

WAYNE COUNTY COMMUNITY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016

INDEX

	<u>Page</u>
Independent Auditor's Report	
Financial Statements:	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	8



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne County Community Foundation
Wooster, Ohio

We have audited the accompanying consolidated financial statements of Wayne County Community Foundation (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 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 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wayne County Community Foundation as of June 30, 2016 and 2015, and the results of 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.

MEADEN & MOORE, LTD.
Wooster, Ohio
September 1, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Wayne County Community Foundation

June 30

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,532	\$ 16,274
Investments:		
Assets in investment pool	53,189,044	55,492,735
Assets in real property	-	750,000
Assets in non-pooled investments	<u>915,184</u>	<u>987,071</u>
	54,104,228	57,229,806
Contributions and pledges receivable - current portion	<u>356,011</u>	<u>514,916</u>
	54,472,771	57,760,996
Total Current Assets	54,472,771	57,760,996
PROPERTY AND EQUIPMENT:		
Furniture and equipment	63,875	63,875
Less: Allowance for depreciation	<u>58,308</u>	<u>58,308</u>
	5,567	5,567
Total Property and Equipment	5,567	5,567
OTHER ASSETS:		
Long-term contributions and pledges receivable - net of current portion	687,881	902,277
Insurance policies - cash surrender value	<u>240,774</u>	<u>222,450</u>
	928,655	1,124,727
Total Other Assets	928,655	1,124,727
Total Assets	\$ 55,406,993	\$ 58,891,290

See accompanying notes.

LIABILITIES	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES:		
Agency fund liability	\$ 8,488,598	\$ 8,800,224
Grants payable	12,000	18,000
Scholarships payable	453,000	467,000
Gift annuity - current portion	8,291	8,291
Accrued expenses	<u>-</u>	<u>709</u>
Total Current Liabilities	8,961,889	9,294,224
LONG-TERM GIFT ANNUITY - net of current portion	<u>45,068</u>	<u>47,667</u>
Total Liabilities	9,006,957	9,341,891
 NET ASSETS		
Unrestricted	5,745,835	10,062,794
Temporarily restricted	16,568,896	16,766,812
Permanently restricted	<u>24,085,305</u>	<u>22,719,793</u>
Total Net Assets	<u>46,400,036</u>	<u>49,549,399</u>
Total Liabilities and Net Assets	<u>\$ 55,406,993</u>	<u>\$ 58,891,290</u>

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Wayne County Community Foundation

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 1,244,180	\$ 1,427,931	\$ 1,072,593	\$ 3,744,704
Investment loss	(122,691)	(130,556)	(282,559)	(535,806)
Change in gift annuity	-	(5,692)	-	(5,692)
Other income	<u>27,552</u>	<u>18,324</u>	<u>200</u>	<u>46,076</u>
 Total Contributions, Investment Loss and Other Income	 1,149,041	 1,310,007	 790,234	 3,249,282
 Other Changes in Net Assets:				
Transfers of fund activity	(686,146)	110,868	575,278	-
Satisfaction of donor and program requirements in accordance with spending policy	1,245,471	(1,245,471)	-	-
Released for administrative fees	<u>373,320</u>	<u>(373,320)</u>	<u>-</u>	<u>-</u>
 Total Other Changes in Net Assets	 <u>932,645</u>	 <u>(1,507,923)</u>	 <u>575,278</u>	 <u>-</u>
 Total Support and Revenue	 2,081,686	 (197,916)	 1,365,512	 3,249,282
 EXPENSES				
Grants and scholarships	5,887,571	-	-	5,887,571
Investment fees and general expenses	469,606	-	-	469,606
Development and communications	<u>41,468</u>	<u>-</u>	<u>-</u>	<u>41,468</u>
 Total Expenses	 <u>6,398,645</u>	 <u>-</u>	 <u>-</u>	 <u>6,398,645</u>
 CHANGE IN NET ASSETS	 (4,316,959)	 (197,916)	 1,365,512	 (3,149,363)
 NET ASSETS - Beginning of the year	 <u>10,062,794</u>	 <u>16,766,812</u>	 <u>22,719,793</u>	 <u>49,549,399</u>
 NET ASSETS - End of the year	 <u>\$ 5,745,835</u>	 <u>\$ 16,568,896</u>	 <u>\$ 24,085,305</u>	 <u>\$ 46,400,036</u>

