THE RICHLAND COUNTY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
The Richland County Foundation
181 South Main Street
Mansfield, OH 44902

We have audited the accompanying financial statements of **The Richland County Foundation** (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2015 and 2014, and the related statements of revenue collected, expenditures paid and other changes in net assets – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **The Richland County Foundation** as of December 31, 2015 and 2014, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses paid – modified cash basis is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully,

Riester, Lump + Burton CPA's, Inc.

RIESTER, LUMP & BURTON CPA's, INC.

Mansfield, Ohio
April 4, 2016

THE RICHLAND COUNTY FOUNDATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
MODIFIED CASH BASIS

DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
Assets		
Cash	$ 607,549	$ 970,880
Investments	131,466,274	138,150,596
Property and Equipment, Net	1,399,793	134,111
Construction in Progress	0	1,083,916
Intangible Asset	8,273	7,431
TOTAL ASSETS	**$ 133,481,889**	**$ 140,346,934**

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities		
Payroll Taxes Withheld	$ 1,297	$ 1,313
Annuity Contracts Payable	57,177	59,955
Funds Held as Agency Endowments	5,992,682	6,088,424
Total Liabilities	6,051,156	6,149,692
Net Assets		
Unrestricted	66,222,869	71,571,721
Temporarily Restricted	39,825,453	41,574,222
Permanently Restricted	21,382,411	21,051,299
Total Net Assets	127,430,733	134,197,242
TOTAL LIABILITIES AND NET ASSETS	**$ 133,481,889**	**$ 140,346,934**

See Notes to Financial Statements.

THE RICHLAND COUNTY FOUNDATION

STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID
AND OTHER CHANGES IN NET ASSETS
MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Contributions	$ 482,887	$ 624,608	$ 346,801	$ 1,454,296	$ 3,571,235
Investment Income					
Interest and Dividends	1,596,700	1,515,222	0	3,111,922	2,692,807
Net Realized Gains on Investments	700,194	789,048	0	1,489,242	3,267,083
Net Unrealized Losses on Investments	(4,905,489)	(2,625,458)	0	(7,530,947)	(769,188)
Less Investment and Custody Fees	(184,130)	0	0	(184,130)	(198,893)
Net Investment (Loss) Income	(2,792,725)	(321,188)	0	(3,113,913)	4,991,809
Change in Gift Annuity Value	0	(7,242)	0	(7,242)	(11,331)
Net Assets Released From Restrictions	1,315,307	(1,315,307)	0	0	0
Reclassification of Net Assets	841,071	(825,582)	(15,489)	0	0
Total Revenue and Support	(153,460)	(1,844,711)	331,312	(1,666,859)	8,551,713
Expenses and Other Deductions					
Net Grants Paid	4,235,319	0	0	4,235,319	4,207,717
Administrative Expenses (Schedule I)	960,073	0	0	960,073	598,290
Total Expenses and Other Deductions	5,195,392	0	0	5,195,392	4,806,007
(Decrease) Increase in Net Assets Before Current Year Change in Agency Liability	(5,348,852)	(1,844,711)	331,312	(6,862,251)	3,745,706
Current Year Change in Agency Liability	0	95,942	(200)	95,742	(60,870)
(Decrease) Increase in Net Assets	(5,348,852)	(1,748,769)	331,112	(6,766,509)	3,684,836
Net Assets at Beginning of Year	71,571,721	41,574,222	21,051,299	134,197,242	130,512,406
Net Assets at End of Year	$ 66,222,869	$ 39,825,453	$ 21,382,411	$ 127,430,733	$ 134,197,242

See Notes to Financial Statements.

