Consolidated Financial Statements

LAGRANGE COUNTY COMMUNITY FOUNDATION, INC.

Years ended December 31, 2017 and 2016
with Independent Auditor's Report

LaGrange County Community Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

Contents

Independent Auditor's Report

Board of Directors
LaGrange County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Haines, Isenbarger & Skiba, LLC

Fort Wayne, Indiana
February 20, 2018

LaGrange County Community Foundation, Inc.

Consolidated Statements of Financial Position

	December 31	
	2017	**2016**
Assets		
Cash and cash equivalents	**$ 653,419**	$ 345,536
Investments	**15,538,493**	13,778,463
Note receivable	**204,277**	217,873
Property and equipment, net	**171,961**	-
Other assets	**6,845**	6,102
Total assets	**$ 16,574,995**	$ 14,347,974
Liabilities and net assets		
Liabilities:		
Accounts and other payables	**$ 105,745**	$ 39,700
Funds held for others	**191,463**	164,865
Total liabilities	**297,208**	204,565
Net assets:		
Unrestricted	**6,328,317**	5,557,774
Temporarily restricted	**3,432,149**	2,239,337
Permanently restricted	**6,517,321**	6,346,298
Total net assets	**16,277,787**	14,143,409
Total liabilities and net assets	**$ 16,574,995**	$ 14,347,974

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year ended December 31							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, revenues and gains								
General contributions	**$ 186,617**	**$ 540,755**	**$ 180,354**	**$ 907,726**	$ 22,223	$ 202,977	$ 66,279	$ 291,479
Investment income:								
Interest and dividends	**142,281**	**212,503**	**-**	**354,784**	121,972	228,356	-	350,328
Unrealized gains (losses)	**606,771**	**1,034,450**	**-**	**1,641,221**	(485,607)	(792,473)	-	(1,278,080)
Realized gains	**29,173**	**51,951**	**-**	**81,124**	868,088	1,371,328	-	2,239,416
Investment fees:								
Fees to Foundation	**(299,649)**	**-**	**-**	**(299,649)**	(274,640)	-	-	(274,640)
Fees to others	**(25,999)**	**-**	**-**	**(25,999)**	(47,019)	-	-	(47,019)
Administrative assessment	**302,169**	**-**	**-**	**302,169**	268,702	-	-	268,702
Other	**6,539**	**1,405**	**-**	**7,944**	(4,379)	-	-	(4,379)
Total support and revenue	**947,902**	**1,841,064**	**180,354**	**2,969,320**	469,340	1,010,188	66,279	1,545,807
Net assets released from restrictions	**650,491**	**(650,491)**	**-**	**-**	590,586	(590,586)	-	-
	1,598,393	**1,190,573**	**180,354**	**2,969,320**	1,059,926	419,602	66,279	1,545,807
Expenses								
Program services:								
Grants made	**441,315**	**-**	**-**	**441,315**	439,212	-	-	439,212
Other program services	**175,682**	**-**	**-**	**175,682**	191,774	-	-	191,774
	616,997	**-**	**-**	**616,997**	630,986	-	-	630,986
Supporting activities:								
Management and general	**183,546**	**-**	**-**	**183,546**	172,067	-	-	172,067
Fund-raising	**34,399**	**-**	**-**	**34,399**	32,698	-	-	32,698
	217,945	**-**	**-**	**217,945**	204,765	-	-	204,765
Total expenses	**834,942**	**-**	**-**	**834,942**	835,751	-	-	835,751
Increase in net assets	**763,451**	**1,190,573**	**180,354**	**2,134,378**	224,175	419,602	66,279	710,056
Transfers	**7,092**	**2,239**	**(9,331)**	**-**	(14,628)	-	14,628	-
Net assets at beginning 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
Net assets at end of year	**$ 6,328,317**	**$ 3,432,149**	**$ 6,517,321**	**$ 16,277,787**	$ 5,557,774	$ 2,239,337	$ 6,346,298	$ 14,143,409