See accompanying notes.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Wayne County Community Foundation

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions	\$ 1,366,770	\$ 1,425,508	\$ 1,486,191	\$ 4,278,469
Investment income	51,686	15,190	51,859	118,735
Change in gift annuity	-	(17,767)	-	(17,767)
Other income	20,316	16,799	200	37,315
	<u>1,438,772</u>	<u>1,439,730</u>	<u>1,538,250</u>	<u>4,416,752</u>
Total Contributions, Investment Income and Other Income				
Other Changes in Net Assets:				
Transfers of fund activity	6,555	(104,650)	98,095	-
Satisfaction of donor and program requirements in accordance with spending policy	2,401,309	(2,401,309)	-	-
Released for administrative fees	378,581	(378,581)	-	-
	<u>2,786,445</u>	<u>(2,884,540)</u>	<u>98,095</u>	<u>-</u>
Total Other Changes in Net Assets				
Total Support and Revenue	4,225,217	(1,444,810)	1,636,345	4,416,752
EXPENSES				
Grants and scholarships	3,399,139	-	-	3,399,139
Investment fees and general expenses	480,987	-	-	480,987
Development and communications	43,547	-	-	43,547
	<u>3,923,673</u>	<u>-</u>	<u>-</u>	<u>3,923,673</u>
Total Expenses				
CHANGE IN NET ASSETS	301,544	(1,444,810)	1,636,345	493,079
NET ASSETS - Beginning of the year	<u>9,761,250</u>	<u>18,211,622</u>	<u>21,083,448</u>	<u>49,056,320</u>
NET ASSETS - End of the year	<u>\$ 10,062,794</u>	<u>\$ 16,766,812</u>	<u>\$ 22,719,793</u>	<u>\$ 49,549,399</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Wayne County Community Foundation

Year Ended June 30

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,657,003	\$ 2,074,616
Cash paid to grantees and scholarships	(6,219,197)	(2,600,369)
Cash paid to vendors and employees	<u>(524,415)</u>	<u>(524,006)</u>
Cash Used in Operating Activities	(3,086,609)	(1,049,759)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	53,972,975	35,161,947
Purchase of investments	<u>(51,954,410)</u>	<u>(35,581,632)</u>
Cash Provided by (Used in) Investing Activities	2,018,565	(419,685)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gift annuity obligations paid	(8,291)	(8,291)
Permanently restricted contributions	<u>1,072,593</u>	<u>1,486,191</u>
Cash Provided by Financing Activities	<u>1,064,302</u>	<u>1,477,900</u>
Increase (Decrease) in Cash and Cash Equivalents	(3,742)	8,456
Cash and Cash Equivalents - Beginning of the Year	<u>16,274</u>	<u>7,818</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 12,532</u>	<u>\$ 16,274</u>

See accompanying notes.

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Change in Net Assets	\$ (3,149,363)	\$ 493,079
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Interest and dividends reinvested	(838,424)	(1,243,294)
Net realized gains on sale of investments	(1,162,854)	(986,595)
Net unrealized losses on investments	2,627,772	2,111,154
Investment gain (loss) on agency funds	(90,688)	21,422
Permanently restricted contributions	(1,072,593)	(1,486,191)
Change in cash surrender value of life insurance	(18,324)	(16,799)
Donated securities	(269,481)	(479,293)
Donation of real property	750,000	(750,000)
Change in gift annuity obligations value	5,692	17,766
Increase (Decrease) in Cash from Changes in:		
Contributions and pledges receivable	373,301	492,083
Agency fund liability	(220,938)	753,014
Accrued expenses	(709)	(439)
Grants payable	(6,000)	(35,666)
Scholarships payable	(14,000)	60,000
	<u>62,754</u>	<u>(1,542,838)</u>
Total Adjustments		
Cash Used in Operating Activities	<u>\$ (3,086,609)</u>	<u>\$ (1,049,759)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies

Description of the Foundation:

Wayne County Community Foundation (“Foundation”) is a tax-exempt organization established in December 1978, with income from funds contributed by individuals, families, businesses, and nonprofit agencies. The Foundation works to improve the quality of life in greater Wayne County, Ohio by making grants to local nonprofit organizations and providing scholarships to benefit local students. The Foundation responds to the changing needs of the community and builds on local strengths in the areas of arts-culture, civic interests, conservation-environment, education, health, wellness and human services.

Basis of Consolidation:

The consolidated financial statements of the Foundation include the activity of Wayne County Community Foundation and WCCF Holdings, LLC. WCCF Holdings, LLC was formed as a single member nonprofit limited liability company to increase the Foundation’s capacity to evaluate, accept and manage gifts of real property. All accounts and transactions between the Organizations have been eliminated in the consolidated financial statements.

Fund Accounting:

In order to maintain proper accounting for donor or board specified purposes, the Foundation maintains separate funds. The funds are then classified as held for others (liability) or unrestricted, temporarily or permanently restricted net assets. Contributions and grant distributions are recorded into the appropriate funds based on donor suggestions or board policies, as applicable. Investment activity and administrative fees are allocated to individual funds.

Classification of Net Assets:

Contributions are classified as unrestricted, temporarily restricted and permanently restricted based on donor specifications. Assets, liabilities, revenue and gains are presented under these classifications. Designations by the Board of Trustees (“Board”), while separately stated, are considered unrestricted.

As of June 30 2016, the net assets of the Foundation are comprised of a collection of 395 separate funds that were generously donated to benefit the various charitable and educational needs of the community. These funds have been pooled together and invested in a diverse set of assets, managed by professional investment administrators. The funds include both donor-restricted and unrestricted funds to be used by the Board to function as permanent and unrestricted endowments. Of the 395 funds, 26% are permanently restricted, 35% temporarily restricted, 22% unrestricted and 17% agency funds.

Funds with similar characteristics have been combined in the following net asset groups:

Unrestricted net assets are used for continuing activities, grants and operations of the Foundation at the discretion of the Foundation’s governing body.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Classification of Net Assets, Continued:

Temporarily restricted net assets are subject to donor-imposed restrictions that permit the Foundation to expend the donated assets as specified by the donor. The restriction remains in effect until satisfied by either the passage of time or actions of the Foundation. Grants and contributions received with donor-imposed restrictions are recorded as unrestricted if the restrictions are expected to be met within the same period.

Permanently restricted net assets are subject to donor-imposed restrictions that stipulate that resources be maintained permanently, but permit the Foundation to expend part or all of the income or other economic benefit derived from the donated asset.

The Financial Accounting Standards Board issued ASC 958-205 which provides guidance on the net asset classification of board designated and donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The state of Ohio has enacted UPMIFA, effective as of June 1, 2009. The Foundation has determined it is subject to UPMIFA, which requires the Foundation to classify a portion of a donor-restricted endowment fund of perpetual duration as permanently restricted net assets, unless otherwise stated in the gift instrument by the donor. The gift instruments are donor-restricted assets until appropriated for expenditure by the Foundation.

Cash and Cash Equivalents:

For the purposes of the Consolidated Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. However, cash maintained in professional managed investment accounts is considered an investment rather than a cash equivalent. At times during the year, the Foundation maintained funds on deposit at its banks in excess of FDIC insurance limits.

Investments:

Investments in equity and debt securities are recorded at fair value with any realized or unrealized gains and losses reported in the Consolidated Statement of Activities and Changes in Net Assets. Investment income is recognized as revenue in the period it is earned, and gains and losses are recognized as changes in net assets in the accounting period in which they occur. Investments received by gift are recorded at market value at the date of the donation and are immediately sold.

