

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2016 AND 2015

CPAs / ADVISORS



**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Community Foundation of Bloomington and Monroe County, Inc. and Affiliate
Bloomington, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Community Foundation of Bloomington and Monroe County, Inc. and Affiliate (the "Foundation") which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial position of the Foundation as of June 30, 2016 and 2015, and the consolidated changes in 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Seymour, Indiana

October 31, 2016

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 13,187,645	\$ 1,586,660
Investments	24,285,886	23,234,805
Pledges receivable	234,750	667,808
Other current assets	18,194	13,431
Property and equipment, net	26,880	23,914
Undeveloped real estate held for preservation	1,446,044	1,446,044
	\$ 39,199,399	\$ 26,972,662

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 49,200	\$ 26,589
Grants payable	34,498	433,861
Deferred revenue	-0-	495,313
Gift annuities payable	158,698	27,134
Custodial funds	1,867,869	1,996,808
Total liabilities	2,110,265	2,979,705

Net assets

Unrestricted:		
Operating	2,131,663	939,031
Board designated	1,049,778	1,141,507
	3,181,441	2,080,538
Temporarily restricted	31,413,336	14,227,380
Permanently restricted	2,494,357	7,685,039
Total net assets	37,089,134	23,992,957
	\$ 39,199,399	\$ 26,972,662

