

PUTNAM COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND ACCOUNTANTS'
AUDIT REPORT

December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
Putnam County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Putnam County Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Putnam County Community Foundation, Inc. as of December 31, 2015 and 2014, 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.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 25, 2016

Putnam County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 543,968	\$ 813,785
Cash and cash equivalents - endowment pool-moderate growth	132,285	825,565
Cash and cash equivalents - endowment pool-aggressive growth	966	2,956
Pledges receivable (Note B)	54,129	50,550
Other receivables	1,085	1,296
Prepaid expenses	5,933	9,305
Investments (Note C)		
Endowment pool-moderate growth	22,140,215	21,983,211
Endowment pool-aggressive growth	3,269,406	3,601,626
Beneficial interest in life insurance	108,432	22,616
Property and equipment		
Building and improvements	525,360	488,952
Furniture and fixtures	39,122	39,122
Computer equipment	49,178	80,346
	<u>613,660</u>	<u>608,420</u>
Less accumulated depreciation	193,948	198,857
Total property and equipment	<u>419,712</u>	<u>409,563</u>
Property held for sale (Note F)	33,100	45,000
Beneficial interest in charitable remainder trusts (Note G)	<u>204,762</u>	<u>246,207</u>
	<u>\$ 26,913,993</u>	<u>\$ 28,011,680</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,498	\$ 4,348
Accrued salaries and wages	6,699	5,958
Accrued vacation	16,358	11,818
Deferred revenue (Note A12)	78,931	353,941
Gift annuities payable (Note H)	72,803	71,704
Unearned Partnership Center rent (Note I)	-	3,517
Term debt (Note K)	160,935	172,917
Agency funds (Note L)	<u>3,660,303</u>	<u>3,915,997</u>
Total liabilities	3,998,527	4,540,200
NET ASSETS (Notes M and N)		
Unrestricted	560,911	1,049,522
Temporarily restricted	22,146,502	22,213,905
Permanently restricted	<u>208,053</u>	<u>208,053</u>
Total net assets	<u>22,915,466</u>	<u>23,471,480</u>
	<u>\$ 26,913,993</u>	<u>\$ 28,011,680</u>

The accompanying notes are an integral part of these statements.

Putnam County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2015			Supplemental Information		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Agency Fund Activity	Total
Revenue and support						
Contributions and pledges	\$ 27,159	\$ 1,535,687		\$ 1,562,846	\$ 84,760	\$ 1,647,606
Investment return	(239,462)	(579,254)		(818,716)	(132,012)	(950,728)
Other income	23,444	1,262		24,706		24,706
Change in value of split-interest agreements		37,722		37,722		37,722
	(188,859)	995,417		806,558	(47,252)	759,306
Net assets released from restrictions	721,055	(721,055)				
Expenses						
Program services						
Grants and scholarships	857,989			857,989	163,806	1,021,795
Program related expenses	198,639			198,639		198,639
Supporting services						
Administrative expenses	192,340			192,340		192,340
Investment fees	60,121			60,121	10,929	71,050
Fundraising expenses	87,190			87,190		87,190
	1,396,279			1,396,279	174,735	1,571,014
Transfer of administrative fees	375,530	(341,823)		33,707	(33,707)	
CHANGE IN NET ASSETS	(488,553)	(67,461)		(556,014)	(255,694)	(811,708)
Net assets at beginning of year	1,049,522	22,213,905	\$ 208,053	23,471,480	3,915,997	27,387,477
Net assets at end of year	<u>\$ 560,969</u>	<u>\$ 22,146,444</u>	<u>\$ 208,053</u>	<u>\$ 22,915,466</u>	<u>\$ 3,660,303</u>	<u>\$ 26,575,769</u>

The accompanying notes are an integral part of these statements.