Most holdings are collectively invested in one portfolio, referred to as the “pooled investment account.” Certain funds hold investments in separate accounts. The overall portfolio is directed by the Foundations’ Board of Trustee’s investment committee in consultations with a professional investment advisor, Legacy Strategic Asset Management. As noted in the subsequent events, the investment advisor has been changed to Hartland & Co. effective July 1, 2016. More than a dozen professional investment managers are utilized to diversify the portfolio. Huntington Bank, formerly FirstMerit Bank, N.A., acts as custodian of 100% of the portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Investments, Continued:

The income, gains and losses from the pooled investment account are allocated monthly to the individual funds based on each fund's proportional fair market value.

Investments, Fair Value Measurements:

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the examination of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- * Quoted prices for similar assets or liabilities in active markets;
- * Quoted prices for identical assets or similar assets or liabilities in inactive markets;
- * Inputs other than quoted prices that are observable for the asset or liability;
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investment Policy:

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 preferred diversified asset allocation. The target investment allocation was 45% domestic equities, 40% fixed income and cash and 15% alternative. The Foundation has set performance objective and risk guidelines they use to measure the performance of their portfolio.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Spending Policy:

Unless otherwise indicated in the fund agreement or instrument, the Foundation will generally distribute a percentage of the value of each fund annually. The percentage is evaluated annually by the Foundation and can be revised from time to time, taking into account both preservation of principal, as well as investment, custodial and administrative costs. Currently, the spending policy, applied to permanently restricted funds, is calculated based on 4.5% of the average market value of the prior twelve quarter fund balances as of June 30, the Foundation's fiscal year-end. Payments in excess of annual spending policy are only allowable with special approval of the Board.

Funds with Deficiencies:

Fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$152,212 (2016) and \$75,125 (2015). These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board.

Insurance Policies:

The Foundation is the beneficiary of the several life insurance policies received from donors. The policies are stated at the cash surrender value net of any surrender charges. The value of these policies in the Consolidated Statement of Financial Position amount to \$240,774 (2016) and \$222,450 (2015).

Property and Equipment:

Property and equipment purchased by the Foundation are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and capital expenditures of less than \$1,000 are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities. Depreciation is computed using the straight line method over the estimated useful lives of the assets. There was no depreciation expense in 2016 or 2015.

Revenue Recognition:

Contributions are recognized when awarded as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. When a restriction expires through accomplishment of purpose or passage of time, the restricted net assets are reclassified to unrestricted and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Although restricted contributions are typically reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Income Tax Status:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and operates as a public charity.

WCCF Holdings, LLC is a single member nonprofit limited liability company solely owned by Wayne County Community Foundation.

The Foundation is required to operate in conformity with the Code to maintain its tax-exempt status.

Accounting for Uncertainty in Income Taxes:

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken certain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. The amount recognized is measured as the amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Foundation recognizes interest and penalties accrued related to unrecognized tax uncertainties in income tax expense, if any. The Foundation determined that there are no material uncertain tax positions.

Use of Estimates:

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

Vacation, Personal Annual Leave Policy:

Vacation and personal leave compensation is expensed when paid. Accrual of these benefits as earned would not have a material effect on the consolidated financial statements.

Marketing Costs:

The Foundation participates in various advertising and marketing programs. All costs related to marketing and advertising the Foundation's services are expensed in the period incurred. Advertising costs charged to operations was \$2,738 (2016) and \$5,676 (2015).

Functional Expense Allocations:

Expenses are charged to functional areas based on specific-identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees and square footage of space used for various programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

1 Summary of Significant Accounting Policies, Continued

Donated Services:

The Foundation received donated services (general assistance and fundraising events) which do not meet the criteria for recognition under FASB ACS 958-605 or cannot be objectively measured. These donations, while not recognized in the consolidated financial statements, provide valuable resources to the Foundation.

Subsequent Events:

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements.

Subsequent events have been evaluated through September 1, 2016, which is the date the consolidated financial statements were available to be issued.