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues					
Contributions	\$ 48,963	\$ 14,440,453	\$ 31,626	\$ 14,521,042	\$ 2,296,954
Investment return, net	72,219	(199,001)	-0-	(126,782)	(124,556)
Administrative fee income	420,377	-0-	-0-	420,377	422,946
Change in value of split interest agreements	-0-	1,928	-0-	1,928	27,266
Net assets released from restrictions	<u>2,279,732</u>	<u>(2,279,732)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	2,821,291	11,963,648	31,626	14,816,565	2,622,610
Expenses					
Grants	468,547	-0-	-0-	468,547	823,715
Programs	17,604	-0-	-0-	17,604	23,751
Salaries and wages	525,561	-0-	-0-	525,561	377,439
Employee benefits	31,442	-0-	-0-	31,442	25,595
Administrative fees	388,127	-0-	-0-	388,127	389,367
Printing and postage	8,780	-0-	-0-	8,780	12,655
Professional fees	69,801	-0-	-0-	69,801	46,696
Payroll taxes	40,660	-0-	-0-	40,660	28,500
Donor development	17,615	-0-	-0-	17,615	26,052
Software	15,111	-0-	-0-	15,111	14,725
Depreciation	11,525	-0-	-0-	11,525	9,365
Conferences	11,427	-0-	-0-	11,427	9,316
Rent	8,591	-0-	-0-	8,591	8,591
Telephone	2,721	-0-	-0-	2,721	6,506
Insurance	6,662	-0-	-0-	6,662	4,010
Repairs and maintenance	16,107	-0-	-0-	16,107	6,886
Office supplies	6,286	-0-	-0-	6,286	5,484
Travel and entertainment	6,902	-0-	-0-	6,902	3,180
Professional development	12,990	-0-	-0-	12,990	-0-
Meetings	28,974	-0-	-0-	28,974	-0-
Dues and subscriptions	4,677	-0-	-0-	4,677	2,081
Miscellaneous	20,278	-0-	-0-	20,278	6,635
Total expenses	<u>1,720,388</u>	<u>-0-</u>	<u>-0-</u>	<u>1,720,388</u>	<u>1,830,549</u>
Change in net assets	1,100,903	11,963,648	31,626	13,096,177	792,061
Transfer of net assets	-0-	5,222,308	(5,222,308)	-0-	-0-
Net assets, beginning of year	<u>2,080,538</u>	<u>14,227,380</u>	<u>7,685,039</u>	<u>23,992,957</u>	<u>23,200,896</u>
Net assets, end of year	<u>\$ 3,181,441</u>	<u>\$ 31,413,336</u>	<u>\$ 2,494,357</u>	<u>\$ 37,089,134</u>	<u>\$ 23,992,957</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions	\$ 37,544	\$ 1,969,437	\$ 289,973	\$ 2,296,954
Investment return, net	(11,517)	(113,039)	-0-	(124,556)
Administrative fee income	422,946	-0-	-0-	422,946
Change in value of split interest agreements	-0-	27,266	-0-	27,266
Net assets released from restrictions	<u>1,199,622</u>	<u>(1,199,622)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	1,648,595	684,042	289,973	2,622,610
Expenses				
Grants	823,715	-0-	-0-	823,715
Programs	23,751	-0-	-0-	23,751
Salaries and wages	377,439	-0-	-0-	377,439
Employee benefits	25,595	-0-	-0-	25,595
Administrative fees	389,367	-0-	-0-	389,367
Printing and postage	12,655	-0-	-0-	12,655
Professional fees	46,696	-0-	-0-	46,696
Payroll taxes	28,500	-0-	-0-	28,500
Donor development	26,052	-0-	-0-	26,052
Software	14,725	-0-	-0-	14,725
Depreciation	9,365	-0-	-0-	9,365
Conferences	9,316	-0-	-0-	9,316
Rent	8,591	-0-	-0-	8,591
Telephone	6,506	-0-	-0-	6,506
Insurance	4,010	-0-	-0-	4,010
Repairs and maintenance	6,886	-0-	-0-	6,886
Office supplies	5,484	-0-	-0-	5,484
Travel and entertainment	3,180	-0-	-0-	3,180
Dues and subscriptions	2,081	-0-	-0-	2,081
Miscellaneous	<u>6,635</u>	<u>-0-</u>	<u>-0-</u>	<u>6,635</u>
Total expenses	<u>1,830,549</u>	<u>-0-</u>	<u>-0-</u>	<u>1,830,549</u>
Change in net assets	(181,954)	684,042	289,973	792,061
Net assets, beginning of year	<u>2,262,492</u>	<u>13,543,338</u>	<u>7,395,066</u>	<u>23,200,896</u>
Net assets, end of year	<u>\$ 2,080,538</u>	<u>\$ 14,227,380</u>	<u>\$ 7,685,039</u>	<u>\$ 23,992,957</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating activities		
Change in net assets	\$ 13,096,177	\$ 792,061
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	11,525	9,365
Reinvested interest and dividends received on investments	(795,110)	(864,995)
Realized and unrealized losses on investments	875,996	942,531
Contributions restricted to endowment funds	(31,626)	(289,973)
Contribution of charitable gift annuity	161,941	-0-
Change in value of split interest agreement	(1,928)	(27,266)
Changes in assets and liabilities:		
Pledges receivable	433,058	(567,382)
Other current assets	(4,763)	129
Accounts payable and accrued expenses	22,611	(3,520)
Grants payable	(399,363)	(52,963)
Deferred revenue	(495,313)	495,313
Custodial funds	(128,939)	42,519
Net cash flows from operating activities	12,744,266	475,819
Investing activities		
Proceeds on sales of investments	546,890	4,767,235
Purchases of investments	(1,678,857)	(5,413,292)
Purchases of property and equipment	(14,491)	(7,755)
Net cash flows from investing activities	(1,146,458)	(653,812)
Financing activities		
Contributions restricted to endowment funds	31,626	289,973
Gift annuity payments	(28,449)	(8,165)
Net cash flows from financing activities	3,177	281,808
Net change in cash and cash equivalents	11,600,985	103,815
Cash and cash equivalents, beginning of year	1,586,660	1,482,845
Cash and cash equivalents, end of year	\$ 13,187,645	\$ 1,586,660

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Bloomington and Monroe County, Inc. ("CFBMC") is a not-for-profit organization. It operates as a public charity, soliciting contributions from businesses and individuals in Bloomington, Monroe County, and surrounding areas. The Foundation's purpose is to improve, enhance, and nurture the quality of life in Bloomington and the surrounding communities of Monroe County. The Foundation accepts gifts for distributions or to create charitable funds, distributes funds, and facilitates the community's philanthropic activities. Income from the various funds is used to fund community activities.

Regional Opportunity Initiatives, Inc. ("ROI") is a not-for-profit organization and a supporting organization of CFBMC. ROI was established in August 2015 to advance economic and community prosperity in Southwest Central Indiana and is initially being funded by a \$26 million grant from Lilly Endowment. ROI is in the process of implementing an education and workforce plan and a regional opportunity fund for quality-of-place investments in an 11-county area.

Consolidation policy

The accounts of ROI are consolidated with the accounts of CFBMC as a result of common control. All inter-entity transactions have been eliminated in the consolidation. The consolidated operations of the organizations are hereinafter collectively referred to as the "Foundation."

