

**THE COMMUNITY FOUNDATION OF  
NORTH FLORIDA, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**



**For the Years Ended December 31, 2016 and 2015**

**CARROLL and COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Community Foundation of North Florida, Inc.  
Tallahassee, Florida

We have audited the accompanying financial statements of The Community Foundation of North Florida, Inc. (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows 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 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 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 audits 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.

To the Board of Directors  
The Community Foundation of North Florida, Inc.  
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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 financial position of The Community Foundation of North Florida, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 21 and 22 are presented for purposes of additional analysis and are 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 audits 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.

*Carroll and Company*

May 10, 2017

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

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***ASSETS***

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 4,251,105	\$ 1,015,214
Accounts receivable	85	2,264
Investments	41,103,428	35,476,728
Prepaid expenses	1,004	2,619
Pledges receivable	40,321	43,071
Property and equipment, net	7,673	28,602
Other assets	22,582	19,263
Investments held on behalf of others	5,827,808	5,700,833
Investments restricted for endowment purposes	<u>900,304</u>	<u>892,762</u>
<b>TOTAL ASSETS</b>	<b><u>\$52,154,310</u></b>	<b><u>\$43,181,356</u></b>

***LIABILITIES AND NET ASSETS***

**LIABILITIES**

Accounts payable	\$ 464	\$ -0-
Amounts held on behalf of others	<u>5,827,808</u>	<u>5,700,833</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,828,272</u></b>	<b><u>5,700,833</u></b>

**NET ASSETS**

Unrestricted		
Undesignated	45,083,941	36,298,489
Board designated	<u>306,098</u>	<u>289,272</u>
Total unrestricted	45,390,039	36,587,761
Temporarily restricted	35,695	-0-
Permanently restricted	<u>900,304</u>	<u>892,762</u>
<b>TOTAL NET ASSETS</b>	<b><u>46,326,038</u></b>	<b><u>37,480,523</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$52,154,310</u></b>	<b><u>\$43,181,356</u></b>

See accompanying notes.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2016 and 2015**

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**2016**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 9,969,749	\$ 35,695	\$ 50	\$ 10,005,494
Investment return, net	1,878,954	-0-	7,492	1,886,446
Administrative fees and other	<u>104,443</u>	<u>-0-</u>	<u>-0-</u>	<u>104,443</u>
TOTAL REVENUE AND SUPPORT	<u>11,953,146</u>	<u>35,695</u>	<u>7,542</u>	<u>11,996,383</u>
 <b>EXPENSES</b>				
Program services				
Grants and scholarships	2,670,528	-0-	-0-	2,670,528
Other program expenses	320,134	-0-	-0-	320,134
Supporting services				
General and administrative	143,804	-0-	-0-	143,804
Fundraising expenses	<u>16,402</u>	<u>-0-</u>	<u>-0-</u>	<u>16,402</u>
TOTAL EXPENSES	<u>3,150,868</u>	<u>-0-</u>	<u>-0-</u>	<u>3,150,868</u>
CHANGE IN NET ASSETS	8,802,278	35,695	7,542	8,845,515
NET ASSETS, BEGINNING OF YEAR	<u>36,587,761</u>	<u>-0-</u>	<u>892,762</u>	<u>37,480,523</u>
NET ASSETS, END OF YEAR	<u>\$45,390,039</u>	<u>\$ 35,695</u>	<u>\$ 900,304</u>	<u>\$46,326,038</u>

*See accompanying notes.*

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**For the Years Ended December 31, 2016 and 2015**

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**2015**

	<b><u>Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 7,244,291	\$ -0-	\$ 7,244,291
Administrative fees and other	94,094	-0-	94,094
Investment return, net	<u>(1,497,517)</u>	<u>(81,134)</u>	<u>(1,578,651)</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>5,840,868</u>	<u>(81,134)</u>	<u>5,759,734</u>
<b>EXPENSES</b>			
Program services			
Grants and scholarships	2,577,193	-0-	2,577,193
Other program expenses	364,019	-0-	364,019
Supporting services			
General and administrative	140,367	-0-	140,367
Fundraising expenses	<u>23,285</u>	<u>-0-</u>	<u>23,285</u>
<b>TOTAL EXPENSES</b>	<u>3,104,864</u>	<u>-0-</u>	<u>3,104,864</u>
<b>CHANGE IN NET ASSETS</b>	2,736,004	(81,134)	2,654,870
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>33,851,757</u>	<u>973,896</u>	<u>34,825,653</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$36,587,761</u>	<u>\$ 892,762</u>	<u>\$37,480,523</u>

