

Financial Statements

LAGRANGE COUNTY COMMUNITY FOUNDATION, INC.

*Years ended December 31, 2016 and 2015
with Independent Auditors' Report*

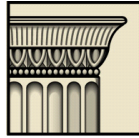
LaGrange County Community Foundation, Inc.

Financial Statements

Years ended December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
LaGrange County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the LaGrange County Community Foundation, Inc. (Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaGrange County Community Foundation, 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.

Haines, Lumbarger & Skiba, LLC

March 7, 2017

LaGrange County Community Foundation, Inc.

Statements of Financial Position

	December 31	
	2016	2015
Assets		
Cash and cash equivalents	\$ 345,536	\$ 370,767
Pledge receivable	-	25,000
Investments	13,778,463	13,164,425
Interest and dividends receivable	-	26,816
Note receivable	217,873	-
Other assets	6,102	7,796
Total assets	<u>\$ 14,347,974</u>	<u>\$ 13,594,804</u>
Liabilities and net assets		
Liabilities:		
Accounts and other payables	\$ 39,700	\$ 20,864
Funds held for others	164,865	140,587
Total liabilities	<u>204,565</u>	161,451
Net assets:		
Unrestricted	5,557,774	5,348,227
Temporarily restricted	2,239,337	1,819,735
Permanently restricted	6,346,298	6,265,391
Total net assets	<u>14,143,409</u>	13,433,353
Total liabilities and net assets	<u>\$ 14,347,974</u>	<u>\$ 13,594,804</u>

LaGrange County Community Foundation, Inc.

Statements of Activities and Changes in Net Assets

	Year ended December 31							
	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains								
General contributions	\$ 22,223	\$ 202,977	\$ 66,279	\$ 291,479	\$ 199,278	\$ 156,313	\$ 299,995	\$ 655,586
Investment income:								
Interest and dividends	121,972	228,356	-	350,328	133,189	167,145	-	300,334
Unrealized gains (losses)	(485,607)	(792,473)	-	(1,278,080)	(277,322)	(379,162)	-	(656,484)
Realized gains	868,088	1,371,328	-	2,239,416	154,799	233,527	-	388,326
Investment fees:								
Fees to Foundation	(274,640)	-	-	(274,640)	(265,441)	-	-	(265,441)
Fees to others	(47,019)	-	-	(47,019)	(86,048)	-	-	(86,048)
Administrative assessments	268,702	-	-	268,702	266,018	-	-	266,018
Other	(4,379)	-	-	(4,379)	19,604	-	-	19,604
Total support and revenue	469,340	1,010,188	66,279	1,545,807	144,077	177,823	299,995	621,895
Net assets released from restrictions	590,586	(590,586)	-	-	427,169	(427,169)	-	-
	1,059,926	419,602	66,279	1,545,807	571,246	(249,346)	299,995	621,895
Expenses								
Program services:								
Grants made	439,212	-	-	439,212	249,879	-	-	249,879
Other program services	191,774	-	-	191,774	157,037	-	-	157,037
	630,986	-	-	630,986	406,916	-	-	406,916
Supporting activities:								
Management and general	172,067	-	-	172,067	159,868	-	-	159,868
Fund-raising	32,698	-	-	32,698	28,332	-	-	28,332
	204,765	-	-	204,765	188,200	-	-	188,200
Total expenses	835,751	-	-	835,751	595,116	-	-	595,116
Increase (decrease) in net assets	224,175	419,602	66,279	710,056	(23,870)	(249,346)	299,995	26,779
Transfer	(14,628)	-	14,628	-	81,046	-	(81,046)	-
Net assets at beginning of year	5,348,227	1,819,735	6,265,391	13,433,353	5,291,051	2,069,081	6,046,442	13,406,574
Net assets at end of year	\$ 5,557,774	\$ 2,239,337	\$ 6,346,298	\$ 14,143,409	\$ 5,348,227	\$ 1,819,735	\$ 6,265,391	\$ 13,433,353

See notes to financial statements.

LaGrange County Community Foundation, Inc.

