

**CENTRAL NEW YORK COMMUNITY
FOUNDATION, INC. AND SUBSIDIARY**

**Consolidated Financial Statements as of
March 31, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

June 6, 2017

To the Board of Directors of
Central New York Community Foundation, Inc. and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Central New York Community Foundation, Inc. (a New York State not-for-profit corporation) and Subsidiary, which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of activities and change in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central New York Community Foundation, Inc. and Subsidiary as of March 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Totals

We have previously audited the Central New York Community Foundation, Inc. and Subsidiary 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CENTRAL NEW YORK COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 788,037	\$ 1,035,659
Accounts receivable	4,835,983	4,345,356
Pledges receivable	3,414,320	3,585,016
Investments	205,357,145	171,266,298
Split-interest agreements	5,551,862	5,537,965
Perpetual trust held by third party	502,060	501,452
Cash surrender value of life insurance	515,961	327,673
Real estate interests	607,837	910,251
Property and equipment, net	4,752,112	5,011,040
Other	<u>54,748</u>	<u>56,007</u>
Total assets	<u>\$ 226,380,065</u>	<u>\$ 192,576,717</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 120,931	\$ 29,694
Split-interest agreements	2,984,018	3,032,958
Deferred compensation	229,490	213,294
Deferred revenue	149,995	158,181
Grants payable	2,605,685	1,681,301
Endowments held for other not-for-profit organizations	10,367,210	4,475,000
Note payable	<u>3,700,000</u>	<u>3,725,000</u>
Total liabilities	<u>20,157,329</u>	<u>13,315,428</u>
NET ASSETS:		
Unrestricted -		
Designated by the governing board for long-term investments	53,064,312	48,779,021
Designated for donor advisement	79,449,327	62,900,951
Other unrestricted net assets	<u>9,819,582</u>	<u>9,298,750</u>
Total unrestricted	142,333,221	120,978,722
Temporarily restricted	56,890,029	51,295,472
Permanently restricted	<u>6,999,486</u>	<u>6,987,095</u>
Total net assets	<u>206,222,736</u>	<u>179,261,289</u>
Total liabilities and net assets	<u>\$ 226,380,065</u>	<u>\$ 192,576,717</u>

The accompanying notes are an integral part of these statements.

CENTRAL NEW YORK COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017**

(With Comparative Totals for 2016)

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
PUBLIC SUPPORT AND REVENUE:					
Public support -					
Donations	\$ 18,711,927	\$ 4,654,706	\$ 12,391	\$ 23,379,024	\$ 22,964,139
Change in value of split-interest agreements	35,208	116,271	-	151,479	(190,307)
Revenue -					
Investment income, net	1,389,793	522,718	-	1,912,511	2,188,366
Net gain (loss) on investments	13,525,713	5,262,811	-	18,788,524	(9,031,552)
Liquidation of real estate interest	-	(318,200)	-	(318,200)	-
Change in value of real estate interests	-	15,786	-	15,786	11,792
Administrative management income (expense) on endowments held for other not-for-profit organizations	44,004	-	-	44,004	(14,822)
Other	178,917	32,415	-	211,332	215,261
	<u>33,885,562</u>	<u>10,286,507</u>	<u>12,391</u>	<u>44,184,460</u>	<u>16,142,877</u>
Net assets released from restrictions	<u>4,691,950</u>	<u>(4,691,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>38,577,512</u>	<u>5,594,557</u>	<u>12,391</u>	<u>44,184,460</u>	<u>16,142,877</u>
EXPENSES:					
Program -					
Grants	14,051,939	-	-	14,051,939	11,020,133
Program-sponsored initiatives	1,407,810	-	-	1,407,810	1,326,224
Total program	<u>15,459,749</u>	<u>-</u>	<u>-</u>	<u>15,459,749</u>	<u>12,346,357</u>
Supporting services -					
Management and general	934,212	-	-	934,212	920,614
Fundraising	829,052	-	-	829,052	815,460
Total expenses	<u>17,223,013</u>	<u>-</u>	<u>-</u>	<u>17,223,013</u>	<u>14,082,431</u>
CHANGE IN NET ASSETS	<u>21,354,499</u>	<u>5,594,557</u>	<u>12,391</u>	<u>26,961,447</u>	<u>2,060,446</u>
NET ASSETS - beginning of year	<u>120,978,722</u>	<u>51,295,472</u>	<u>6,987,095</u>	<u>179,261,289</u>	<u>177,200,843</u>
NET ASSETS - end of year	<u>\$ 142,333,221</u>	<u>\$ 56,890,029</u>	<u>\$ 6,999,486</u>	<u>\$ 206,222,736</u>	<u>\$ 179,261,289</u>

The accompanying notes are an integral part of these statements.