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Cash Flows

	Year ended December 31 2017	2016
Operating activities		
Increase in net assets	**$ 2,134,378**	$ 710,056
Adjustments to reconcile increase in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	**3,039**	1,886
Net realized gains on investments	**(81,124)**	(2,239,416)
Net unrealized (gains) losses on investments	**(1,641,221)**	1,278,080
Contributions received for long-term purposes	**(180,354)**	(66,279)
Contribution of building	**(175,000)**	-
Changes in operating assets and liabilities:		
Other assets	**(743)**	(192)
Pledge receivable	**-**	25,000
Interest and dividends receivable	**-**	26,816
Accounts and other payables	**66,045**	18,836
Funds held for others	**26,598**	24,278
Net cash provided by (used in) operating activities	**151,618**	(220,935)
Investing activities		
Purchases of investments	**(464,291)**	(13,724,911)
Proceeds from sale and maturities of investments	**426,606**	14,072,209
Issuance of note receivable	**-**	(217,873)
Payments on note receivable	**13,596**	-
Net cash provided by (used in) investing activities	**(24,089)**	129,425
Financing activity		
Contributions received for long-term purposes	**180,354**	66,279
Increase (decrease) in cash and cash equivalents	**307,883**	(25,231)
Cash and cash equivalents at beginning of year	**345,536**	370,767
Cash and cash equivalents at end of year	**$ 653,419**	$ 345,536
Supplemental disclosure		
In-kind contribution of building received and used in operations	**$ 175,000**	$ -

See notes to consolidated financial statements.

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 mission of L.C.C.F. Support Organization, Inc. (Support Organization) is to provide funding of projects in the communities served by LaGrange County Community Foundation, Inc.

The Foundation and Support Organization are 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 consolidated financial statements are presented on the accrual basis. The consolidated financial statements as of and for the years ended December 31, 2017 and 2016 include the Foundation and Support Organization. Significant inter-organization accounts and transactions have been eliminated in consolidation.

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The preparation of consolidated 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 consolidated financial statements and during the reporting period. Actual results could differ from those estimates.

2. Significant Accounting Policies (continued)

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.

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.

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 $25,999 and $47,019 for the years ended December 31, 2017 and 2016, 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 (6.25 percent at December 31, 2017) beginning on May 5, 2016 with the remaining amount due March 24, 2024.

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. The useful life of the building is 30 years, and useful lives for all other assets range from 5 to 10 years.

2. Significant Accounting Policies (continued)

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.

Revenues and Expenses

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 $302,169 and $268,702 for the years ending December 31, 2017 and 2016, 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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Net Assets (continued)

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.

- *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.

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, 2017 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	$ 32,148	$ -	$ -	$ 32,148
Equity securities:				
Financial services	176,916	-	-	176,916
Mutual and exchange traded funds:				
Short-term bond	501,280	-	-	501,280
Intermediate-term bond	1,625,009	-	-	1,625,009
International bond	521,622	-	-	521,622
International large blend	3,911,895	-	-	3,911,895
Large blend	5,958,908	-	-	5,958,908
Large growth	40,508	-	-	40,508
Large value	131,799	-	-	131,799
Mid blend	1,319,453	-	-	1,319,453
Mid growth	12,280	-	-	12,280
Mid value	1,265,919	-	-	1,265,919
Small blend	16,256	-	-	16,256
	15,304,929	-	-	15,304,929
Total investments at fair value	$ 15,513,993	$ -	$ -	$ 15,513,993

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

	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 and exchange traded 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

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis at December 31, 2017 and 2016, are as follows:

Level 1:
Money market funds: Valued at quoted market prices in an exchange and active market.

Equity 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.

The fair value of the land and building used in operations is measured on a nonrecurring basis and was valued at its appraised value on the date of its in-kind contribution to the Support Organization.

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, 2017 and 2016, respectively.

Uncertain Tax Positions

The effects of a tax position taken or expected to be taken are recognized in the consolidated 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, 2017 and 2016, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the consolidated 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 2014.