2014				Supplemental Information	
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Agency Fund Activity	Total
\$ 31,278	\$ 2,765,563		\$ 2,796,841	\$ 37,231	\$ 2,834,072
283,589	841,256		1,124,845	201,543	1,326,388
38,913	3,042		41,955		41,955
	(62,862)		(62,862)		(62,862)
353,780	3,546,999		3,900,779	238,774	4,139,553
366,361	(366,361)				
656,330			656,330	148,388	804,718
136,030			136,030		136,030
180,081			180,081		180,081
55,000			55,000	10,983	65,983
85,076			85,076		85,076
1,112,517			1,112,517	159,371	1,271,888
364,016	(330,808)		33,208	(33,208)	
(28,360)	2,849,830		2,821,470	46,195	2,867,665
1,077,882	19,364,075	\$ 208,053	20,650,010	3,869,802	24,519,812
<u>\$ 1,049,522</u>	<u>\$ 22,213,905</u>	<u>\$ 208,053</u>	<u>\$ 23,471,480</u>	<u>\$ 3,915,997</u>	<u>\$ 27,387,477</u>

Putnam County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (556,014)	\$ 2,821,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,833	28,550
Realized and unrealized (gains) losses	1,575,102	(335,495)
Change in value of split-interest agreements	(37,722)	62,862
Non-cash contributions	(436,438)	(850,290)
(Increase) decrease in assets:		
Pledges receivable	(3,579)	(22,365)
Other receivables	211	(129)
Prepaid expenses	3,372	4,509
Property held for sale	11,900	100
Increase (decrease) in liabilities:		
Accounts payable	(1,850)	(31,752)
Accrued payroll	741	935
Accrued vacation	4,540	(5,348)
Deferred revenue	(275,010)	353,941
Unearned Partnership Center rent	(3,517)	(18,326)
Agency funds	(255,694)	46,195
Net cash provided by operating activities	<u>53,875</u>	<u>2,054,857</u>
Cash flows from investing activities:		
Proceeds from sale of investments	3,234,317	10,640,172
Purchase of investments	(4,196,666)	(11,789,161)
Payments on gift annuities	(6,649)	(5,050)
Purchases of property and equipment	(37,982)	(45,449)
Net cash used in investing activities	<u>(1,006,980)</u>	<u>(1,199,488)</u>
Cash flows from financing activities:		
Proceeds from long-term debt		50,000
Payments on long-term debt	(11,982)	(4,930)
Net cash provided by (used in) financing activities	<u>(11,982)</u>	<u>45,070</u>
Net increase (decrease) in cash and cash equivalents	(965,087)	900,439
Cash and cash equivalents at beginning of year	<u>1,642,306</u>	<u>741,867</u>
Cash and cash equivalents at end of year	<u>\$ 677,219</u>	<u>\$ 1,642,306</u>
Supplemental disclosures		
Cash paid during the year for interest	\$ 8,380	\$ 4,759
Non-cash contributions	\$ 436,438	\$ 850,290

The accompanying notes are an integral part of these statements.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Putnam County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana in 1985. The mission of the Foundation is to partner with those who give to enrich life and strengthen community for this and future generations.

2. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

In accordance with the Not-for-Profit Entities - Investments - Debt and Equity Securities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), investments are recorded at fair value. The changes in the difference between market value and cost are reflected in the financial statements as net unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

5. Property and Equipment and Depreciation

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.

The property and equipment of the Foundation are being depreciated over their estimated useful lives ranging from three to forty years using the straight-line method.

6. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes. The Foundation is not considered to be a private foundation.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Grants and Scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and grant conditions are met.

8. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2015 and 2014, the Foundation exceeded the insured limit by \$-0- and \$-0-, respectively.

10. Contributed Services

Contributed services are recognized as revenue at their fair value if the services create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills and typically would have been purchased if not provided by contribution. Contributed services and promises to contribute that do not meet these criteria are not recognized as revenues and are not reported in the accompanying financial statements. During the years ended December 31, 2015 and 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Compensated Absences

All employees earn vacation days depending on their length of service. Vacation days may be carried over from year to year and accumulated, not to exceed 240 hours.

12. Deferred Revenue

During 2014, the Foundation received a \$500,000 donation from Lilly Gift VI, which has a matching requirement. The Foundation raised \$246,696 and \$99,442 towards the matching requirement during 2015 and 2014, respectively, and recorded \$275,010 and \$146,059 as contribution revenue from the matching gift. The unmatched portion of the Lilly Gift VI is \$78,931 and \$353,941 as of December 31, 2015 and 2014, respectively, and is recorded as deferred revenue on the Statement of Financial Position.