THE RICHLAND COUNTY FOUNDATION

SCHEDULE I

SCHEDULE OF ADMINISTRATIVE EXPENSES PAID
MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Personnel		
Salaries	$ 344,162	$ 348,020
Employee Insurance	33,731	28,583
Payroll Taxes	26,896	26,825
Employee Pension	16,215	14,147
Retirement Compensation	7,018	7,656
Total Personnel	428,022	425,231
Occupancy		
Rent	0	15,576
Utilities and Telephone	10,737	12,977
Building Maintenance and Cleaning	16,028	1,862
Security	768	727
Total Occupancy	27,533	31,142
Operating Expenses		
Professional Fees	279,933	24,758
Annual Report	10,922	10,871
Asset Development, Marketing and Technology	5,728	5,599
Capacity Building	19,582	0
Community Relations	46,449	12,683
Computer Support and License Fees	23,097	21,512
Depreciation and Amortization	50,939	5,656
Donor and Volunteer Recognition	4,827	673
Equipment Maintenance and Repair	1,149	35
Office Supplies and Expense	12,031	9,032
Travel	3,826	3,018
Professional Dues	22,037	18,760
Publications and Subscriptions	508	448
Staff and Board Development and Training	3,293	7,136
Printing	4,949	1,398
Insurance	7,788	6,279
Special Events	2,394	1,898
Miscellaneous	5,066	2,161
Loss on Insurance Settlement	0	10,000
Total Operating Expenses	504,518	141,917
TOTAL ADMINISTRATIVE EXPENSES	**$ 960,073**	**$ 598,290**

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Richland County Foundation is a Community Foundation with a mission to improve the quality of life in Richland County through organized philanthropy. The Foundation's primary source of revenue is contributions and bequests from individuals and organizations in the Richland County area.

Basis of Presentation

The financial statements of the Foundation (a nonprofit organization) have been prepared on a modified basis of cash collected and paid. Accordingly, the financial statements do not reflect unrealized pledges receivable, undistributed grants and commitments, and other revenue earned but not yet collected and expenditures incurred but not yet paid.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been provided.

Contributions and Bequests

Contributions and bequests are recorded at fair value at the date of the donation. Subsequent gains or losses on the sale and reinvestment of assets received are recognized as they occur.

Estimates and Assumptions

The Foundation uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Classification of Net Assets

Unrestricted net assets are comprised of amounts upon which donors have placed no restrictions on expenditure of the assets themselves or their investment income.

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and are reported in the statement of revenue collected, expenditures paid and other changes in net assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Permanently restricted net assets comprise those assets contributed to the Foundation by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the Foundation. Investment income, including realized and unrealized gains and losses, generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the Foundation.

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of property and equipment at cost, or estimated fair value if donated, and accumulated depreciation at December 31, 2015 and 2014 are as follows:

	2015	2014
Land and land improvements	$ 253,131	$ 117,984
Building	1,047,734	3,839
Furniture and fixtures	126,113	48,132
Office equipment	48,520	19,439
Computer equipment	61,755	60,416
Leasehold improvements	0	25,513
Total	1,537,253	275,323
Less accumulated depreciation	137,460	141,212
Property and equipment, net	**$ 1,399,793**	**$ 134,111**

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis. Depreciation expense was $49,058 and $5,656 for the years ended December 31, 2015 and 2014, respectively.

The Foundation moved to a new location in January 2015. At December 31, 2014, the building renovation project was near completion. Included on the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis at December 31, 2014 as construction in progress are building renovation costs of $912,902, land improvement costs of $87,383 and furniture and fixtures totaling $83,631.

Routine maintenance, repairs and renewals are charged to administrative expenses as incurred. Property and equipment additions and expenditures which materially increase values or extend useful lives are capitalized.

NOTE 3. RETIREMENT PLAN

The Foundation maintains a simplified employee pension plan covering all full-time employees who meet certain requirements. Contributions to the plan are based upon specified percentages of salary. Retirement plan expense was $16,215 and $14,147 for the years ended December 31, 2015 and 2014, respectively.