CENTRAL NEW YORK COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,961,447	\$ 2,060,446
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	288,987	313,422
Net loss (gain) on investments	(18,788,524)	9,031,552
Change in value of split-interest agreements	(13,897)	615,100
Change in value of perpetual trust held by third party	(608)	70,523
Change in cash surrender value of life insurance	(188,288)	(14,258)
Permanently restricted donations	(12,391)	81,645
Real estate interest	(15,786)	(11,792)
Changes in:		
Accounts receivable	(490,627)	(856,475)
Pledges receivable	170,696	741,688
Other assets	1,259	(15,475)
Accounts payable and accrued expenses	91,237	(59,239)
Liabilities under split-interest agreements	(48,940)	(406,571)
Deferred compensation	16,196	(27,414)
Deferred revenue	(8,186)	(7,866)
Grants payable	924,384	653,870
Endowments held for other not-for-profit organizations	<u>5,892,210</u>	<u>976,736</u>
Net cash flow from operating activities	<u>14,779,169</u>	<u>13,145,892</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(30,059)	(61,523)
Proceeds from sales and maturities of investments	9,965,081	14,467,516
Purchase of investments	(25,267,404)	(28,720,553)
Liquidation of real estate interest	<u>318,200</u>	<u>-</u>
Net cash flow from investing activities	<u>(15,014,182)</u>	<u>(14,314,560)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Permanently restricted donations	12,391	(81,645)
Payments of note payable	<u>(25,000)</u>	<u>(25,000)</u>
Net cash flow from financing activities	<u>(12,609)</u>	<u>(106,645)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(247,622)	(1,275,313)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,035,659</u>	<u>2,310,972</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 788,037</u>	<u>\$ 1,035,659</u>

The accompanying notes are an integral part of these statements.

CENTRAL NEW YORK COMMUNITY FOUNDATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

1. THE ORGANIZATION

Central New York Community Foundation, Inc. (the Community Foundation) is a not-for-profit, autonomous, publicly supported, philanthropic institution organized and operated primarily as a collection of charitable funds for the long-term benefit of the Central New York area. The Community Foundation's primary service is to receive, manage and disburse charitable funds.

CNY Philanthropy Center, LLC was incorporated in New York State to hold real property located at 431 E. Fayette Street in Syracuse, New York. This property is the home of the Community Foundation and a center for philanthropy.

The Community Foundation and CNY Philanthropy Center, LLC share certain common Board members and management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Community Foundation and CNY Philanthropy Center, LLC. In accordance with generally accepted accounting principles (GAAP), all significant intercompany transactions and balances have been eliminated in consolidation.

Financial Reporting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. GAAP requires not-for-profit organizations to report information regarding their financial position and activities according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

- Permanently restricted net assets consist of the net assets of the Community Foundation that include donor-imposed restrictions that stipulate that resources be maintained permanently. Earnings are to be expended in accordance with donor wishes.
- Temporarily restricted net assets consist of the net assets of the Community Foundation whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Community Foundation pursuant to those stipulations.
- Unrestricted net assets are not subject to donor-imposed stipulations.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposit accounts and money market funds, which, at times, may exceed federally insured limits. The Community Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents. The Community Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable mainly consist of amounts outstanding under the terms of three wills. If collection becomes doubtful, an allowance for doubtful accounts will be established or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. Management reviews the collectability of accounts receivable annually. The Community Foundation considers accounts receivable to be fully collectible.

Pledges Receivable

Pledges receivable represent amounts due to the Community Foundation under the terms of unconditional promises to give. The Community Foundation provides an allowance for doubtful pledges based upon management's review of outstanding pledges. No allowance for doubtful pledges was considered necessary at March 31, 2017 or 2016.

The difference between the carrying amount and present value of the pledges receivable is not considered material to the accompanying consolidated financial statements and has not been recorded by management.