13. Uncertain Tax Positions

The Foundation follows the Income Tax topic of the FASB ASC. The Foundation now recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2012, 2013, and 2014 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

14. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total change in net assets.

15. Estimates

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

NOTE B - PLEDGES RECEIVABLE

Unconditional pledges receivable consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year	\$ 54,129	\$ 31,475
One to five years		<u>19,075</u>
	<u>\$ 54,129</u>	<u>\$ 50,550</u>

Pledges receivable have not been discounted.

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 to be necessary at December 31, 2015 and 2014.

NOTE C - INVESTMENTS

The following is an analysis of the fair value at December 31, 2015 and 2014 by type of investment. The investments are held in insured bank and uninsured trust accounts at various financial institutions.

	<u>2015</u>	<u>2014</u>
Common stocks	\$ 431,103	\$ 491,619
Life insurance	108,432	22,616
Certificates of deposit	100,112	
Corporate bonds		
Manufacturing	174,228	257,181
Healthcare	51,923	52,926
Banking	450,819	514,047
Retail	150,823	39,876
Energy	119,703	140,499
Technology	452,823	311,611
Food	90,044	111,350
Other		71,097

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE C - INVESTMENTS - Continued

	<u>2015</u>	<u>2014</u>
Government bonds		
Municipal securities	197,964	201,422
Treasury securities	73,264	134,867
Federal agency securities	1,203,832	1,130,972
Domestic fixed income mutual funds		
Intermediate-term bond	2,225,437	1,720,076
Inflation-protected bond	483,930	484,878
Domestic equity mutual funds		
Mid-cap growth	1,111,322	1,161,599
Large blend	4,001,905	4,447,210
Small blend	1,018,506	1,096,274
Large value	3,487,861	3,917,299
Small growth	354,758	689,133
Managed futures	449,343	383,981
Diversified emerging markets		522,128
Long/short equity	577,048	861,333
Multialternative	320,955	
Pacific/Asia ex-Japan stk	493,920	581,110
Foreign fixed income mutual funds		
Non-traditional bond	1,231,919	1,173,679
Foreign equity mutual funds		
Large blend	3,169,854	2,067,430
Emerging markets		492,010
Natural resources	845,024	334,829
World allocation	1,735,200	1,804,147
Hedge fund	68,083	59,403
Real estate investment trust fund	<u>337,918</u>	<u>330,851</u>
Total investments, at fair value	<u>\$ 25,518,053</u>	<u>\$ 25,607,453</u>
Total investments, at historical cost	<u>\$ 24,711,892</u>	<u>\$ 22,820,794</u>

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE C - INVESTMENTS - Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014.

	2015		
	Unrestricted	Temporarily Restricted	Total
Investment income	\$ 175,741	\$ 580,645	\$ 756,386
Realized gains on investments	25,658	60,620	86,278
Unrealized losses on investments	(440,861)	(1,220,519)	(1,661,380)
	<u>\$ (239,462)</u>	<u>\$ (579,254)</u>	<u>\$ (818,716)</u>
	2014		
	Unrestricted	Temporarily Restricted	Total
Investment income	\$ 187,108	\$ 602,242	\$ 789,350
Realized gains on investments	389,969	1,154,955	1,544,924
Unrealized losses on investments	(293,488)	(915,941)	(1,209,429)
	<u>\$ 283,589</u>	<u>\$ 841,256</u>	<u>\$ 1,124,845</u>

NOTE D - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note C). 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 financial statements.