Statements of Cash Flows

	Year ended December 31	
	2016	2015
Operating activities		
Increase in net assets	\$ 710,056	\$ 26,779
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,886	1,611
Net realized gains on investments	(2,239,416)	(388,326)
Net unrealized losses on investments	1,278,080	656,484
Contributions received for long-term purposes	(66,279)	(299,995)
Changes in operating assets and liabilities:		
Other assets	(192)	(172)
Pledge receivable	25,000	25,000
Interest and dividends receivable	26,816	(2,153)
Accounts and other payables	18,836	13,559
Funds held for others	24,278	57,184
Net cash provided by (used in) operating activities	<u>(220,935)</u>	89,971
Investing activities		
Purchases of investments	(13,724,911)	(4,029,053)
Proceeds from sale and maturities of investments	14,072,209	3,843,546
Issuance of note receivable	(217,873)	-
Net cash provided by (used in) investing activities	<u>129,425</u>	(185,507)
Financing activity		
Contributions received for long-term purposes	<u>66,279</u>	299,995
Increase (decrease) in cash and cash equivalents	(25,231)	204,459
Cash and cash equivalents at beginning of year	370,767	166,308
Cash and cash equivalents at end of year	<u><u>\$ 345,536</u></u>	<u><u>\$ 370,767</u></u>

LaGrange County Community Foundation, Inc.

Notes to Financial Statements

December 31, 2016

1. Organization

The mission of LaGrange County Community Foundation, Inc. (Foundation) is to inspire and sustain generosity, leadership and service in the community. The Foundation was founded in 1991 and has grown to include endowed funds, which provide ongoing funding for service organizations and projects throughout LaGrange County.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by the Internal Revenue Code. The Foundation is not considered a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

2. Significant Accounting Policies

The financial statements of the Foundation are presented on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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 the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash held in checking accounts, cash on hand and money market accounts with original maturity dates of less than three months. While the Foundation may maintain cash and cash equivalents in bank deposit accounts which at times exceed federally insured limits, they have not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Pledge Receivable

The Foundation recognizes pledges as public support in the year an unconditional promise is made. The present value of these estimated future cash flows is recorded as a receivable. Management considers all pledges receivable to be fully collectible and, therefore, has not established a provision for uncollectible pledges.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investments

Investments are primarily held for long-term purposes such as endowments and scholarships. Investments are reported at fair value with gains and losses included in the statements of activities in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. Donated investments are initially reported at fair value on the date of the gift. Other investments are carried at the lower of cost (fair value at date of donation) or current fair value and include assets such as real estate and certificates of deposit.

Adjustments to the carrying value of the other investments are reported in the statements of activities as a component of realized or unrealized gains (losses). Broker investment fees were \$47,019 and \$86,048 for the years ended December 31, 2016 and 2015, respectively. The Foundation also assesses a management fee on investments and their designated funds.

Note Receivable

The Foundation holds a note receivable from LaGrange County Council on Aging, Inc. The note receivable is unsecured and receivable in monthly installments of \$2,000 including principal and interest at the prime rate plus 1.75 percent (5.5 percent at December 31, 2016) beginning on May 5, 2016 with the remaining amount due March 24, 2024. At December 31, 2016 the note receivable was \$217,873.

Property and Equipment

Property and equipment are stated at cost or estimated historical cost through appraisal or at the market values on the dates the gifts were donated in the case of gifts from nonaffiliated entities. Expenditures greater than \$1,000 are capitalized and depreciation is computed on the straight-line method and ranges between 5 and 10 years. Net property and equipment is included in other assets on the statement of financial position.

Funds Held for Others

Funds held for others consists of amounts established at the Foundation by separate 501(c)(3) organizations who specify that the resource provider will be the beneficiary of the investment earnings. Under the *Revenue Recognition and Disclosure* topics of the FASB ASC for *Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others*, the amounts held and the investment earnings are required to be reported as a liability for financial reporting purposes.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Revenues, Expenses and Reclassifications

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred to the Foundation.

The Foundation assesses an administrative charge of 2 percent on endowed and non-endowed permanent funds. The amount assessed to these permanent funds is based upon the average quarterly fair value balance of the fund. For funds that are temporary assets of the Foundation, where the Foundation is acting in a fiscal sponsorship role or for pass-through scholarship funds, the Foundation assesses an administrative charge of 5 to 10 percent of the pass-through gift. All administrative fees assessed primarily support the operations of the Foundation and amounted to \$268,702 and \$266,018 for the years ending December 31, 2016 and 2015, respectively.