Investments

Investments in marketable equity and debt securities with readily determinable market values are recorded at fair value based on quoted market prices. The fair value of other investments for which readily determinable market values do not exist, including hedge funds and funds of funds, and limited partnerships, are recorded at fair value as determined by the Community Foundation with the assistance of external investment managers using methods and significant assumptions the Community Foundation considers appropriate based on its understanding of the underlying characteristics of the investments. Investment income (including realized gains and losses on investments, unrealized gains and losses on investments, interest, and dividends) is included in unrestricted income unless restricted by donor or law.

The Community Foundation maintains an investment pool for its charitable funds. Realized and unrealized gains and losses from investments are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the investment pool, as adjusted for additions to or deductions from the pool.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the consolidated statements of financial position.

Fair Value Measurement

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Community Foundation. Unobservable inputs are inputs that reflect the Community Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- *Level 1:* Valuations based on quoted prices in active markets for identical assets or liabilities that the Community Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- *Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- *Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following valuation techniques were used to measure fair value of assets as of March 31, 2017 and 2016:

- *Equity and bond mutual funds* - Fair value of mutual funds is based on quoted market prices.
- *Common/collective trusts* - Fair value of common/collective trusts is valued at the net value of participation units held by the Community Foundation at year end. The value of these units is determined by the trustee based on the current market values of the underlying assets of the fund based on information reported by the investment advisor.
- *Limited partnerships* - Fair value of the Community Foundation's partnership interests is valued based on the underlying investments within each partnership and the Community Foundation's percentage ownership in each partnership.
- *Hedge funds and funds of funds* - Fair value of hedge funds and funds of funds is valued based on the underlying investments within each fund and the Community Foundation's percentage ownership of the fund.
- *US treasury and governmental agency obligations* - Fair value of US Treasury and governmental agency obligations is based on quoted market prices.
- *Corporate bonds* - Fair value of corporate bonds is determined by entering standard inputs into a pricing model. These inputs, listed in order of priority, include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data and industry and economic events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

- *Perpetual trust held by third party* - Fair value of the perpetual trust held by third party is based on quoted market prices of the underlying investments.
- *Split-interest agreements (Charitable remainder unitrusts, charitable remainder annuity trusts, and charitable gift annuities)* - Fair value of the split-interest agreements are derived using the present value of expected future cash flows of the Community Foundation's interest in charitable remainder unitrusts, charitable remainder annuity trusts and charitable gift annuities using prevailing market rates and IRS published mortality rates.
- *Pooled life income fund* - Fair value of the pooled life income fund is based on the Community Foundation's percent ownership of the fund's assets. The fund's assets are valued based on quoted market prices for identical securities. These assets are included in split-interest agreements in the accompanying consolidated statement of financial position.

There were no changes to the valuation techniques during 2017 or 2016.

Split-Interest Agreements

The Community Foundation is a beneficiary of various trusts and other split-interest agreements. The Community Foundation's beneficial interest is measured at the discounted value of its expected future cash flows and is reported as temporarily restricted net assets. Liabilities are recorded at the present value of future cash flows, using discount rates ranging from 2% to 7%, and are expected to be paid to the designated beneficiary or beneficiaries. At the end of the trust and other split-interest agreements, the remaining assets will become available for the Community Foundation's unrestricted use.

Perpetual Trust Held by Third Party

The assets held under this agreement are recorded at fair value based on quoted market prices of the underlying investments. Contribution revenue is recognized as permanently restricted support at the present value of the estimated future cash receipts from the trust's assets. Under the terms of the trust, the Community Foundation has the irrevocable right to receive the income earned on the trust's assets in perpetuity; however, the Community Foundation will not receive the assets held in trust.

Cash Surrender Value of Life Insurance

The Community Foundation receives various donations of life insurance policies, where the Community Foundation is both the owner and the beneficiary of the policies. Life insurance is recorded at cash surrender value as provided to the Community Foundation by the insurer. Annual premiums on the policies paid by the donors to the Community Foundation are recorded as unrestricted donations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized as revenue in the year an unconditional promise to give is received and are recorded at fair value. Contributions are recorded as unrestricted, temporarily or permanently restricted support depending on the nature of the donor-imposed restrictions. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. Donor-imposed restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

All interest and dividend income from investments is recognized as revenue when earned and is accounted for in accordance with their respective net asset classifications.

Real Estate Interests

The Community Foundation has interest in parcels of real estate with several other companies, which are recorded at the appraised value, net of related debt.