*See accompanying notes.*

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,845,515	\$ 2,654,870
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,250	7,100
Loss on disposal of equipment	23,147	-0-
Noncash contributions	(450,439)	(522,975)
Investment income reinvested	(852,947)	(1,069,731)
Contributions restricted for long-term purposes	(50)	-0-
Net realized losses (gains) on sale of investments	461,443	(49,118)
Net unrealized (gains) losses on investments	(1,245,657)	2,620,886
(Increase) decrease in:		
Accounts receivable	2,179	(2,014)
Prepaid expenses	1,615	187
Pledges receivable	2,750	(3,229)
Increase (decrease) in:		
Accounts payable	464	(4,569)
Amounts held on behalf of others	<u>455,418</u>	<u>(580,293)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>7,247,688</u>	<u>3,051,114</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,468)	(11,384)
Purchase of investments	(30,448,781)	(20,799,262)
Proceeds from sale of investments	26,446,721	17,240,718
Increase in other assets	<u>(3,319)</u>	<u>(335)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(4,011,847)</u>	<u>(3,570,263)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	<u>50</u>	<u>-0-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,235,891	(519,149)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,015,214</u>	<u>1,534,363</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,251,105</u>	<u>\$ 1,015,214</u>

See accompanying notes.



**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

***Nature of the Organization***

The Community Foundation of North Florida, Inc. (the Foundation) is a not-for-profit corporation organized in the State of Florida on March 20, 1997. The Foundation is responsible for charitable funds and the income generated by funds of many donors. The Foundation is committed to promoting the well being of mankind and to serving the general charitable, educational, and scientific needs of the inhabitants of North Florida through charitable grants at the discretion of the Board of Directors.

***Basis of Accounting***

The Foundation's books are maintained on the accrual basis of accounting.

***Basis of Presentation***

In accordance with accounting principles generally accepted in the United States of America, the Foundation is required to report 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.

***Cash Equivalents***

Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

***Investments***

The Foundation carries its investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

***Pledges Receivable***

Pledges receivable are stated at net realizable value. The allowance for collection losses is established through charges to the provision for uncollectible pledges. The allowance is based on management's best estimate of the amounts that will not be collected.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Donated Assets***

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

***Property and Equipment***

Property and equipment are recorded at estimated fair market value at the date of donation or at cost if purchased. Additions, improvements, and other capital outlays that are over a threshold established by management and significantly extend the useful life of an asset are capitalized. If donors stipulate how long the donated assets must be used, contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed on the straight-line method and is based on estimated useful lives ranging from five to seven years.

***Income Taxes***

The Foundation is a not-for-profit tax-exempt organization under Internal Revenue Code Section 501(c)(3), and has been classified as an organization that is not a private foundation under Section 509(a)(1). Accordingly, there is no provision for income taxes in these financial statements.

***Restricted and Unrestricted Revenue and Support***

In accordance with accounting principles generally accepted in the United States of America, the Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

***Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's assessment of staff time.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Grants***

Grants are recorded as expenses when approved by the Board of Directors for payment.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

**NOTE B – INVESTMENTS**

Investments are stated at fair market value and consist of equities and mutual funds. Fair market values and unrealized appreciation as of December 31 are summarized below:

Description	2016			2015		
	Cost	Fair Market Value	Unrealized (Depreciation) Appreciation	Cost	Fair Market Value	Unrealized (Depreciation) Appreciation
Equities and mutual funds	\$ 38,487,772	\$ 38,096,357	\$ (391,415)	\$ 34,993,830	\$ 33,440,583	\$ (1,553,247)
Hedge funds	8,000,000	7,943,807	(56,193)	8,000,000	7,779,366	(220,634)
Private equity fund	1,800,000	1,791,376	(8,624)	920,000	850,374	(69,626)
<b>Total</b>	<b>\$ 48,287,772</b>	<b>\$ 47,831,540</b>	<b>\$ (456,232)</b>	<b>\$ 43,913,830</b>	<b>\$ 42,070,323</b>	<b>\$ (1,843,507)</b>