NOTE E - FAIR VALUE MEASUREMENTS

The Foundation follows the provisions of the Fair Value Measurements and Disclosures topic of the FASB ASC. FASB ASC-820-10-35-19 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10-35-37 establishes a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS - Continued

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2015 and 2014, respectively:

	2015			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 25,417,941	\$ 25,241,426	\$ 176,515	
Property held for sale	\$ 33,100		\$ 33,100	
Beneficial interest in charitable remainder trusts	\$ 204,762			\$ 204,762
Liabilities:				
Gift annuities payable	\$ 72,803			\$ 72,803
	2014			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 25,607,453	\$ 25,502,818	\$ 104,635	
Property held for sale	\$ 45,000		\$ 45,000	
Beneficial interest in charitable remainder trusts	\$ 246,207			\$ 246,207
Liabilities:				
Gift annuities payable	\$ 71,704			\$ 71,704

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of the hedge fund is based on the net asset value of the fund as determined by the reported valuations of underlying investment managers. The fair value of property held for sale approximates the fair value as of the date it was donated. Fair value for the beneficial interest in charitable remainder trusts is determined by calculating the present value of the annuity using published life expectancy tables with a discount rate ranging between 6.4 percent and 9.6 percent. Fair value for the gift annuity payable is determined by calculating the present value of future payments to beneficiaries using published life expectancy tables with a discount rate of 3.2 percent.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS - Continued

The investment objective of the hedge fund is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments and to provide capital appreciation with less volatility than that of the equity markets. The investment in the hedge fund may be redeemed at the net asset value on a quarterly basis. Advance written notice of 65 days is required to redeem these investments. Due to the nature of the investments held by the fund, changes in market conditions and the economic environment, the net asset value of the fund may be significantly impacted and, consequently, the fair value of the Foundation's interests in the fund. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The progression of beneficial interest in charitable remainder trusts during the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 246,207	\$ 303,163
Payment	(41,876)	(58,643)
Change in present value	<u>431</u>	<u>1,687</u>
Ending balance	<u>\$ 204,762</u>	<u>\$ 246,207</u>

The progression of gift annuities payable during the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 71,704	\$ 70,849
Payments	(6,649)	(5,050)
Change in present value	<u>7,748</u>	<u>5,905</u>
Ending balance	<u>\$ 72,803</u>	<u>\$ 71,704</u>

NOTE F - PROPERTY HELD FOR SALE

Property held for sale consists of land and artwork donated to the Foundation. The Foundation actively sells pieces of the artwork throughout the year.

NOTE G - CHARITABLE REMAINDER TRUSTS

The Foundation has been named the full or partial beneficiary of several charitable remainder trusts in which the Foundation is not the trustee. Upon termination of the trusts on the donors' deaths, the applicable remainder of the trust will revert to the Foundation. The trust agreements stipulate that a certain portion of the trusts' assets are to be paid out each year to third party beneficiaries named by the donors. The Foundation's interest under these trusts was \$204,762 and \$246,207 at December 31, 2015 and 2014, respectively. In calculating the present value of the amount to be received upon termination of the trusts, the discount rates used ranged from 6.4% to 9.6%. The date of the termination of the trusts was determined based on the applicable mortality tables. The change in the present value of the amounts expected to be received under these charitable trusts was \$(41,445) and \$(56,956) for the years ended December 31, 2015 and 2014, respectively. As the Foundation is not the trustee of these trusts, the fair value of the trust assets has not been recorded in the Statements of Financial Position at December 31, 2015 and 2014.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE H - GIFT ANNUITIES PAYABLE

The Foundation has three charitable gift annuities, under which the Foundation received \$75,000 and is required to make annual payments to the donors in amounts ranging from \$650 to \$2,400 for the remainder of the donors' lifetimes. The Foundation has three deferred charitable gift annuities under which the Foundation received \$60,000 and will begin annual payments ranging from \$1,000 to \$1,400 beginning as early as 2014. 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 December 31, 2015 and 2014. The liability was calculated based on the life expectancy of the beneficiary of each annuity, derived from the applicable one life or joint-life and last survivor annuity expected return multiples. The present value was calculated using discount rates ranging from 3.2 percent to 9.4 percent on single-life or joint-life annuities. The present value of amounts expected to be paid to the third party beneficiaries was \$72,803 and \$71,704 at December 31, 2015 and 2014, respectively. The change in the present value of the amounts expected to be paid under these gift annuities was \$(6,649) and \$(5,906) for the years ended December 31, 2015 and 2014, respectively.