Property and Equipment

Property and equipment is recorded at fair market value at date of donation or at cost if purchased. The Community Foundation capitalizes property and equipment in excess of \$1,000 with a useful life greater than two years. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets which range from three to forty years.

Endowments Held for Other Not-For-Profit Organizations

The Community Foundation accepts funds from, and holds certain assets for the benefit of, other not-for-profit organizations. These funds are not considered assets of the Community Foundation and therefore are shown as endowments held for other not-for-profit organizations in the consolidated statements of financial position.

Funds Designated for Donor Advisement

The Community Foundation maintains certain funds that are "designated for donor advisement" as noted on the consolidated statement of financial position within unrestricted net assets (see Note 13). The Community Foundation charges these funds a management fee, which is transferred to the operating fund within other unrestricted net assets. These transfers amounted to \$370,974 and \$372,184 in 2017 and 2016, respectively.

Donor Restrictions

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities and change in net assets.

Gifts-In-Kind

Gifts of real property and donations other than cash are recognized at their fair value in the period received. It is the Community Foundation's policy to sell gifts of real property and investments immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Community Foundation. The value of this contributed time is not reflected in the consolidated financial statements as it does not meet the criteria for recognition.

Grants

Grants are recorded as an expense of the Community Foundation when they are approved by the Board of Directors.

Wills, Trusts and Estates

The Community Foundation is the beneficiary under various will and trust agreements, the total realizable value of which is not presently determinable; therefore, these amounts are not recorded until the donor is deceased and no longer able to change their beneficiary.

Investment Fees

Net investment returns include certain fees paid by the various investment funds to their affiliated investment advisor, transfer agents and others as described in each fund prospectus or other published documents. These fees are deducted prior to allocation of the Community Foundation's investment earnings activity and thus not separately identifiable as an expense.

Income Taxes

The Community Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a) of the Code.

CNY Philanthropy Center, LLC is a single member limited liability company and as such, is a disregarded entity for federal and state income tax purposes.

Use of Estimates

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

Comparative Information

The consolidated financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Community Foundation's consolidated financial statements for the year ended March 31, 2016, from which the summarized information was derived.

3. PLEDGES RECEIVABLE

Pledges receivable are due as follows for the fiscal year ending March 31:

2018	\$ 1,747,803
2019	803,267
2020	715,450
2021	144,200
2022	<u>3,600</u>
	<u>\$ 3,414,320</u>

4. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2017</u>	<u>2016</u>
Cash	\$ 792,303	\$ 3,411,899
Equity mutual funds	69,682,714	58,448,947
Bond mutual funds	11,027,773	9,354,418
Common/collective trusts	5,368,977	5,043,215
Limited partnerships	45,224,384	39,057,232
Hedge funds and funds of funds	58,328,310	44,179,170
U.S. Treasury and governmental agency obligations	6,855,660	4,597,247
Corporate bonds	<u>8,077,024</u>	<u>7,174,170</u>
	<u>\$ 205,357,145</u>	<u>\$ 171,266,298</u>

Investment management fees were approximately \$1,444,000 and \$989,000 for the years ended March 31, 2017 and 2016, respectively. These fees have been included in "investment income, net" in the accompanying consolidated statement of activities and change in net assets.

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at March 31, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 69,682,714	\$ -	\$ -	\$ 69,682,714
Bond mutual funds	11,027,773	-	-	11,027,773
Common/collective trust	-	3,674,835	1,694,142	5,368,977
Limited partnerships	-	40,747,526	4,476,858	45,224,384
Hedge funds and funds of funds	-	48,326,929	10,001,381	58,328,310
U.S. Treasury and governmental agency obligations	6,855,660	-	-	6,855,660
Corporate bonds	<u>-</u>	<u>8,077,024</u>	<u>-</u>	<u>8,077,024</u>
Total investments	<u>87,566,147</u>	<u>100,826,314</u>	<u>16,172,381</u>	<u>204,564,842</u>
Perpetual trust held by third party	502,060	-	-	502,060
Split-interest agreements:				
Beneficial interest in split-interest agreements	-	-	3,065,388	3,065,388
Assets in split-interest agreements -				
Equity mutual funds	1,409,016	-	-	1,409,016
Bond mutual funds	<u>1,077,458</u>	<u>-</u>	<u>-</u>	<u>1,077,458</u>
	<u>2,988,534</u>	<u>-</u>	<u>3,065,388</u>	<u>6,053,922</u>
Total	<u>\$ 90,554,681</u>	<u>\$ 100,826,314</u>	<u>\$ 19,237,769</u>	<u>\$ 210,618,764</u>