NOTE 4. FUNDS HELD AS AGENCY ENDOWMENTS

The Foundation has adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-25, Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. The ASC specifically requires that if a Not-for-Profit Organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with the ASC, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At December 31, 2015 the Foundation was the owner of twenty-nine agency endowment funds with a combined value of $5,922,682. At December 31, 2014, the Foundation was the owner of twenty-eight agency endowment funds with a combined value of $6,088,424. The following table summarizes activity in such funds for the years ended December 31, 2015 and 2014:

	2015	2014
Agency endowment fund balances, beginning of year	$ 6,088,424	$ 6,027,554
Contributions and bequests	162,617	2,781
Interest and dividends	145,696	124,459
Net realized investment gains	73,108	161,218
Net unrealized depreciation of investments	(251,852)	(8,984)
Grants paid	(194,747)	(186,891)
Investment and custodial fees	(9,127)	(9,789)
Administrative expenses allocated to agency endowment funds	(21,437)	(21,924)
Agency endowment fund balances, end of year	**$ 5,992,682**	**$ 6,088,424**

NOTE 5. INVESTMENTS

Investment purchases are initially recorded at cost, or, when contributed to the Foundation, at the fair market values of the investment assets received at the date of contribution.

NOTE 5. **INVESTMENTS (CONTINUED)**

In accordance with the requirements of the FASB ASC 958-320, Not for Profit Entities, Investments – Debt and Equity Securities, investments in all marketable equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of assets, liabilities and net assets – modified cash basis. The market values for alternative investments represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by the investment managers. Unrealized gains and losses are included in the change in net assets in the statement of revenue collected, expenditures paid and other changes in net assets – modified cash basis.

Alternative investments not publicly traded on national security exchanges are generally illiquid, and their fair values have been estimated by investment managers in the absence of readily ascertainable market values. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Investments at December 31, 2015 consist of the following:

	Cost	Fair Value
At published quoted values:		
Cash and equivalents	$ 1,409,018	$ 1,409,018
Equity securities	50,629,362	74,781,570
Fixed income	32,981,243	31,955,908
Alternative investments	6,877,048	6,492,678
At net asset value:		
Alternative investments	15,618,811	16,827,100
Totals	**$ 107,515,482**	**$ 131,466,274**

Investments at December 31, 2014 consist of the following:

	Cost	Fair Value
At published quoted values:		
Cash and equivalents	$ 2,715,444	$ 2,715,444
Equity securities	49,729,075	80,593,308
Fixed income	32,760,394	32,513,877
Alternative investments	14,514,263	14,050,298
At net asset value:		
Alternative investments	6,949,681	8,277,669
Totals	**$ 106,668,857**	**$ 138,150,596**

The majority of the funds included in the cash and equivalents is invested in money market funds which are not federally insured.

NOTE 6. INTANGIBLE ASSET

Included on the statement of assets, liabilities and net assets – modified cash basis as intangible asset at December 31, 2015 and 2014 is the cost of website development. The website became operational in 2015. Cost and accumulated amortization are as follows:

		2015		2014
Website development	$	10,154	$	7,431
Less accumulated amortization		(1,881)		0
Net intangible asset	**$**	**8,273**	**$**	**7,431**

NOTE 7. POOLED INCOME FUND

The Richland County Foundation is the income and principal beneficiary of various remainder interest gifts, which have been combined into a pooled income fund held by Richland Bank. No income or principal will be received by the Foundation until the deaths of the donors or their beneficiaries. The carrying value of the pooled income fund at December 31, 2015 and 2014 is $372,795 and $373,203, respectively and the fair value is $375,730 and $383,321, respectively.

NOTE 8. GRANTS AND COMMITMENTS

Grants and commitments approved by the Foundation but not yet paid at December 31, 2015 and 2014 are payable as follows:

		2015		2014
2015	$	32,156	$	270,084
2016		83,750		31,250
2017		50,000		0
2018		50,000		0
2019		0		0
	$	**215,906**	**$**	**301,334**

NOTE 9. CONCENTRATIONS

The Foundation maintains its cash in bank deposit accounts which may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash. As of December 31, 2015 and 2014, there were deposits of $516,533 and $592,777, respectively, in excess of the federally insured limits.