Management's Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Foundation's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Foundation are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. The Foundation maintains unrestricted funds as follows:

Operating – used to fund current operations of the Foundation

Board designated – used to fund specific programs of the Foundation as designated by the Board

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Foundation’s Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Land received in which the Foundation is forbidden to sell and funding received to support the Housing Trust Programs are classified as permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by the Foundation’s fund managers and included in investments.

Investments and Investment Return

The Foundation carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Consolidated Statements of Activities in the period in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Foundation’s spending policy.

Pledges Receivable

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Management estimates an allowance for doubtful pledges receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Foundation’s donors. No allowance for doubtful pledges receivable was determined necessary as of June 30, 2016 and 2015.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

The Foundation provides for depreciation of property and equipment utilizing the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives which range from 3 to 7 years.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (pledges receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in either unrestricted, temporarily restricted, or permanently restricted net assets in accordance with the donor's intent and the classification of the fund as it relates to the Foundation's spending policy. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Foundation's spending policy. All other revenue is recorded when earned.

Grants and Grants Payable

Unconditional grants are recorded when a commitment is made and approved by the Board of Directors. For grants which are conditional on the recipient fulfilling certain obligations, grants are recorded at the time those conditions are satisfied.

The Foundation also had conditional grants payable of \$392,464 and \$0 at June 30, 2016 and 2015, respectfully. These amounts will not be paid until the related conditions have been met; therefore, a liability related to these grants has not been recognized.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of CFBMC. Administrative fees from all funds are reflected as revenue on the Consolidated Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Consolidated Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Transfer of Net Assets

During the year ended June 30, 2016, the Foundation amended a majority of their fund agreements (after the written approvals obtained from the creators of the fund or through proper legislative procedures), by removing the provision that prohibited the Foundation to invade historical gift values relative to the funds' balances. These funds were originally created under the guidelines of the Uniform Management of Institutional Funds Act, which prohibited the invasion of historical gift values. The Foundation decided it was prudent to update all fund agreements to the more recent act, the Uniform Prudent Management of Institutional Funds, which allows the invasion of historical gift values if the need ever arose. These amendments to the funds reclassified them from permanently restricted net assets to temporarily restricted net assets, thereby increasing temporarily restricted net assets and decreasing permanently restricted net assets by \$5,222,308.

Income Taxes

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

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 an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued, which is October 31, 2016.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. INVESTMENTS

Investments at June 30, 2016 and 2015, consist of the following:

	2016	2015
Cash and cash equivalents	\$ 191,512	\$ 277,966
Equity mutual funds		
Small/mid	4,686,109	4,580,543
Large	12,719,076	12,186,466
Real estate	1,270,321	1,050,818
Fixed income mutual funds		
Short-term bond	966,746	848,471
Intermediate-term bond	698,453	475,132
World bond	1,216,069	1,275,472
Commodities broad basket	1,013,405	947,770
Inflation protected	982,863	823,674
Equity exchange traded funds		
Small/mid	357,000	341,738
Large	-0-	242,460
Short	184,332	-0-
Fixed income exchange traded funds		
Short-term bond	-0-	184,295
	\$ 24,285,886	\$ 23,234,805

The following schedule summarizes the investment return, excluding the investment return on investments related to custodial funds, and its classification in the Consolidated Statements of Activities for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 725,789	\$ 781,632
Realized and unrealized losses	(793,294)	(853,099)
Investment fees	(59,277)	(53,089)
	\$ (126,782)	\$ (124,556)

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

3. RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Foundation's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

transact at that price. The funds held by the Foundation are deemed to be actively traded.

- *Gift annuities payable:* Fair value is determined by calculating the present value of the annuities using published life expectancy tables with discount rates ranging between 2.2% and 6.2%.

The following table sets forth financial assets measured at fair value in the Consolidated Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of June 30, 2016 and 2015:

	2016		
	Fair Value	Level 1	Level 2
Assets:			
Mutual funds	\$ 23,553,042	\$ 23,553,042	\$ -0-
Exchange traded funds	541,332	541,332	-0-
Liabilities:			
Gift annuities payable	158,698	-0-	158,698
	2015		
	Fair Value	Level 1	Level 2
Assets:			
Mutual funds	\$ 22,188,346	\$ 22,188,346	\$ -0-
Exchange traded funds	768,493	768,493	-0-
Liabilities:			
Gift annuities payable	27,134	-0-	27,134