5. FAIR VALUE MEASUREMENTS (Continued)

The following are measured at fair value on a recurring basis at March 31, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 58,448,947	\$ -	\$ -	\$ 58,448,947
Bond mutual funds	9,354,418	-	-	9,354,418
Common/collective trust	-	2,982,128	2,061,087	5,043,215
Limited partnerships	-	35,962,031	3,095,201	39,057,232
Hedge funds and funds of funds	-	36,352,567	7,826,603	44,179,170
U.S. Treasury and governmental agency obligations	4,597,247	-	-	4,597,247
Corporate bonds	-	7,174,170	-	7,174,170
Total investments	<u>72,400,612</u>	<u>82,470,896</u>	<u>12,982,891</u>	<u>167,854,399</u>
Perpetual trust held by third party	501,452	-	-	501,452
Split-interest agreements:				
Beneficial interest in split-interest agreements	-	-	3,102,231	3,102,231
Assets in split-interest agreements -				
Equity mutual funds	1,388,538	-	-	1,388,538
Bond mutual funds	1,047,196	-	-	1,047,196
	<u>2,937,186</u>	<u>-</u>	<u>3,102,231</u>	<u>6,039,417</u>
Total	<u>\$ 75,337,798</u>	<u>\$ 82,470,896</u>	<u>\$ 16,085,122</u>	<u>\$ 173,893,816</u>

The following is a reconciliation of the beginning and ending balances for the Community Foundation's financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Description</u>	<u>Common/ Collective Trusts</u>	<u>Limited Partnerships</u>	<u>Hedge Funds and Funds of Funds</u>	<u>Split-interest Agreements</u>	<u>Total</u>
Balance at April 1, 2015	\$ 2,054,891	\$ 1,425,824	\$ 6,324,616	\$ 3,578,460	\$ 13,383,791
Net gains (losses) on investments	318,025	74,488	(720,175)	(285,922)	(613,584)
Net purchases (sales)	(327,862)	1,494,734	2,222,307	-	3,389,179
Change in value split-interest agreements	-	-	-	(190,307)	(190,307)
Interest and dividends	31,648	118,058	-	-	149,706
Fees	(15,615)	(17,903)	(145)	-	(33,663)
Balance at March 31, 2016	2,061,087	3,095,201	7,826,603	3,102,231	16,085,122
Net gains on investments	44,110	187,688	1,470,554	114,636	1,816,988
Net purchases (sales)	(412,237)	1,181,788	705,000	-	1,474,551
Change in value split-interest agreements	-	-	-	(151,479)	(151,479)
Interest and dividends	9,848	102,178	-	-	112,026
Fees	(8,666)	(89,997)	(776)	-	(99,439)
Balance at March 31, 2017	<u>\$ 1,694,142</u>	<u>\$ 4,476,858</u>	<u>\$ 10,001,381</u>	<u>\$ 3,065,388</u>	<u>\$ 19,237,769</u>

5. FAIR VALUE MEASUREMENTS (Continued)

The Community Foundation had the following investments that are valued using net asset value at March 31, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Common/collective trusts:				
Common/collective trusts - liquid	\$ 3,674,835	\$ -	Monthly	0 - 30 days
Common/collective trusts - illiquid	1,694,142	435,000	Ineligible	-
Limited partnerships:				
Limited partnerships - liquid	40,747,526	-	Monthly	10 - 30 days
Limited partnerships - illiquid	4,476,858	6,863,121	Ineligible	-
Hedge funds and funds of funds:				
Hedge funds and funds of funds - liquid	48,326,929	-	Monthly - 1 - 3 years	5 - 180 days
Hedge funds and funds of funds - illiquid	<u>10,001,381</u>	<u>235,000</u>	Ineligible	-
Total	<u>\$ 108,921,671</u>	<u>\$ 7,533,121</u>		

The Community Foundation had the following investments that are valued using net asset value at March 31, 2016:

<u>Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Common/collective trusts:				
Common/collective trusts - liquid	\$ 2,982,128	\$ -	Monthly	0 - 30 days
Common/collective trusts - illiquid	2,061,087	465,000	Ineligible	-
Limited partnerships:				
Limited partnerships - liquid	35,962,031	-	Monthly	10 - 30 days
Limited partnerships - illiquid	3,095,201	4,569,228	Ineligible	-
Hedge funds and funds of funds:				
Hedge funds and funds of funds - liquid	36,352,567	-	Monthly - 1 - 3 years	5 - 180 days
Hedge funds and funds of funds - illiquid	<u>7,826,603</u>	<u>315,000</u>	Ineligible	-
Total	<u>\$ 88,279,617</u>	<u>\$ 5,349,228</u>		

Common/Collective Trusts

The Foundation invests in three common/collective trusts that invest in equity securities of companies operating within one or more global developing markets, domestic and foreign private equity partnerships and collective investment funds. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the investment managers. Investments in this category are classified as level 3 due to the liquidity of the funds. For two investments in this category, valued at \$1,694,142 at March 31, 2017, redemptions are not permitted during the life of the funds.

5. FAIR VALUE MEASUREMENTS (Continued)

Limited Partnerships

At March 31, 2017, the Community Foundation invests in eleven limited partnerships that invest in equity securities, debt and debt-like securities (both privately and publically traded), secured and unsecured loans, and real estate partnerships. Interests in limited partnerships are based on valuations per share provided by the general partners of the respective partnership as of March 31, 2017, adjusted for cash receipts, cash disbursements, and securities distributions through March 31, 2017. Investments in this category for which there is no readily determinable fair value are classified as level 3 as the valuation is based on significant unobservable inputs. The remaining investments in this category are classified as level 2. Seven of the limited partnerships, valued at \$4,476,858 at March 31, 2017, are ineligible for redemptions until such time and in such amounts as determined by the General Partners. When the underlying assets are sold, the proceeds, less any incentives due the General Partners, will be distributed to the Limited Partners. The remaining investments in limited partnerships, valued at \$40,747,526 at March 31, 2017, have restrictions on redemption ranging from 10 to 30 business days. There are no other known circumstances under which these investments might be unredeemable.

Hedge Funds and Funds of Funds

The Foundation invests in eighteen hedge funds and funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the fund managers. Investments in this category for which there is no readily determinable fair value are classified as level 3 as the valuation due to the liquidity of the funds. The remaining investments in this category are classified as level 2. These funds invest in private, primarily via pooled vehicles, offered by professional investment managers. These investments are subject to an initial lock-up period that prohibits redemption for the first three years after purchase. Redemptions can be made quarterly or annually after the initial lock-up period has lapsed, at which time redemptions are allowed with 5 to 180 days notice. The redemption restrictions lapse at various times through March 2020.

Level 3 Measurements

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring measurements. The Community Foundation's Board of Directors assesses and approves these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

6. SPLIT-INTEREST AGREEMENTS

Split-interest agreements consisted of the following at March 31:

	<u>2017</u>		<u>2016</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Charitable remainder trusts	\$ 4,515,063	\$ 2,484,998	\$ 4,428,183	\$ 2,506,487
Pooled life income fund	414,354	210,895	512,179	227,978
Charitable gift annuities	<u>622,445</u>	<u>288,125</u>	<u>597,603</u>	<u>298,493</u>
	<u>\$ 5,551,862</u>	<u>\$ 2,984,018</u>	<u>\$ 5,537,965</u>	<u>\$ 3,032,958</u>

7. REAL ESTATE INTERESTS

At March 31, 2017 and 2016, the Community Foundation has a 37% interest in a limited partnership, which has been recorded at the Community Foundation's share of the estimated value. The estimated value is comparable to the sales price received for partial sale of real estate in the year ended March 31, 2008 and is considered to approximate fair value at March 31, 2017. A 16 acre parcel of land is the partnership's sole asset. Under the terms of the donor agreement, the donor has agreed to contribute up to \$20,000 per year for the Community Foundation's share of ordinary carrying costs on the partnership property. The Community Foundation's interest in this property amounted to \$263,736 and \$581,936 at March 31, 2017 and 2016, respectively.

At March 31, 2017 and 2016, the Community Foundation has a 32% interest in a commercial property held in a limited liability company. This interest has been recorded at the appraised value less an outstanding mortgage on the property, which approximates fair value at March 31, 2017 and 2016. This property has an appraised value of \$1,250,000 and the outstanding mortgage had a balance of approximately \$277,000 and \$326,000 at March 31, 2017 and 2016, respectively. The Community Foundation's interest in this property amounted to \$314,851 and \$299,065 at March 31, 2017 and 2016, respectively.