At July 1, 2016, the Foundation changed the professional advisor of the investments to Hartland & Co.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the presentation used in the current year.

2 Investments

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Accounts:

These cash funds are valued at principle plus interest at a variable rate.

Mutual Funds:

These funds are valued at net asset value as reported by the underlying fund.

Common Stock:

These securities are valued at quoted market prices in active markets for identical assets.

Corporate and Foreign Bonds, Municipal Obligations, U.S. Government and U.S. Treasury:

The fixed income securities value is based on valuation of market quotes from independent inactive market sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

2 Investments, Continued

Real Property:

These assets are reported at appraised values.

The following table presents the financial instruments carried at fair value, on a recurring basis, as of June 30, 2016:

	Quoted Market Prices in Active Markets (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Unobservable Inputs that are not Corroborated by Market Data (Level 3)	Total
Investment Type:				
Cash and money market	\$ 2,155,983	\$ -	\$ -	\$ 2,155,983
Mutual funds:				
Equity	29,504,816	-	-	29,504,816
Fixed	<u>5,633,132</u>	<u>-</u>	<u>-</u>	<u>5,633,132</u>
Total Mutual Funds	35,137,948	-	-	35,137,948
Common Stocks:				
Industrial	453,482	-	-	453,482
Consumer	653,441	-	-	653,441
Health care	253,187	-	-	253,187
Energy	104,111	-	-	104,111
Financial	2,335,318	-	-	2,335,318
Information technology	423,056	-	-	423,056
Other	<u>767,072</u>	<u>-</u>	<u>-</u>	<u>767,072</u>
Total Common Stock	4,989,667	-	-	4,989,667
Corporate and foreign bonds	-	4,778,898	-	4,778,898
U.S. Government	3,464,017	-	-	3,464,017
U.S. Treasury	<u>3,577,715</u>	<u>-</u>	<u>-</u>	<u>3,577,715</u>
Total Assets at Fair Value	<u>\$ 49,325,330</u>	<u>\$ 4,778,898</u>	<u>\$ -</u>	<u>\$ 54,104,228</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

2 Investments, Continued

The following table presents the financial instruments carried at fair value, on a recurring basis, as of June 30, 2015:

Investment Type:	Quoted Market Prices in Active Markets (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Unobservable Inputs that are not Corroborated by Market Data (Level 3)	Total
Cash and money market	\$ 2,967,687	\$ -	\$ -	\$ 2,967,687
Mutual funds:				
International	25,870,397	-	-	25,870,397
Index	<u>6,764,178</u>	<u>-</u>	<u>-</u>	<u>6,764,178</u>
Total Mutual Funds	32,634,575	-	-	32,634,575
Common Stocks:				
Utilities	469,944			469,944
Industrial	1,168,545	-	-	1,168,545
Consumer	1,240,866	-	-	1,240,866
Health care	874,190	-	-	874,190
Energy	605,949	-	-	605,949
Financial	3,454,583	-	-	3,454,583
Information technology	1,021,235	-	-	1,021,235
Other	<u>460,680</u>	<u>-</u>	<u>-</u>	<u>460,680</u>
Total Common Stock	9,295,992	-	-	9,295,992
Corporate and foreign bonds	-	4,428,239	-	4,428,239
Municipal obligations	45,896	-	-	45,896
U.S. Government	3,247,933	-	-	3,247,933
Real Property	-	750,000	-	750,000
U.S. Treasury	<u>3,859,484</u>	<u>-</u>	<u>-</u>	<u>3,859,484</u>
Total Assets at Fair Value	<u>\$ 52,051,567</u>	<u>\$ 5,178,239</u>	<u>\$ -</u>	<u>\$ 57,229,806</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

2 Investments, Continued

	<u>2016</u>	<u>2015</u>
Investment income (loss) consists of the following:		
Interest and dividends	\$ 838,424	\$ 1,243,294
Net realized gains	1,162,854	986,595
Net unrealized losses	<u>(2,627,772)</u>	<u>(2,089,732)</u>
Total Investment Income (Loss)	(626,494)	140,157
Less: Earnings (Losses) allocated to agency fund liability	<u>(90,688)</u>	<u>21,422</u>
Total Net Investment Income (Loss)	<u>\$ (535,806)</u>	<u>\$ 118,735</u>

Investment fees amounted to \$108,627 (2016) and \$129,360 (2015) and are included in the Consolidated Statement of Activities and Changes in Net Assets as investment fees and general expenses.