The Foundation recognizes gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and recognized in the statements of activities as satisfaction of purpose restrictions.

The Foundation recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recognized when incurred in accordance with accrual basis accounting.

Net Assets

Net assets are classified as unrestricted, temporarily restricted or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

Unrestricted net assets are segregated between the following:

- *Operating net assets* – Undesignated net assets that result from the accumulated surplus of operating income over operating expenses and are available for use in the general operations of the Foundation.
- *Board designated quasi endowment* – Assets held with board designation that principal is held in perpetuity and income may be expended at any time.
- *Net investment in property and equipment* – Property and equipment at cost less accumulated depreciation.
- *Endowment deficits* – Deficit of the fair value in individual funds that fell below the historical gift amounts.

Temporarily restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which have not been appropriated by the Board of Directors.

Permanently restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Permanently restricted net assets are segregated between the following:

- *Field of interest* – A fund established to benefit a specific field (such as health care, education, youth programs, the arts, etc.). Grants are made from the fund to the most appropriate programs or organization in the field chosen and based on current needs. The donor may express preference in determining the field of interest.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

- *Specified purpose/designated* – A fund established to support other charitable programs or organizations, including churches or synagogues, educational institutions or charitable activities of other organizations. The donor may express preferences as to the charitable program or organization receiving the grant.
- *Scholarships* – A fund established to provide scholarships for the benefit of deserving students' educational opportunities. The donor may express preference regarding which school's students to support, the college or program and the criteria applied.
- *Donor advised* – A fund established to allow the donor to make suggestions on which charities or programs should be supported each year.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value Measurements

The Foundation uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

	Fair Value Measurements at December 31, 2016 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 25,110	\$ -	\$ -	\$ 25,110
Equity securities:				
Financial services	131,245	-	-	131,245
Industrials	2,549	-	-	2,549
	133,794	-	-	133,794
Mutual funds:				
Short-term bond	499,801	-	-	499,801
Intermediate-term bond	1,542,204	-	-	1,542,204
International bond	498,343	-	-	498,343
International large blend	3,215,776	-	-	3,215,776
Large blend	5,103,586	-	-	5,103,586
Large growth	39,603	-	-	39,603
Large value	49,210	-	-	49,210
Mid blend	1,257,378	-	-	1,257,378
Mid growth	12,404	-	-	12,404
Mid value	1,331,022	-	-	1,331,022
Small blend	15,344	-	-	15,344
	13,564,671	-	-	13,564,671
Total investments at fair value	\$ 13,723,575	\$ -	\$ -	\$ 13,723,575

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

	Fair Value Measurements at December 31, 2015 Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 549,204	\$ -	\$ -	\$ 549,204
Equity securities:				
Basic materials	414,646	-	-	414,646
Communication services	262,224	-	-	262,224
Consumer cyclical	1,204,122	-	-	1,204,122
Consumer defensive	931,813	-	-	931,813
Energy	345,328	-	-	345,328
Financial services	1,334,607	-	-	1,334,607
Healthcare	1,142,267	-	-	1,142,267
Industrials	1,353,997	-	-	1,353,997
Real estate	125,460	-	-	125,460
Services	250,527	-	-	250,527
Technology	1,283,800	-	-	1,283,800
Utilities	241,105	-	-	241,105
Other	1,152	-	-	1,152
	8,891,048	-	-	8,891,048
Fixed income securities:				
Government and agencies	-	63,380	-	63,380
Corporate bonds	-	2,906,992	-	2,906,992
	-	2,970,372	-	2,970,372
Mutual and exchange traded funds:				
Intermediate government	61,305	-	-	61,305
Intermediate term bond	62,012	-	-	62,012
Large blend	65,934	-	-	65,934
Large growth	298,635	-	-	298,635
Large value	61,668	-	-	61,668
Mid blend	37,096	-	-	37,096
Mid growth	13,234	-	-	13,234
Small blend	12,387	-	-	12,387
Small growth	20,892	-	-	20,892
Small value	18,388	-	-	18,388
	651,551	-	-	651,551
Total investments at fair value	\$ 10,091,803	\$ 2,970,372	\$ -	\$ 13,062,175

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2016 and 2015, are as follows:

Level 1:

Money market funds: Valued at quoted market prices in an exchange and active market.