At March 31, 2017 and 2016, the Community Foundation has a 45% interest in a limited partnership, which has been recorded at the Community Foundation's share of the estimated value at year end. The estimated value is based on an appraisal performed on November 1, 2011 and is considered to approximate fair value at March 31, 2017. A .52 acre parcel of land is the partnership's sole asset. The Community Foundation's interest in this property amounted to \$29,250 at March 31, 2017 and 2016, respectively.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 253,775	\$ 253,775
Land improvements	42,536	42,536
Furniture and fixtures	846,897	830,265
Buildings and improvements	<u>5,626,049</u>	<u>5,612,622</u>
	6,769,257	6,739,198
Less: Accumulated depreciation	<u>(2,017,145)</u>	<u>(1,728,158)</u>
	<u>\$ 4,752,112</u>	<u>\$ 5,011,040</u>

Depreciation expense amounted to \$288,987 and \$313,422 in 2017 and 2016, respectively.

9. DEFERRED COMPENSATION

The Community Foundation sponsors two deferred compensation plans for key employees. The assets of the deferred compensation plans will be distributed at the earlier of termination of employment, retirement, at age 70½ years, or death. The liability for deferred compensation plans amounted to \$229,490 and \$213,294 at March 31, 2017 and 2016, respectively.

10. GRANTS PAYABLE

Grants payable consisted of unconditional promises to give to other organizations, which had not been paid as of March 31. These amounts are payable as follows in the years ending March 31:

2018	\$ 1,525,823
2019	464,931
2020	351,931
2021	232,500
2022	10,500
Thereafter	<u>20,000</u>
	<u>\$ 2,605,685</u>

11. ENDOWMENTS HELD FOR OTHER NOT-FOR-PROFIT ORGANIZATIONS

The Community Foundation accepts funds from, and holds funds for the benefit of, other not-for-profit organizations. These funds are not considered assets of the Community Foundation and therefore are shown as "Endowments held for other not-for-profit organizations" in the accompanying consolidated statement of financial position.

Total endowments held for other not-for-profit organizations activity consisted of the following for the years ended March 31:

	<u>2017</u>	<u>2016</u>
Contributions	\$ 5,256,082	\$ 1,264,352
Investment activity	763,460	(145,451)
Grants	<u>(127,332)</u>	<u>(142,165)</u>
Net change in endowments held for other not-for-profit organizations	5,892,210	976,736
Endowments held for other not-for-profit organizations - beginning of year	<u>4,475,000</u>	<u>3,498,264</u>
Endowments held for other not-for-profit organizations - end of year	<u>\$ 10,367,210</u>	<u>\$ 4,475,000</u>

12. NOTE PAYABLE

The Community Foundation has a note payable with a bank. The note requires annual payments of \$25,000 plus interest at LIBOR plus 1.6% (2.39% at March 31, 2017) through March 2025. The remaining principal and interest is due on April 1, 2026. This note payable is secured by certain assets of the Community Foundation. Required future principal payments are as follows at March 31, 2017:

2018	\$	25,000
2019		25,000
2020		25,000
2021		25,000
2022		25,000
Thereafter		<u>3,575,000</u>
	\$	<u>3,700,000</u>

Supplemental Cash Flow Information

Interest paid and expensed during 2017 and 2016 on the note payable was \$80,722 and \$69,664, respectively.

13. NET ASSETS

Included in unrestricted net assets is \$79,449,327 and \$62,900,951 of donor advised funds at March 31, 2017 and 2016, respectively. Grant recommendations are accepted from the donors or other advisors of these funds, although the Community Foundation retains variance power; therefore, the ultimate discretion of the use of these funds lies with the Board of Directors of the Community Foundation. Thus, such funds represent unrestricted net assets of the Community Foundation.

Temporarily restricted net assets consisted of the following at March 31:

	<u>2017</u>	<u>2016</u>
Charitable remainder trusts - time restriction	\$ 2,030,065	\$ 1,921,696
Pooled life income fund - time restriction	203,459	284,201
Cash surrender value of life insurance - time restriction	515,961	327,673
Scholarships	26,960,930	24,254,310
Field of interest	10,336,911	9,283,723
Other	<u>16,842,703</u>	<u>15,223,869</u>
	<u>\$ 56,890,029</u>	<u>\$ 51,295,472</u>

During 2017 and 2016, approximately \$4,692,000 and \$4,858,000 was released from restriction through the passage of time and satisfaction of donor-restrictions.