Total investment return for the years ended December 31 consists of the following:

	2016	2015
Investment income, net	\$ 1,102,232	\$ 993,117
Net realized (losses) gains on sale of investments	(461,443)	49,118
Net unrealized gains (losses) on investments	1,245,657	(2,620,886)
	<b>\$ 1,886,446</b>	<b>\$ (1,578,651)</b>

For the years ended December 31, 2016 and 2015, investment expenses in the amount of \$47,153 and \$72,601, respectively, are netted against investment income.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE C – FAIR VALUE MEASUREMENTS**

The Foundation follows the provisions of the Financial Accounting Standards Board’s Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

*Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These include quoted prices of similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

*Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the financial instruments carried at fair value as of December 31, 2016:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities and mutual funds	\$38,096,357	–	–	\$38,096,357
Hedge funds	–	–	\$ 7,943,807	7,943,807
Private equity fund	–	–	\$ 1,791,376	1,791,376
				<b>\$47,831,540</b>

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE C – FAIR VALUE MEASUREMENTS (Continued)**

The following table presents the financial instruments carried at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Equities and mutual funds	\$33,440,583	–	–	\$33,440,583
Hedge funds	–	–	\$ 7,779,366	7,779,366
Private equity fund	–	–	\$ 850,374	850,374
				<b>\$42,070,323</b>

The fair value of financial instruments including cash and cash equivalents, prepaid expenses, pledges receivable, other assets, accounts payable, and amounts held on behalf of others approximates carrying value, principally because of the short maturity of those items.

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 estimate of fair value as of the reporting date.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3) measurements:

Assets	Hedge funds	Private equity fund	Total
Beginning balance at December 31, 2014	\$ -0-	\$ -0-	\$ -0-
Purchases	8,000,000	920,000	8,920,000
Total gains or (losses) for the period	(220,634)	(69,626)	(290,260)
Ending balance at December 31, 2015	7,779,366	850,374	8,629,740
Purchases	-0-	880,000	880,000
Total gains or (losses) for the period	164,441	61,002	225,443
Ending balance at December 31, 2016	\$ 7,943,807	\$ 1,791,376	\$ 9,735,183

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE C – FAIR VALUE MEASUREMENTS (Continued)**

The following table describes the valuation techniques used for recurring fair value measurements for assets in Level 3 of the fair value hierarchy as of December 31, 2016:

	<b>Quantitative Information about Level 3 Fair Value Measurements</b>			
	<b>Fair value</b>	<b>Unfunded Commitment</b>	<b>Redemption frequency</b>	<b>Redemption notice period</b>
Hedge funds (a)	\$ 7,943,807	\$ -0-	2 x year	65 – 95 days
Private equity fund (b)	\$ 1,791,376	\$ 2,200,000	N/A	

The following table describes the valuation techniques used for recurring fair value measurements for assets in Level 3 of the fair value hierarchy as of December 31, 2015:

	<b>Quantitative Information about Level 3 Fair Value Measurements</b>			
	<b>Fair value</b>	<b>Unfunded Commitment</b>	<b>Redemption frequency</b>	<b>Redemption notice period</b>
Hedge funds (a)	\$ 7,779,366	\$ -0-	2 x year	65 – 95 days
Private equity fund (b)	\$ 850,374	\$ 3,080,000	N/A	

- (a) The Foundation’s investment portfolio includes two (2) hedge funds. One of the funds is a non-diversified, closed-end management investment company with an objective to allocate assets while diversifying risk across a number of specific investment strategies. The second fund is a non-diversified, closed-end management investment company with an investment objective to meet or exceed the return of the broad equity markets over a full market cycle with less volatility than the equity markets as measured by the MSCI World Index. The funds will not be listed on any securities exchange and it is not anticipated that a secondary market will develop. The fair value of the fund is calculated using the net asset value per share, and may be subject to later adjustment or revision.
- (b) The Foundation’s investment in the private equity fund consists of a diversified portfolio including global private equity, special situations, and real estate funds. Funding of the purchase commitments is anticipated to occur within three to five years of entry into the fund and will be funded with proceeds from rebalancing the Foundation’s investment pool. The life cycle of the fund is estimated to be twelve years. Fair value of the fund is estimated using the net asset value.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE D – PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give for an agency fund held by the Foundation. Pledges receivable as of December 31 are due as follows:

	<b>2016</b>	<b>2015</b>
Less than one year	\$ 14,795	\$ 14,961
One to five years	25,526	28,110
<b>TOTAL</b>	<b>\$ 40,321</b>	<b>\$ 43,071</b>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment included the following as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 9,498	\$ 48,681
Less: Accumulated depreciation	(1,825)	(20,079)
<b>PROPERTY AND EQUIPMENT, net</b>	<b>\$ 7,673</b>	<b>\$ 28,602</b>

**NOTE F – AMOUNTS HELD ON BEHALF OF OTHERS**

Amounts held on behalf of others represent assets contributed to the Foundation directly from nonprofit organizations that name themselves as the beneficiary of the agency endowment fund created. In accordance with accounting principles generally accepted in the United States of America, community foundations receiving assets from a nonprofit entity that specifies itself as the beneficiary, even if the variance power is explicitly stated in the gift instrument, is deemed not a gift to the Foundation but instead a liability due back to the nonprofit organization.

As of December 31, 2016 and 2015, the Foundation held 94 and 100 agency endowment funds with a combined fair value of \$5,827,808 and \$5,700,833, respectively, which are presented as amounts held on behalf of others in the accompanying statements of financial position. Financial activity related to these funds for the years ended December 31, 2016 and 2015 is reflected in the net change in amounts held on behalf of others, and is therefore excluded in the accompanying statements of activities. The following table summarizes activity in these funds during the years ended December 31:

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE F – AMOUNTS HELD ON BEHALF OF OTHERS (Continued)**

	<b>2016</b>	<b>2015</b>
Balance at beginning of year	\$ 5,700,833	\$ 5,994,572
Gifts	31,595	221,880
Net return on investments	292,146	(286,553)
Grants	(108,611)	(135,696)
Administrative fees	(88,155)	(93,370)
<b>BALANCE AT END OF YEAR</b>	<b>\$ 5,827,808</b>	<b>\$ 5,700,833</b>

**NOTE G – CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances at financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2016 and 2015. Uninsured bank balances as of December 31, 2016 and 2015 totaled \$3,746,355 and \$611,920, respectively.

**NOTE H – BOARD DESIGNATED NET ASSETS**

In March 2014, the Foundation's Board of Directors established an operating reserve to support the general operations of the Foundation. Board designated net assets total \$306,098 and \$289,272 as of December 31, 2016 and 2015, respectively.

**NOTE I – UNRESTRICTED NET ASSETS**

Included in unrestricted net assets as of December 31, 2016 and 2015 are the following:

	<b>2016</b>	<b>2015</b>
Donor advised	\$41,720,934	\$33,159,770
Agency	1,806,903	1,703,138
Unrestricted – other	811,230	805,122
Operating administration	442,731	342,795
Designated	313,330	315,102
Scholarship	158,285	158,574
Field of interest	98,827	96,214
Project fund	37,799	7,046
	<b>\$45,390,039</b>	<b>\$36,587,761</b>



**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE I – UNRESTRICTED NET ASSETS (Continued)**

Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Directors. Thus, such funds represent unrestricted net assets to the Foundation.

**NOTE J – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2016 consisted of amounts restricted for fire recovery expenses.

**NOTE K – PERMANENTLY RESTRICTED NET ASSETS**

***Interpretation of Relevant Law***

The Foundation's Board of Directors understands that the Uniform Prudent Management of Institutional Funds Act applies to all nonprofit organizations incorporated in the State of Florida as of July 1, 2012.

Unless a donor imposes a restriction to the contrary, all endowment funds at the Foundation adhere to the spending policy adopted by the Foundation's Board of Directors. The spending policy does not require preservation of the fair value of the original gift, but rather specifically states that spending may include income as well as principal.

With regard to donor restricted endowments where the donor expressly states that distributions shall not be made from principal, the Foundation respects and enforces the donor's restriction to preserve the historic gift value of the fund.