3 Pledges and Contributions Receivable

Contributions and pledges receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 595,176	\$ 821,021
Pledges receivable	62,183	184,062
Interest in charitable lead annuity trust	<u>386,533</u>	<u>412,110</u>
	<u>\$ 1,043,892</u>	<u>\$ 1,417,193</u>

Contributions and pledges receivable represent promises to give which have been made by donors to designated funds. A number of receivables have been promised in installments over several years. All receivables are considered collectible by the Foundation and, accordingly, no allowance for uncollectible balances has been established.

The value of all material receivables and interest in charitable lead annuity trusts with payments exceeding one year, have been discounted to net present value at rates of 3.5% and 5%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

3 Pledges and Contributions Receivable, Continued

Payments are due in:

One year	\$ 356,011
Two years	315,229
Three years	106,119
Four years	40,000
Five years	40,000
Thereafter	<u>240,000</u>
Gross Pledges Receivable	1,097,359
Less: Net present value discount	<u>(53,467)</u>
Total	<u><u>\$ 1,043,892</u></u>

Amounts presented in the Consolidated Statement of Financial Position are as follows:

	<u>2016</u>	<u>2015</u>
Current Portion:		
Contributions receivable	\$ 264,528	\$ 313,092
Pledges receivable	51,483	121,824
Charitable lead annuity trust	<u>40,000</u>	<u>80,000</u>
	356,011	514,916
Long-term Portion:		
Contributions receivable	330,648	507,929
Pledges receivable	10,700	62,238
Charitable lead annuity trust	<u>346,533</u>	<u>332,110</u>
	<u>687,881</u>	<u>902,277</u>
	<u><u>\$ 1,043,892</u></u>	<u><u>\$ 1,417,193</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

4 Endowment

The Foundation's endowments consist of numerous funds, established for a variety of purposes, which have been pooled together for investment purposes. The endowments include both donor-restricted and Board designated funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as the donor-restricted endowment absent explicit donor restrictions to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the 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 expenditures by the Foundation. In addition, certain funds are restricted by the donor for specific purposes and are classified as temporarily restricted until expended for the specified purpose. These funds are currently considered as part of the endowment due to the long term nature of the donor specific purpose.

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 fund
2. The purpose of the Foundation and the endowment fund
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
7. The investment policies of the Foundation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

4 Endowment, Continued

Endowment net assets composition by type of fund for June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted permanent endowment funds	\$ (152,212)	\$ -	\$ 24,085,305	\$ 23,933,093
Donor restricted temporarily restricted endowment funds	-	16,568,896	-	16,568,896
Board designated endowment funds	<u>5,898,047</u>	<u>-</u>	<u>-</u>	<u>5,898,047</u>
Total Funds	<u>\$ 5,745,835</u>	<u>\$ 16,568,896</u>	<u>\$ 24,085,305</u>	<u>\$ 46,400,036</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets				
- Beginning of the Year	\$ 10,062,794	\$ 16,766,812	\$ 22,719,793	\$ 49,549,399
Investment Return:				
Net depreciation	(122,691)	(136,248)	(282,559)	(541,498)
Contributions and other income	1,271,732	1,446,255	1,072,793	3,790,780
Transfers of fund activity	(686,146)	110,868	575,278	-
Satisfaction of donor and program requirements in accordance with spending policy	1,618,791	(1,618,791)	-	-
Disbursements	<u>(6,398,645)</u>	<u>-</u>	<u>-</u>	<u>(6,398,645)</u>
Net Change	<u>(4,316,959)</u>	<u>(197,916)</u>	<u>1,365,512</u>	<u>(3,149,363)</u>
Endowment Net Assets				
- End of the Year	<u>\$ 5,745,835</u>	<u>\$ 16,568,896</u>	<u>\$ 24,085,305</u>	<u>\$ 46,400,036</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