At March 31, 2017 and 2016, the face value of the donated life insurance policies was approximately \$1,322,000 and \$1,022,000, respectively.

14. ENDOWMENT FUND

The Community Foundation's endowment net assets consist of the following at March 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 53,064,312	\$ -	\$ -	\$ 53,064,312
Donor-restricted endowment funds	<u>-</u>	<u>3,694,997</u>	<u>6,999,486</u>	<u>10,694,483</u>
Total endowment funds	<u>\$ 53,064,312</u>	<u>\$ 3,694,997</u>	<u>\$ 6,999,486</u>	<u>\$ 63,758,795</u>

The Community Foundation's endowment net asset funds consist of the following at March 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 48,779,021	\$ -	\$ -	\$ 48,779,021
Donor-restricted endowment funds	<u>-</u>	<u>3,412,389</u>	<u>6,987,095</u>	<u>10,399,484</u>
Total endowment funds	<u>\$ 48,779,021</u>	<u>\$ 3,412,389</u>	<u>\$ 6,987,095</u>	<u>\$ 59,178,505</u>

Changes in endowment net assets were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, April 1, 2015:	\$ 53,531,477	\$ 3,891,776	\$ 7,318,740	\$ 64,741,993
Donations	874,311	-	(81,645)	792,666
Investment income, net of fees	773,298	59,382	-	832,680
Realized/unrealized gains	(2,919,767)	(278,263)	-	(3,198,030)
Other income	33,444	-	-	33,444
Grants paid	(1,057,638)	(114,778)	-	(1,172,416)
Appropriations	(1,017,455)	(102,637)	(250,000)	(1,370,092)
Other expenses	(2,315,489)	(43,091)	-	(2,358,580)
Administrative fees	<u>876,840</u>	<u>-</u>	<u>-</u>	<u>876,840</u>
Endowment net assets, March 31, 2016:	\$ 48,779,021	\$ 3,412,389	\$ 6,987,095	\$ 59,178,505
Donations	1,370,770	-	12,391	1,383,161
Investment income, net of fees	612,748	46,919	-	659,667
Realized/unrealized losses	6,200,827	465,983	-	6,666,810
Other income	38,652	-	-	38,652
Grants paid	(2,774,210)	(122,951)	-	(2,897,161)
Appropriations	187,323	(65,741)	-	121,582
Other expenses	(2,327,727)	(41,602)	-	(2,369,329)
Administrative fees	<u>976,908</u>	<u>-</u>	<u>-</u>	<u>976,908</u>
Endowment net assets, March 31, 2017	<u>\$ 53,064,312</u>	<u>\$ 3,694,997</u>	<u>\$ 6,999,486</u>	<u>\$ 63,758,795</u>

14. ENDOWMENT FUND (Continued)

Interpretation of Relevant Law

New York Not-for-Profit Corporation Law includes an article known as the “Prudent Management of Institutional Funds Act.” The Community Foundation’s Board of Directors has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on endowment gifts, beyond the original gift amount, follows the donor’s restrictions on the use of the related income. The Community Foundation also observes the Uniform Management of Institutional Funds Act protection of the historic gift value of individual endowment funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Community Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies reported at March 31, 2017 or 2016.

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that the Community Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital, considering the impact of inflation, strive for consistent annual total returns, achieve long-term total returns which meet or exceed inflation, plus spending for operations and grants and earn the highest possible return given the risk tolerance established by the Community Foundation. The Community Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and Investment Objectives

The Community Foundation uses the total return strategy for endowment fund income. Under this concept, endowment income to be distributed was established at 5%, based upon the average of the market value of the endowment asset accounts. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the endowment fund balance.

15. RETIREMENT PLAN

The Community Foundation sponsors a 401(k) defined contribution employee savings plan (the Plan). Employees are eligible to receive matching contributions from the Community Foundation but must work 1,000 hours per year to remain eligible for participation. The Community Foundation matches 100% of contributions up to a limit set by the Board of Directors. The Community Foundation's contributions amounted to \$136,931 and \$127,095 in 2017 and 2016, respectively.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2017, which is the date the consolidated financial statements were available to be issued.