During the year ended December 31, 2015, the Foundation received one gift which totaled more than 10% of the total contributions for the year. The gift was for $150,000.

During the year ended December 31, 2014, the Foundation received one gift which totaled more than 10% of the total contributions for the year. The gift was for $1,687,703.

NOTE 10. SPLIT-INTEREST AGREEMENTS

At December 31, 2015 and 2014, the Foundation has recorded approximately $86,032 and $95,479, respectively, in fair value of split-interest agreements as an asset in its statement of assets, liabilities and net assets – modified cash basis. Assets received under these agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Related contributions per the agreements are recognized as contributions revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. No contributions were received under these agreements in 2015 and 2014. A liability has been established for the split-interest agreements as the Foundation is obligated to the annuitants under charitable gift annuities. The liability totaled approximately $57,177 at December 31, 2015 and $59,955 at December 31, 2014. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the statements of revenue collected, expenditures paid and other changes in net assets – modified cash basis based on accretion of the discounted amount of the contribution, and reevaluations of the expected future payments to be paid by the Foundation based on changes in life expectancy and other assumptions. Annuity rates of 6.0% to 11.0% were used in the calculations at the dates of the contributions.

NOTE 11. FAIR VALUE

The Foundation has adopted FASB ASC 820, Fair Value Measurements and Disclosures. This statement defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received between market participants at the measurement date.

To increase consistency and comparability in fair value measurements and related disclosures the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices in active markets for identical assets that the Foundation has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 and include assets that have a specified (contractual) term. Level 3 inputs are unobservable inputs where there is little, if any, market activity for the asset at the measurement date.

Fair values, of affected assets, at December 31, 2015 consist of the following:

		Fair Value Measurements at Reporting Date Using		
Description	**12/31/15**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity securities	$ 74,781,570	$ 74,781,570	$ 0	$ 0
Fixed income	31,955,908	31,955,908	0	0
Alternative investments	23,319,778	6,492,678	0	0
Total	**$ 130,057,256**	**$ 113,230,156**	**$ 0**	**$ 0**

NOTE 11. FAIR VALUE (CONTINUED)

Fair values, of affected assets, at December 31, 2014 consist of the following:

		Fair Value Measurements at Reporting Date Using		
Description	**12/31/14**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity securities	$ 80,593,308	$ 80,593,308	$ 0	$ 0
Fixed income	32,513,877	32,513,877	0	0
Alternative investments	22,327,967	14,050,298	0	0
Total	**$ 135,435,152**	**$ 127,157,483**	**$ 0**	**$ 0**

At December 31, 2015, the Foundation adopted FASB ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share. Under this ASU, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of assets, liabilities and net assets – modified cash basis. The ASU has been adopted retroactively and the 2014 schedule has been restated accordingly.

Additional information regarding the alternative investments valued at their net asset value is as follows:

	Fair Value 12/31/2015	Fair Value 12/31/2014	Redemption Frequency if Currently Eligible	Redemption Notice Period
Multi-Strategy Hedge Funds:				
Weatherlow Offshore Fund I Ltd	$ 5,474,348	$ 4,173,492	Quarterly	65 days
Alternative Investments Institutional Ltd	3,931,242	4,104,177	Quarterly	90 days
Alternative Investments Institutional Ltd	1,412,015	0	Not Currently Eligible	
Standard Life Investments Global Absolute Return Strategies Off-Shore Feeder Fund	6,009,495	0	Monthly	5 business days
Total	**$ 16,827,100**	**$ 8,277,669**		

The restriction on the Alternative Investments Institutional Ltd. ends September 1, 2016.

NOTE 12. ENDOWMENT FUNDS

In August 2008, the Financial Accounting Standards Board issued FAS ASC 958-205-45, Not for Profit Entities, Presentation of Financial Statements, Reporting Endowment Funds. The ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The ASC also improves 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. The State of Ohio adopted its version of UPMIFA effective June 1, 2009. The Foundation adopted the ASC for the year ended December 31, 2008 as it applied to all endowment funds and for the year ended December 31, 2009 as it applied to endowments subject to UPMIFA.