5. PLEDGES RECEIVABLE

Unconditional pledges receivable total \$234,750 and \$667,808 at June 30, 2016 and 2015, respectively. Pledges receivable have not been discounted to present value due to the immaterial effect. Amounts due subsequent to year end are as follows:

	2016	2015
Amounts due in:		
Less than one year	\$ 147,750	\$ 458,447
One to five years	87,000	209,361
	\$ 234,750	\$ 667,808

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 114,436	\$ 99,944
Less accumulated depreciation	<u>(87,556)</u>	<u>(76,030)</u>
	<u>\$ 26,880</u>	<u>\$ 23,914</u>

Undeveloped real estate held for preservation relates to land donated to the Foundation in the amount of \$1,446,044. The purpose of the real estate is to preserve nature and to be used as a park.

7. CHARITABLE GIFT ANNUITIES

The Foundation has two charitable gift annuities, under which the Foundation received \$422,340. The Foundation is required to make annual payments to the donors in amounts of \$20,284 and \$8,165 for the remainder of the donors' lifetimes. Upon the death of the specified persons, the remaining amount of the gifts is to be used by the Foundation as specified in the respective agreements. The Foundation has recognized a liability for the present value of the amount expected to be paid to the third-party beneficiaries at June 30, 2016 and 2015, under these agreements. The liability was calculated based on the applicable mortality tables and discount rates of 2.2% and 6.2%. The present value of amounts expected to be paid to the donors or their named beneficiaries was \$158,698 and \$27,134 at June 30, 2016 and 2015, respectively.

8. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Foundation by other organizations based on their individual board resolutions. In addition, the Foundation has entered into agreements to serve as fiscal agent of funds for certain individuals and organizations. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Consolidated Statements of Activities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Following is a progression of custodial funds during 2016 and 2015:

	2016	2015
Beginning balance	\$ 1,996,808	\$ 1,954,289
Contributions	21,465	283,007
Interest and dividend income	69,321	83,363
Realized and unrealized losses	(82,702)	(89,432)
Investment fees	(5,994)	(5,601)
Administrative fees	(32,249)	(33,579)
Other expenses	(9,102)	(10,746)
Grant and scholarship payments	(89,678)	(184,493)
Ending balance	\$ 1,867,869	\$ 1,996,808

9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016 and 2015:

	2016	2015
Designated purpose restrictions related to:		
ROI - Lilly grant	\$ 12,067,638	\$ -0-
Endowment funds not yet appropriated for expenditure	19,345,698	14,227,380
	\$ 31,413,336	\$ 14,227,380

Permanently restricted net assets in the amount of \$2,494,357 and \$7,685,039 at June 30, 2016 and 2015, respectively, and are donor-restricted assets whereby the principal amount is never to be expended based on the terms of the related fund agreements or the spending policy in effect. Income earned from these principal amounts includes both temporarily restricted and unrestricted amounts.

**COMMUNITY FOUNDATION OF BLOOMINGTON
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015, as follows:

	2016	2015
Designated purpose restrictions related to:		
ROI - Lilly grant	\$ 932,362	\$ -0-
Endowment funds appropriated for expenditure	1,347,370	1,199,622
	\$ 2,279,732	\$ 1,199,622

11. ENDOWMENT

The majority of CFBMC's funds consist of endowed funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Until July 1, 2012, the Board previously interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require the preservation of the historic gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CFBMC classified 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 was added to the fund. The remaining portion of the donor-restricted endowment fund that was not classified in permanently restricted net assets was classified as temporarily restricted net assets until those amounts were appropriated for expenditure by CFBMC in a manner consistent with the standard of prudence prescribed by UPMIFA.

While CFBMC still has certain donor-restricted endowment funds recognized as permanently restricted due to specifications in those fund agreements, the remaining donor-restricted endowment funds are classified as temporarily restricted. Under the Board of Directors revised interpretation of UPMIFA, endowment funds are to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CFBMC in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CFBMC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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- (1) The duration and preservation of the fund
- (2) The purposes of CFBMC and the donor-restricted 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 CFBMC
- (7) The investment policies of CFBMC

CFBMC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CFBMC must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. CFBMC expects to earn a total return that equals or exceeds the combined rate of inflation, the rate of distributions and administrative costs. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, CFBMC relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

CFBMC has a policy of appropriating for distribution each year 4.5% of its endowment funds' average fair value over the prior 16 quarters. In establishing this policy, CFBMC considered the long-term expected return on its endowment.