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, 2017 and 2016, 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 consolidated 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 fiscal year ending December 31, 2018, early adoption is allowed. The Foundation is currently evaluating the impact of the adoption of the standard on its consolidated 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 consolidated financial statements. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the consolidated financial statements.

3. Investments

Investments consist of the following:

	December 31 2017	December 31 2016
Investments:		
Money market funds	**$ 32,148**	$ 25,110
Equity securities	**176,916**	133,794
Mutual and exchange traded funds	**15,304,929**	13,564,671
	15,513,993	13,723,575
Other investments:		
Real estate	**24,500**	54,888
	$ 15,538,493	$ 13,778,463

4. Property and Equipment

Property and equipment consist of the following:

	December 31 2017	December 31 2016
Land, building and improvements	**$ 200,378**	$ 25,378
Furniture and equipment	**91,635**	91,635
	292,013	117,013
Less accumulated depreciation	**(120,052)**	(117,013)
	$ 171,961	$ -

Depreciation for the years ending December 31, 2017 and 2016, was $3,039 and $1,886, respectively.

5. Net Assets

Net assets consist of:

	December 31 2017	December 31 2016
Unrestricted:		
Operating	**$ 206,927**	$ 159,954
Net equity in property and equipment	**171,961**	-
Board-designated endowments	**5,949,429**	5,397,820
	6,328,317	5,557,774
Temporarily restricted:		
Endowment funds:		
Accumulated unappropriated earnings from endowment funds	**3,023,330**	2,113,167
Non-endowed funds:		
Specified purpose	**283,582**	23,613
Scholarships	**33,071**	23,787
Field of interest	**92,166**	78,770
	3,432,149	2,239,337
Permanently restricted:		
Endowments	**6,517,321**	6,346,298
Total	**$ 16,277,787**	$ 14,143,409

Endowment

The Foundation's endowment consists of 111 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.

5. 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, 2017 is as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 3,023,330**	**$ 6,517,321**	**$ 9,540,651**
Board-designated endowment funds	**5,949,429**	**-**	**-**	**5,949,429**
Total endowment net assets	**$ 5,949,429**	**$ 3,023,330**	**$ 6,517,321**	**$ 15,490,080**

5. Net Assets (continued)

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 5,397,820**	**$ 2,113,167**	**$ 6,346,298**	**$ 13,857,285**
Investment return:				
Interest and dividends	**140,895**	**212,399**	**-**	**353,294**
Net appreciation (realized and unrealized)	**629,780**	**1,085,900**	**-**	**1,715,680**
Investment fees	**(9,577)**	**(19,265)**	**-**	**(28,842)**
Administrative assessments	**(111,224)**	**(176,585)**	**-**	**(287,809)**
Total investment return	**649,874**	**1,102,449**	**-**	**1,752,323**
Contributions and grant income	**5,610**	**60,790**	**180,354**	**246,754**
Expended for endowment purposes	**(94,238)**	**(239,044)**	**-**	**(333,282)**
Other changes	**(9,637)**	**(14,032)**	**(9,331)**	**(33,000)**
Endowment net assets, end of year	**$ 5,949,429**	**$ 3,023,330**	**$ 6,517,321**	**$ 15,490,080**

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	$ 5,397,820	$ 2,113,167	$ 6,346,298	$ 13,857,285

5. 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	$ 5,397,820	$ 2,113,167	$ 6,346,298	$ 13,857,285

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, 2017 and 2016, 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.

5. Net Assets (continued)

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 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.

6. Lease

The Foundation leases a copier pursuant to a non-cancelable lease which expires in 2022. Rent expense was $4,154 and $4,047 for the years ending December 31, 2017 and 2016, respectively.

Future minimum payments on the aforementioned lease are as follows:

2018	**$ 4,019**
2019	**4,019**
2020	**4,019**
2021	**4,019**
2022	**2,680**
	$ 18,756

7. Subsequent Events

Management has evaluated subsequent events through February 20, 2018, the date on which the consolidated financial statements were available to be issued.