4 Endowment, Continued

Endowment net assets composition by type of fund for June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted permanent endowment funds	\$ (75,125)	\$ -	\$ 22,719,793	\$ 22,644,668
Donor restricted temporarily restricted endowment funds	-	16,766,812	-	16,766,812
Board designated endowment funds	<u>10,137,919</u>	<u>-</u>	<u>-</u>	<u>10,137,919</u>
Total Funds	<u>\$ 10,062,794</u>	<u>\$ 16,766,812</u>	<u>\$ 22,719,793</u>	<u>\$ 49,549,399</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of the Year	\$ 9,761,250	\$ 18,211,622	\$ 21,083,448	\$ 49,056,320
Investment Return:				
Net appreciation	51,686	(2,577)	51,859	100,968
Contributions and other income	1,765,667	1,442,307	1,486,391	4,694,365
Transfers of fund activity	6,555	(104,650)	98,095	-
Satisfaction of donor and program requirements in accordance with spending policy	2,779,890	(2,779,890)	-	-
Disbursements	<u>(4,302,254)</u>	<u>-</u>	<u>-</u>	<u>(4,302,254)</u>
Net Change	<u>301,544</u>	<u>(1,444,810)</u>	<u>1,636,345</u>	<u>493,079</u>
Endowment Net Assets - End of the Year	<u>\$ 10,062,794</u>	<u>\$ 16,766,812</u>	<u>\$ 22,719,793</u>	<u>\$ 49,549,399</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

5 Reclassification of Net Assets

The Foundation classifies contributions as accurately as possible based on information available as of the date of the donation. Subsequently, new information may provide additional guidance on the intent of the donors and can result in the necessity to reclassify the contribution.

6 Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Grants and scholarships	\$ 1,245,471	\$ 2,401,309
Administrative fees	<u>373,320</u>	<u>378,581</u>
	<u>\$ 1,618,791</u>	<u>\$ 2,779,890</u>

The Foundation charges an administrative fee to all funds, except the Acorn Funds. These fees are reflected as assets released from restriction in the Consolidated Statement of Activities and Changes in Net Assets. The following annual fee schedule was effective March 1, 2009:

Agency Endowments	0.50%
Designated Funds:	
During a campaign (under \$1,000,000)	1.00%
During a campaign (over \$1,000,000)	0.75%
<i>Minimum charge of \$250 annually</i>	
Maintenance fund only	0.50%
Donor Advised Funds:	
Under \$100,000	1.00%
\$100,000 - \$500,000	0.75%
Over \$500,000	0.50%
Scholarship, Community and Field of Interest Funds:	
Under \$1,000,000	1.00%
Over \$1,000,000	0.75%
<i>Minimum charge of \$250 annually</i>	
Gift Annuity Funds	1.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

6 Net Assets Released From Restrictions, Continued

Designated funds are divided into active and maintenance modes depending on whether the fund is in the midst of an active fundraising campaign or in a post campaign maintenance mode.

Total fees charged under this schedule amounted to \$373,320 (2016) and \$378,581 (2015). A portion of these fees are reported as management and general expenses on the Consolidated Statement of Activities and Changes in Net Assets with the remainder of fees being reported as a reduction in the agency fund liability in the Consolidated Statement of Financial Position.

Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of contributions designated but not yet used for certain purposes as follows:

	2016	2015
Grants	\$ 11,110,149	\$ 10,895,105
Scholarships	5,458,747	5,871,707
	\$ 16,568,896	\$ 16,766,812

Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the following:

	2016	2015
Grants	\$ 19,005,323	\$ 18,624,217
Scholarships	5,079,982	4,095,576
	\$ 24,085,305	\$ 22,719,793

7 Leases

The Foundation leases their office space through a relationship established in 2005. Rent is paid on a monthly basis ranging from \$2,100 to \$2,200 per month, with the current agreement commencing October 1, 2014 and ending on September 30, 2017. The landlord is responsible for real estate taxes, building fire insurance and repairs to the property. The Foundation is responsible for partial maintenance, utilities and liability insurance on the property. Rent expense related to this lease was \$25,650 (2016) and \$25,200 (2015).

The Foundation leases a copier with monthly lease payments of approximately \$230. Additional fees based on usage at a rate per month, are also assessed. The lease term is for 60 months ending June 2018. Lease expense related to the office equipment was \$5,308 (2016) and \$6,300 (2015).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

7 Leases, Continued

Minimum lease payments due under the operating lease obligations are due as follows:

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 26,250	\$ 2,760	\$ 29,010
2018	<u>6,600</u>	<u>2,760</u>	<u>9,360</u>
Total	<u>\$ 32,850</u>	<u>\$ 5,520</u>	<u>\$ 38,370</u>

8 Charitable Gift Annuities

The Foundation is obligated under four annuity contracts, whereby the Foundation is the owner of the assets subject to a promise to pay the respective annuity amount to individuals. The terms of the annuities are as follows:

	<u>Date Established</u>	<u>Term</u>	<u>Payment Frequency</u>	<u>Payment Amount</u>	<u>Discount Factor</u>	<u>Interest Rate</u>
Annuity 1	2004	Life	Quarterly	\$ 381.18	8.8%	4.2%
Annuity 2	2006	Life	Semi-Annual	\$ 716.15	6.7%	5.6%
Annuity 3	2008	Life	Quarterly	\$ 920.96	2.9%	4.2%
Annuity 4	2013	Life	Quarterly	\$ 412.50	7.7%	1.4%

The change in value of the gift annuity agreements in the Consolidated Statement of Activities and Changes in Net Assets relates to the amortization of the discount on the annuities. The estimated amount due to the individuals specified in those agreements (net of discount) were \$53,359 (2016) and \$55,958 (2015).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wayne County Community Foundation

8 Charitable Gift Annuities, Continued

The following table presents a reconciliation of the gift annuity obligation fair value measurements using significant unobservable inputs (Level 3) at June 30:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 55,958	\$ 46,483
Net unrealized gain	5,692	17,766
Payments	<u>(8,291)</u>	<u>(8,291)</u>
Ending balance	<u>\$ 53,359</u>	<u>\$ 55,958</u>

Amounts presented in the Consolidated Statement of Financial Position are as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 8,291	\$ 8,291
Long-term	<u>45,068</u>	<u>47,667</u>
	<u>\$ 53,359</u>	<u>\$ 55,958</u>

9 Conditional Promises to Give

The Foundation awards annual scholarships, some of which are renewable and conditional upon the recipient staying in school, or maintaining a specific grade point average. Conditional promises to give are recognized when the conditions of the promise have been substantially met. Conditional promises that are substantially met are recorded in the Consolidated Statement of Financial Position and amounted to \$453,000 (2016) and \$467,000 (2015).

10 Agency Fund Liability

Agency funds represent amounts held by the Foundation on behalf of other tax-exempt charitable organizations.

	<u>2016</u>	<u>2015</u>
Beginning agency funds	\$ 8,800,224	\$ 8,025,788
Contributions	306,817	1,196,789
Investment income	(90,688)	21,422
Foundation administrative fees	(42,370)	(42,504)
Investment fees	(27,489)	(30,142)
Distributions	<u>(457,896)</u>	<u>(371,129)</u>
Ending agency funds	<u>\$ 8,488,598</u>	<u>\$ 8,800,224</u>

11 Retirement Plan

The Foundation has a 403(b) Deferred Compensation Plan and SEP Plan. The Foundation contributes an amount equal to 5% of each employee's compensation to these plans. Contributions to these plans amounted to \$9,253 (2016) and \$8,847 (2015).