Endowed funds by net asset type at June 30, 2016 and 2015 were as follows:

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor Restricted Funds	\$ -0-	\$ 19,345,698	\$ 2,494,357
Board Designated Funds	1,049,778	-0-	-0-
	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor Restricted Funds	\$ -0-	\$ 14,227,380	\$ 7,685,039
Board Designated Funds	1,141,507	-0-	-0-

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Changes in endowment funds for the years ended June 30, 2016 and 2015 were as follows:

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets,			
beginning of year	\$ 1,141,507	\$ 14,227,380	\$ 7,685,039
Contributions and other revenue	-0-	1,442,381	31,626
Investment return, net	(13,221)	(199,001)	-0-
Transfer of funds	-0-	5,222,308	(5,222,308)
Appropriation of endowment assets for expenditure	(78,508)	(1,347,370)	-0-
Endowment net assets, end of year	\$ 1,049,778	\$ 19,345,698	\$ 2,494,357
	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets,			
beginning of year	\$ 1,232,599	\$ 13,543,338	\$ 7,395,066
Contributions and other revenue	-0-	1,996,703	289,973
Investment return, net	(8,258)	(113,039)	-0-
Appropriation of endowment assets for expenditure	(82,834)	(1,199,622)	-0-
Endowment net assets, end of year	\$ 1,141,507	\$ 14,227,380	\$ 7,685,039

**COMMUNITY FOUNDATION OF BLOOMINGTON
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12. FUNCTIONAL EXPENSES

The Foundation serves as a vehicle for residents of Monroe County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended June 30, 2016 and 2015 are classified as follows:

	2016	2015
Program expenses	\$ 1,175,899	\$ 1,424,178
Fundraising expenses	314,151	241,144
General and administrative expenses	230,338	165,227
	\$ 1,720,388	\$ 1,830,549

13. OPERATING LEASE

The Foundation entered a lease agreement to lease its office space beginning August 1, 2016. The lease expires July 31, 2021 and calls for annual payments of \$21,284, with a 3 percent bi-annual increase beginning August 1, 2019. Future minimum lease payments subsequent to June 30, 2016 under this lease are as follows:

Year	Amount
2017	\$ 19,510
2018	21,284
2019	21,284
2020	21,869
2021	21,922
Thereafter	1,827
	\$ 107,696

14. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

Investments and money market funds are maintained by one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Eliminations	Consolidated
Cash and cash equivalents	\$ 1,092,408	\$ 12,095,237	\$ -0-	\$ 13,187,645
Investments	24,285,886	-0-	-0-	24,285,886
Pledges receivable	234,750	-0-	-0-	234,750
Other current assets	16,811	1,383	-0-	18,194
Property and equipment, net	21,477	5,403	-0-	26,880
Undeveloped real estate held for preservation	1,446,044	-0-	-0-	1,446,044
	<u>\$ 27,097,376</u>	<u>\$ 12,102,023</u>	<u>\$ -0-</u>	<u>\$ 39,199,399</u>
Liabilities				
Accounts payable and accrued expenses	\$ 34,160	\$ 15,040	\$ -0-	\$ 49,200
Grants payable	34,498	-0-	-0-	34,498
Gift annuities payable	158,698	-0-	-0-	158,698
Custodial funds	1,867,869	-0-	-0-	1,867,869
Total liabilities	2,095,225	15,040	-0-	2,110,265
Net assets				
Unrestricted:				
Operating	2,112,318	19,345	-0-	2,131,663
Board designated	1,049,778	-0-	-0-	1,049,778
	<u>3,162,096</u>	<u>19,345</u>	<u>-0-</u>	<u>3,181,441</u>
Temporarily restricted	19,345,698	12,067,638	-0-	31,413,336
Permanently restricted	2,494,357	-0-	-0-	2,494,357
Total net assets	<u>25,002,151</u>	<u>12,086,983</u>	<u>-0-</u>	<u>37,089,134</u>
	<u>\$ 27,097,376</u>	<u>\$ 12,102,023</u>	<u>\$ -0-</u>	<u>\$ 39,199,399</u>

See Report of Independent Auditors on pages 1 and 2.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (UNRESTRICTED) YEAR ENDED JUNE 30, 2016