Equity and other securities: Valued at quoted market prices in an exchange and active market.

Mutual and exchange traded funds: Valued at quoted net asset values of the shares held by the Foundation at year-end.

Level 2:

Fixed income securities: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefited. Program services are expenses incurred primarily on behalf of endowment grants. The Foundation incurred no joint costs for the years ending December 31, 2016 and 2015, respectively.

Uncertain Tax Positions

The effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2016 and 2015, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Foundation files returns in the United States federal jurisdiction and the state of Indiana. With few exceptions the Foundation is no longer subject to investigation by the Internal Revenue Service (IRS) for years before 2013.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

2. Significant Accounting Policies (continued)

Concentration of Support Risk

It is common for community foundations to receive the majority of the contributions in any given year from a small number of donors due to bequests received from estates. There were no such concentrations for the years ending December 31, 2016 and 2015, respectively. The majority of the Foundation's support comes from the area of LaGrange County, Indiana.

Concentration of Credit Risk

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the financial statements. The Foundation has established guidelines relative to diversification and liquidity risk levels. These guidelines are periodically reviewed and modified as necessary.

Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses) and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Foundation in the year ending December 31, 2018; early adoption is allowed. The Foundation is currently evaluating the impact of the adoption of the standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's December 31, 2020 financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

3. Investments

Investments consist of the following:

	December 31	
	2016	2015
Investments:		
Money market funds	\$ 25,110	\$ 549,204
Equity securities	133,794	8,891,048
Fixed income securities	-	2,970,372
Mutual and exchange traded funds	13,564,671	651,551
	13,723,575	13,062,175
Other investments:		
Real estate	54,888	102,250
	\$ 13,778,463	\$ 13,164,425

4. Property and Equipment

Property and equipment consist of the following:

	December 31	
	2016	2015
Leasehold improvements	\$ 25,378	\$ 25,378
Furniture and equipment	91,635	91,635
	117,013	117,013
Less accumulated depreciation	(117,013)	(115,127)
	\$ -	\$ 1,886

Depreciation for the years ending December 31, 2016 and 2015, was \$1,886 and \$1,611, respectively.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

5. Net Assets

Net assets consist of:

	December 31	
	2016	2015
Unrestricted:		
Operating	\$ 159,954	\$ 63,471
Net equity in property and equipment	-	1,886
Board-designated endowments	5,397,820	5,282,870
	5,557,774	5,348,227
Temporarily restricted:		
Endowment funds:		
Accumulated unappropriated earnings from endowment funds	2,113,167	1,693,767
Non-endowed funds:		
Specified purpose	23,613	21,955
Scholarships	23,787	19,912
Field of interest	78,770	84,101
	2,239,337	1,819,735
Permanently restricted:		
Endowments	6,346,298	6,265,391
Total	\$ 14,143,409	\$ 13,433,353

Endowment

The Foundation's endowment consists of 143 individual funds established for a variety of purposes. Its endowment is comprised of funds designated by the Board of Directors to function as endowments and by donor-restricted funds. As required by generally accepted accounting principles (GAAP), 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.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

6. Net Assets (continued)

Interpretation of Relevant Law

The Board of Directors has interpreted the state of Indiana's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value providing for intergenerational equity. The fair value of a donor's permanent endowment classified as permanently restricted net assets is its market value. Market value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment and net realized and unrealized gains absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment funds.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,113,167	\$ 6,346,298	\$ 8,459,465
Board-designated endowment funds	5,397,820	-	-	5,397,820
Total endowment net assets	<u>\$ 5,397,820</u>	<u>\$ 2,113,167</u>	<u>\$ 6,346,298</u>	<u>\$ 13,857,285</u>