***Endowment Net Asset Composition***

Endowment net assets consist of the following as of December 31:

	<b><u>2016</u></b>	<b><u>2015</u></b>
Permanently restricted:		
Donor restricted endowment funds	\$ <u>900,304</u>	\$ <u>892,762</u>

***Changes in Endowment Net Assets***

Changes in permanently restricted endowment net assets during the years ended December 31, 2016 and 2015 were as follows:

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE K – PERMANENTLY RESTRICTED NET ASSETS** (Continued)

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 892,762	\$ 973,896
Investment return:		
Investment income, net	23,348	24,384
(Depreciation) appreciation (realized and unrealized)	<u>21,416</u>	<u>(69,396)</u>
Total investment return	<u>44,764</u>	<u>(45,012)</u>
Contributions	<u>50</u>	<u>-0-</u>
Appropriation of endowment assets for expenditure	<u>(37,272)</u>	<u>(36,122)</u>
Balance at end of year	<u>\$ 900,304</u>	<u>\$ 892,762</u>

***Endowment Spending Policy***

The Foundation's Board-adopted spending policy for endowments:

- is determined on a total return system,
- allows endowment funds to spend four percent (4%) of the twenty-quarter average market value as of December of the prior year, and
- does not require preservation of the fair value of the original gift, but rather specifically states that spending may include income as well as principal.

***Endowment Investment Policy***

The endowment investment policy adopted by the Foundation's Board of Directors seeks long-term growth of principal to preserve and grow Foundation assets, cover expenses, and maintain the approved spending rate of the funds. The Foundation maximizes the probability that the funds will meet or exceed an annualized target rate of return, adjusted for inflation over a five-year rolling period, by having a target rate of return equal to the Board-adopted spending policy's percentage amount plus inflation plus expenses. The Board of Directors considers and seeks to minimize appropriate risks when managing the funds and selecting investment strategies. The strategies for achieving the Foundation's investment objectives include a well-diversified portfolio, target allocations in each investment category, guidelines and restricted investments, benchmarks for performance of each asset class, low fees, performance measurement, regular monitoring, and detailed reports.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE L – ADMINISTRATIVE FEE REVENUE**

The Foundation charges an annual administrative fee on individual funds maintained during the year, which is recorded as administrative fees by the Foundation’s operating fund. Total administrative fee revenue from all funds was \$463,739 and \$458,514 for the years ended December 31, 2016 and 2015, respectively. Administrative fees charged to agency endowment funds are reflected in the accompanying statements of activities and total \$88,155 and \$93,370 for the years ended December 31, 2016 and 2015, respectively (Note F). Administrative fees charged to other funds are not reflected in the accompanying statements of activities since they represent inter-fund transfers between the Foundation’s operating fund and the other individual funds owned by the Foundation.

**NOTE M – DEFINED CONTRIBUTION PLAN**

The Foundation maintains a defined contribution plan (Simple IRA Plan) covering all employees with annual compensation of \$5,000 or more. Employees can elect to defer annually up to the maximum amount of their compensation allowed by the Internal Revenue Service. The Foundation is required to make matching participant contributions to the Simple IRA Plan up to three percent (3%) of its individual participants’ compensation. Total contributions to the plan totaled \$8,076 and \$7,064 in 2016 and 2015, respectively.

**NOTE N – COMMITMENTS**

In October 2016, the Foundation entered into a contract to lease office space under a non-cancelable operating lease expiring in March 2022. Future minimum payments required under the lease as of December 31, 2016 are as follows:

<b>Year Ending December 31</b>	
2017	\$ 47,119
2018	64,577
2019	65,313
2020	66,344
2021	67,671
2022	17,001
<b>Total</b>	<b>\$ 328,025</b>

Rent expense for the years ended December 31, 2016 and 2015 totaled \$17,927 and \$37,280, respectively.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE O – UNCERTAIN TAX POSITIONS**

Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status, and believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of and for the years ended December 31, 2016 and 2015.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Foundation believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2013.

**NOTE P – SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through May 10, 2017, the date which the financial statements were available to be issued.

**NOTE Q – RECENT ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendment applies to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. This ASU is effective for the Foundation for their fiscal year beginning after December 15, 2016 and requires retrospective treatment to all periods presented. The Foundation is currently evaluating the impact of the adoption of ASU 2015-07 on its financial statements.

FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the impact of the adoption of ASU 2016-01 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on principle of whether or not the lease is effectively a financed purchase by the lessee. The Foundation is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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**NOTE Q – RECENT ACCOUNTING PRONOUNCEMENTS** *(Continued)*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit organizations has been addressed. Key elements of the ASU include: 1) Reducing net asset classifications from three categories to two reporting net assets with donor restrictions and net assets without donor restrictions, 2) Expanding disclosures about the nature and amount of any donor restrictions, 3) Expanding disclosures on any board designations of net assets without donor restrictions and 4) Classifying underwater donor-restricted endowments as net assets with donor restrictions. There will be enhanced required disclosures for underwater endowments, including disclosure of policies for reducing or ceasing spending from such endowments, the aggregate fair value, the aggregate original gift amount or level required to be maintained by donor or law, and the aggregate amount of any deficiencies. The new guidance is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements.

**SUPPLEMENTARY INFORMATION**

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2016 and 2015**

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**2016**

	<b><u>Program Services</u></b>		<b><u>Supporting Services</u></b>		<b><u>Total</u></b>
	<b><u>Grants and Scholarships</u></b>	<b><u>Other Program Expenses</u></b>	<b><u>General and Administrative</u></b>	<b><u>Fundraising Expenses</u></b>	
Grants to charitable organizations	\$ 2,670,528	\$ -0-	\$ -0-	\$ -0-	\$ 2,670,528
Payroll expenses	-0-	267,129	91,441	-0-	358,570
Rent	-0-	14,236	3,691	-0-	17,927
Miscellaneous expenses	-0-	-0-	14,877	-0-	14,877
Professional fees	-0-	-0-	14,573	-0-	14,573
Office expenses	-0-	9,217	2,389	-0-	11,606
Software lease expenses	-0-	8,338	2,162	-0-	10,500
Donor development expenses	-0-	-0-	-0-	10,199	10,199
Insurance	-0-	6,250	1,620	-0-	7,870
Seminar and meeting expenses	-0-	5,741	1,488	-0-	7,229
Printing and publication expenses	-0-	-0-	-0-	6,203	6,203
Membership dues	-0-	4,064	1,054	-0-	5,118
Telephone and internet expenses	-0-	3,948	1,024	-0-	4,972
Depreciation expense	-0-	-0-	4,250	-0-	4,250
Board meeting expenses	-0-	-0-	3,467	-0-	3,467
Postage and delivery	-0-	1,211	314	-0-	1,525
Moving expense	-0-	-0-	1,043	-0-	1,043
Licenses and filing fees	-0-	-0-	411	-0-	411
	<u>\$ 2,670,528</u>	<u>\$ 320,134</u>	<u>\$ 143,804</u>	<u>\$ 16,402</u>	<u>\$ 3,150,868</u>

**THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the Years Ended December 31, 2016 and 2015**

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**2015**

	<b><u>Program Services</u></b>		<b><u>Supporting Services</u></b>		<b><u>Total</u></b>
	<b><u>Grants and Scholarships</u></b>	<b><u>Other Program Expenses</u></b>	<b><u>General and Administrative</u></b>	<b><u>Fundraising Expenses</u></b>	
Grants to charitable organizations	\$ 2,577,193	\$ -0-	\$ -0-	\$ -0-	\$ 2,577,193
Payroll expenses	-0-	263,212	91,575	-0-	354,787
Rent	-0-	29,311	7,969	-0-	37,280
Project expenses	-0-	34,681	-0-	-0-	34,681
Donor development expenses	-0-	-0-	-0-	17,769	17,769
Professional fees	-0-	-0-	13,999	-0-	13,999
Software lease expenses	-0-	8,504	2,312	-0-	10,816
Office expenses	-0-	6,099	1,658	-0-	7,757
Depreciation expense	-0-	-0-	7,100	-0-	7,100
Insurance	-0-	5,294	1,439	-0-	6,733
Telephone and internet expenses	-0-	5,280	1,436	-0-	6,716
Seminar and meeting expenses	-0-	5,061	1,376	-0-	6,437
Membership dues	-0-	4,415	1,200	-0-	5,615
Printing and publication expenses	-0-	-0-	-0-	5,516	5,516
Moving expense	-0-	-0-	5,322	-0-	5,322
Board meeting expenses	-0-	-0-	3,981	-0-	3,981
Postage and delivery	-0-	1,561	425	-0-	1,986
Miscellaneous expenses	-0-	601	164	-0-	765
Licenses and filing fees	-0-	-0-	411	-0-	411
	<u>\$ 2,577,193</u>	<u>\$ 364,019</u>	<u>\$ 140,367</u>	<u>\$ 23,285</u>	<u>\$ 3,104,864</u>