss) on investments	3,290,829	(3,161,709)
Net unrealized gain on investments	10,962,409	7,138,347
	19,010,842	7,219,467
Less investment management and custodial fees	292,662	286,448
Net investment income	\$ 18,718,180	\$ 6,933,019

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, 2017 and 2016.

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.
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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 2017, the Foundation has invested \$6,500,000 in the FEG Private Opportunities Fund II and has committed to invest an additional \$3,500,000. 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, 2017 and 2016.

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, 2017 and 2016:

	Assets at Fair Value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 2,990,660	\$ -	\$ -	\$ 2,990,660
Mutual and exchange traded funds:				
International equity funds	30,129,148	-	-	30,129,148
United States equity funds	63,121,919	-	-	63,121,919
Bonds/fixed income funds	25,445,410	-	-	25,445,410
Natural resource funds	9,855,736	-	-	9,855,736
Real estate funds	-	6,807,794	-	6,807,794
Total mutual and exchange traded funds	128,552,213	6,807,794	-	135,360,007
Alternative investments:				
Private capital fund	-	-	6,628,027	6,628,027
Global emerging markets fund	-	-	2,075,261	2,075,261
Total alternative investments	-	-	8,703,288	8,703,288
Total investments at fair value	131,542,873	6,807,794	8,703,288	147,053,955
Cash value of life insurance policies	-	1,249,139	-	1,249,139
Beneficial interest in trusts	-	1,637,675	2,138,976	3,776,651
Real estate and other assets	-	-	253,254	253,254
Total other assets at fair value	-	2,886,814	2,392,230	5,279,044
Assets at fair value	\$ 131,542,873	\$ 9,694,608	\$ 11,095,518	\$ 152,332,999

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, 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	<u>\$ 92,869,796</u>	<u>\$ 9,593,225</u>	<u>\$ 33,643,289</u>	<u>\$ 136,106,310</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, 2017				
Balance at beginning of year	\$ 31,407,749	\$ 1,982,286	\$ 253,254	\$ 33,643,289
Sales and redemptions, net of purchases	(23,481,208)	-	-	(23,481,208)
Return on assets—net realized and unrealized gain	776,747	156,690	-	933,437
Balance at end of year	<u>\$ 8,703,288</u>	<u>\$ 2,138,976</u>	<u>\$ 253,254</u>	<u>\$ 11,095,518</u>

	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
Return on assets—net realized and unrealized gain (loss)	(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>

4. Beneficial Interest in Trusts

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

	December 31 2017	2016
Perpetual trusts	\$ 3,042,627	\$ 2,736,568
Charitable remainder annuity trust	39,547	115,194
Charitable remainder unitrust	552,593	537,485
Supplemental and other trusts	141,884	140,820
	<u>\$ 3,776,651</u>	<u>\$ 3,530,067</u>

Community Foundation of Greater Fort Wayne Inc.
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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, 2017 and 2016, based on the age of the life beneficiaries using the following key assumptions:

Discount rate	2.6% at December 31, 2017; 1.8% at December 31, 2016
Long-term discount rate (utilized by a perpetual trust)	2.74% at December 31, 2017; 3.06% at December 31, 2016
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	
	2017	2016
Grants and scholarships payable at beginning of year	\$ 4,348,249	\$ 1,297,222
Unconditional grants and scholarships expensed	8,239,994	10,233,003
Less payments made	9,723,851	7,181,976
Grants and scholarships payable at end of year	<u>\$ 2,864,392</u>	<u>\$ 4,348,249</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, 2017 are scheduled to be disbursed as follows:

2018	\$ 1,593,542
2019	1,161,800
2020	89,050
2021	20,000
	\$ 2,864,392

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	
	2017	2016
Investments	\$ 1,750,769	\$ 1,096,200
Current portion of annuities payable	\$ 116,917	\$ 83,751
Annuities payable, less current portion	873,808	631,071
	\$ 990,725	\$ 714,822

The liability for the charitable gift annuities was calculated as of December 31, 2017 and 2016, 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.
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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, 2017 are as follows:

2018	\$ 34,920
2019	422,833
	<u>\$ 457,753</u>

Interest expense and interest paid was \$18,702 in 2017 and \$20,049 in 2016.

8. 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 \$20,087 in 2017 and \$19,730 in 2016.

9. Functional Classification of Expenses

Expenses incurred were for:

	Year ended December 31	
	2017	2016
Grants, scholarships, and other program services:		
Grants and scholarships, net	\$ 7,897,301	\$ 9,920,908
Other program services, including grantmaking expenses	314,799	312,594
	8,212,100	10,233,502
Fundraising expenses	288,399	253,755
Management and general expenses:		
Investment management and custodian fees	292,662	286,448
Interest expense	18,702	20,049
Other management and general expenses	604,925	616,123
	916,289	922,620
	<u>\$ 9,416,788</u>	<u>\$ 11,409,877</u>

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

9. Functional Classification of Expenses (continued)

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.

10. 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.

11. Subsequent Events

Management has evaluated subsequent events through March 15, 2018, the date on which the financial statements were available to be issued.