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment consists of approximately 152 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 1, 2009, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Classification of Net Assets

The Foundation is required to report financial information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As disclosed in Note 1 to the financial statements, the classes of net assets are determined by restrictions, if any, imposed by the donor.

NOTE 12. ENDOWMENT FUNDS (CONTINUED)

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to charitable organizations in the community that are supported by its endowment funds, while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return 7% net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

The spending policy is used to annually calculate the amount of money available to be distributed from the Foundation's various endowment funds for grantmaking and operations. The spending policy is to distribute a maximum amount equal to 4% for the years beginning January 1, 2015 and 2014, for all funds of a moving three-year average market value.

Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Reconciliation of Changes in Endowment Net Assets

The endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds				
Designated	$	$ 2,652,895	$ 7,026,440	$ 9,679,335
Agency		973,823	1,877,979	2,851,802
Field of interest		574,592	1,670,561	2,245,153
Individual assistance		706,874	431,066	1,137,940
Scholarship		1,496,647	7,725,392	9,222,039
Donor advised	41,794	2,628	104,032	148,454
Undesignated	7,535	1,285,448	1,790,317	3,083,300
Other endowment funds				
Field of interest		80,550	403,933	484,483
Undesignated	71	121,926	352,691	474,688
Total endowment funds	**$ 49,400**	**$ 7,895,383**	**$ 21,382,411**	**$ 29,327,194**

NOTE 12. ENDOWMENT FUNDS (CONTINUED)

The endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor designated endowment funds				
Designated	$	$ 3,116,757	$ 6,861,191	$ 9,977,948
Agency		1,084,145	1,858,665	2,942,810
Field of interest		624,948	1,619,264	2,244,212
Individual assistance		759,193	431,066	1,190,259
Scholarship		1,797,166	7,672,778	9,469,944
Donor advised	40,536	8,046	103,340	151,922
Undesignated	37,722	1,426,976	1,784,912	3,249,610
Other endowment funds				
Field of interest		99,513	386,843	486,356
Undesignated	45	141,905	333,240	475,190
Total endowment funds	**$ 78,303**	**$ 9,058,649**	**$ 21,051,299**	**$ 30,188,251**

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 78,303	$ 9,058,649	$ 21,051,299	$ 30,188,251
Interest and dividends		345,731		345,731
Investment expenses		(21,657)		(21,657)
Net depreciation		(418,933)		(418,933)
Contributions	800	20,000	325,801	346,601
Amounts appropriated for expenditure	(125,320)	(974,613)		(1,099,933)
Interfund transfers	95,617	(113,794)	5,311	(12,866)
Endowment net assets, end of year	**$ 49,400**	**$ 7,895,383**	**$ 21,382,411**	**$ 29,327,194**

NOTE 12. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 130,923	$ 8,618,711	$ 19,104,224	$ 27,853,858
Interest and dividends		647,210		647,210
Investment expenses		(50,326)		(50,326)
Net appreciation		781,920		781,920
Contributions	2,600	1,958	1,938,712	1,943,270
Amounts appropriated for expenditure	(143,858)	(940,996)		(1,084,854)
Interfund transfers	88,638	172	8,363	97,173
Endowment net assets, end of year	**$ 78,303**	**$ 9,058,649**	**$ 21,051,299**	**$ 30,188,251**

NOTE 13. RECLASSIFICATION OF NET ASSETS

Net assets classified as temporarily restricted were reclassified as unrestricted net assets due to an allocation of administrative expenses and investment and custodial fees. Also included under reclassification of net assets are interfund grants and other changes in net assets due to income transfers.

NOTE 14. INCOME TAXES

The Foundation's evaluation on December 31, 2015 revealed no tax positions that would have a material impact on the financial statements. The 2012 through 2015 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 4, 2016, the date the financial statements were available to be issued. No material subsequent events were noted.