	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Eliminations	Consolidated
Support and revenues				
Contributions	\$ 785,963	\$ -0-	\$ (737,000)	\$ 48,963
Investment return, net	52,874	19,345	-0-	72,219
Administrative fee income	420,377	-0-	-0-	420,377
Change in value of split interest agreements	-0-	-0-	-0-	-0-
Net assets released from restrictions	<u>1,347,370</u>	<u>932,362</u>	<u>-0-</u>	<u>2,279,732</u>
Total support and revenues	2,606,584	951,707	(737,000)	2,821,291
Expenses				
Grants	468,547	-0-	-0-	468,547
Programs	17,604	-0-	-0-	17,604
Salaries and wages	394,992	130,569	-0-	525,561
Employee benefits	30,092	1,350	-0-	31,442
Administrative fees	388,127	737,000	(737,000)	388,127
Printing and postage	8,780	-0-	-0-	8,780
Professional fees	64,683	5,118	-0-	69,801
Payroll taxes	32,674	7,986	-0-	40,660
Donor development	17,615	-0-	-0-	17,615
Software	15,111	-0-	-0-	15,111
Depreciation	10,445	1,080	-0-	11,525
Conferences	11,427	-0-	-0-	11,427
Rent	8,591	-0-	-0-	8,591
Telephone	2,721	-0-	-0-	2,721
Insurance	6,662	-0-	-0-	6,662
Repairs and maintenance	16,107	-0-	-0-	16,107
Office supplies	5,626	660	-0-	6,286
Travel and entertainment	2,787	4,115	-0-	6,902
Professional development	-0-	12,990	-0-	12,990
Meetings	-0-	28,974	-0-	28,974
Dues and subscriptions	3,703	974	-0-	4,677
Miscellaneous	<u>18,732</u>	<u>1,546</u>	<u>-0-</u>	<u>20,278</u>
Total expenses	<u>1,525,026</u>	<u>932,362</u>	<u>(737,000)</u>	<u>1,720,388</u>
Change in net assets	1,081,558	19,345	-0-	1,100,903
Transfer of net assets	-0-	-0-	-0-	-0-
Net assets, beginning of year	<u>2,080,538</u>	<u>-0-</u>	<u>-0-</u>	<u>2,080,538</u>
Net assets, end of year	<u>\$ 3,162,096</u>	<u>\$ 19,345</u>	<u>\$ -0-</u>	<u>\$ 3,181,441</u>

See Report of Independent Auditors on pages 1 and 2.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (TEMPORARILY AND PERMANENTLY) YEAR ENDED JUNE 30, 2016

	Temporarily Restricted			Permanently Restricted
	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Consolidated	Community Foundation of Bloomington and Monroe County, Inc.
Support and revenues				
Contributions	\$ 1,440,453	\$ 13,000,000	\$ 14,440,453	\$ 31,626
Investment return, net	(199,001)	-0-	(199,001)	-0-
Administrative fee income	-0-	-0-	-0-	-0-
Change in value of split interest agreements	1,928	-0-	1,928	-0-
Net assets released from restrictions	<u>(1,347,370)</u>	<u>(932,362)</u>	<u>(2,279,732)</u>	<u>-0-</u>
Total support and revenues	(103,990)	12,067,638	11,963,648	31,626
Expenses				
Grants	-0-	-0-	-0-	-0-
Programs	-0-	-0-	-0-	-0-
Salaries and wages	-0-	-0-	-0-	-0-
Employee benefits	-0-	-0-	-0-	-0-
Administrative fees	-0-	-0-	-0-	-0-
Printing and postage	-0-	-0-	-0-	-0-
Professional fees	-0-	-0-	-0-	-0-
Payroll taxes	-0-	-0-	-0-	-0-
Donor development	-0-	-0-	-0-	-0-
Software	-0-	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-	-0-
Conferences	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-
Telephone	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	-0-	-0-
Repairs and maintenance	-0-	-0-	-0-	-0-
Office supplies	-0-	-0-	-0-	-0-
Travel and entertainment	-0-	-0-	-0-	-0-
Professional development	-0-	-0-	-0-	-0-
Meetings	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets	(103,990)	12,067,638	11,963,648	31,626
Transfer of net assets	5,222,308	-0-	5,222,308	(5,222,308)
Net assets, beginning of year	<u>14,227,380</u>	<u>-0-</u>	<u>14,227,380</u>	<u>7,685,039</u>
Net assets, end of year	<u>\$ 19,345,698</u>	<u>\$ 12,067,638</u>	<u>\$ 31,413,336</u>	<u>\$ 2,494,357</u>

See Report of Independent Auditors on pages 1 and 2.