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

6. Net Assets (continued)

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,282,870	\$ 1,693,767	\$ 6,265,391	\$ 13,242,028
Investment return:				
Interest and dividends	128,118	228,299	-	356,417
Net appreciation (realized and unrealized)	379,415	578,840	-	958,255
Investment fees	(18,802)	(28,136)	-	(46,938)
Administrative assessments	(104,623)	(166,653)	-	(271,276)
Total investment return	384,108	612,350	-	996,458
Contributions and grant income	3,624	58,414	66,279	128,317
Expended for endowment purposes	(212,786)	(212,286)	-	(425,072)
Other changes	(59,996)	(39,078)	14,628	(84,446)
Endowment net assets, end of year	<u>\$ 5,397,820</u>	<u>\$ 2,113,167</u>	<u>\$ 6,346,298</u>	<u>\$ 13,857,285</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,693,767	\$ 6,265,391	\$ 7,959,158
Board-designated endowment funds	5,282,870	-	-	5,282,870
Total endowment net assets	<u>\$ 5,282,870</u>	<u>\$ 1,693,767</u>	<u>\$ 6,265,391</u>	<u>\$ 13,242,028</u>

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

6. Net Assets (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,228,956	\$ 1,959,923	\$ 5,967,071	\$ 13,155,950
Investment return:				
Interest and dividends	135,566	167,145	-	302,711
Net depreciation (realized and unrealized)	(126,454)	(145,635)	-	(272,089)
Investment fees	(33,278)	(52,504)	-	(85,782)
Administrative assessments	(105,406)	(158,446)	-	(263,852)
Total investment return	(129,572)	(189,440)	-	(319,012)
Contributions and grant income	183,486	7,898	299,995	491,379
Expended for endowment purposes	-	(155,200)	-	(155,200)
Other changes	-	70,586	(1,675)	68,911
Endowment net assets, end of year	<u>\$ 5,282,870</u>	<u>\$ 1,693,767</u>	<u>\$ 6,265,391</u>	<u>\$ 13,242,028</u>

Funds with Deficiencies

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical gift amount. As of December 31, 2016 and 2015, no endowment funds fell below the historical gift amount. Deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that is deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

6. Net Assets (continued)

Return Objectives and Risk Parameters (continued)

Board of Directors, the endowment assets are invested in a manner to protect the purchasing power of the original investments, to generate returns in excess of the spending policy, to maximize the total return of the Foundation within reasonable and prudent levels of risk, and to offer equity and fixed income investments that are diversified among securities and industries, reducing the risk of large losses. Actual returns in any given year will of course vary.

Strategies Employed for Achieving Objectives

The primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus will be on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the investment committee seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation adjusted purchasing power of the Foundation's assets, while also considering the current spending requirements. In pursuing this objective, the investment committee endeavors to achieve total returns that over time are better than the relevant market averages. The investment committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The distribution rate for endowment funds for the Foundation is based upon a modified total return approach that authorizes both income and net capital appreciation to be withdrawn for spending in certain circumstances. The Foundation is not required to spend the maximum allowable amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods. The Foundation, in its sole discretion, may revoke, modify or amend this Spending and Distribution Policy at any time. For funds with deficiencies, it is the Foundation's practice to not spend from the fund until it has reached its historical dollar value, unless deemed prudent and necessary by the Board of Directors.

LaGrange County Community Foundation, Inc.

Notes to Financial Statements (continued)

6. Leases

The Foundation leases office space and a copier under non-cancelable leases.

On August 27, 2007, the Foundation entered into a ten-year lease for office space running through October 17, 2017, at a monthly rental amount of \$400, which totaled \$4,400 and \$4,800 for the years ending December 31, 2016 and 2015, respectively.

The copier lease was entered into on May 20, 2013, running through May 19, 2018, at a monthly rental amount of \$337. Rent expense for copiers totaled \$4,047 for the years ending December 31, 2016 and 2015.

Future minimum payments on the above leases are as follows:

2017	\$ 7,647
2018	<u>1,349</u>
	<u>\$ 8,996</u>

7. Subsequent Events

Management has evaluated subsequent events through March 7, 2017, the date on which the financial statements were available to be issued.

In January 2017, the Foundation purchased the building in which its office is located from LaGrange County for \$1. Management is in the process of obtaining a real estate appraisal to determine the fair market value of the building. The Foundation is also evaluating the utility, maintenance and repair costs associated with the building as well as the sublease agreements currently in place with other tenants.