NOTE I - UNEARNED PARTNERSHIP CENTER RENT

The Foundation had an agreement with two other organizations that share office space within the building the Foundation owns. Under the agreement, each organization paid rent in proportion to space utilized and expenses shared. On January 1, 2012, this agreement was terminated and the other organizations relinquished their equity in exchange for below market rate office space for the next twenty years. A portion of this rent is retained by the Foundation and held as unearned Partnership Center rent for the other organizations. The total amount of unearned Partnership Center rent at December 31, 2015 and 2014 was \$0- and \$3,517, respectively and has been recorded as Unearned Partnership Center rent in the Statements of Financial Position.

NOTE J - BANK LINE OF CREDIT

The Foundation had a line of credit with a commercial bank which provides borrowings up to \$1,900,000. Advances bear an interest rate of 3.93% on December 31, 2014, and are secured by the real estate. The line of credit was terminated on November 14, 2014.

NOTE K - TERM DEBT

Term debt is comprised of the following.

	<u>2015</u>	<u>2014</u>
Real estate mortgage on the Partnership Center payable to a bank that matures in December 2018. Monthly payments are \$513, which includes principal and interest at 3.3% annually. The mortgage is secured by the real estate.	17,447	22,917
Real estate mortgage on the Partnership Center payable to a bank that matures in December 2029. Monthly payments are interest only, which bears interest at 4.93% annually. The mortgage is secured by the real estate.	143,488	150,000
	<u>160,935</u>	<u>172,917</u>
Current maturities	5,661	5,478
	<u>\$ 155,274</u>	<u>\$ 167,439</u>

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE K - TERM DEBT - Continued

Maturities of term debt subsequent to December 31, 2015 are as follows:

2016	\$	5,661
2017		5,193
2018		6,593
2019		-0-
2020		-0-
Thereafter		<u>143,488</u>
	\$	<u>160,935</u>

NOTE L - AGENCY FUNDS

In accordance with FASB ASC 958-20-15, the Foundation receives contributions from other not-for-profit organizations in which the donor organization specifies itself as the beneficiary of the fund. In such instances, the Foundation records the contributed assets and any accumulated investment earnings as a liability on the Statement of Financial Position. The Foundation does not report these funds separately for internal reporting purposes.

During the years ended December 31, 2015 and 2014, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	<u>2015</u>	<u>2014</u>
Support and revenue		
Contributions and pledges	\$ 84,760	\$ 37,231
Investment return	<u>(132,012)</u>	<u>201,543</u>
	\$ (47,252)	\$ 238,774
Expenses		
Grants expense	163,806	148,388
Investment management fees	10,929	10,983
Administrative fees	<u>33,707</u>	<u>33,208</u>
	<u>208,442</u>	<u>192,579</u>
Change in agency funds	(255,694)	46,195
Balance at beginning of year	<u>3,915,997</u>	<u>3,869,802</u>
Balance at end of year	<u><u>\$3,660,303</u></u>	<u><u>\$3,915,997</u></u>

For the years ended December 31, 2015 and 2014, the Foundation had gifts to agency funds from other funds held at the Foundation in the amount of \$3,150 and \$66, respectively. These gifts are shown as contributions to the agency funds and grants from the donating funds in accordance with FASB ASC 958-20-15.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE M - ENDOWMENT

At December 31, 2015 and 2014, the Foundation's endowment consists of 249 and 226 donor-restricted endowment funds, respectively, established to support designated charitable purposes and organizations, and 2 funds designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring endowment funds to be 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 donor-restricted endowment funds.

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2015 and 2014 was as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 21,668,020	\$ 208,053	\$ 21,876,073
Board-designated endowment funds	\$ 205,707			205,707
	<u>\$ 205,707</u>	<u>\$ 21,668,020</u>	<u>\$ 208,053</u>	<u>\$ 22,081,780</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 21,669,833	\$ 208,053	\$ 21,877,886
Board-designated endowment funds	\$ 759,502			759,502
	<u>\$ 759,502</u>	<u>\$ 21,669,833</u>	<u>\$ 208,053</u>	<u>\$ 22,637,388</u>

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE M - ENDOWMENT - Continued

Changes in endowment net assets for the years ended December 31, 2015 and 2014 were as follows:

	2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income		\$ 1,068,929	
Depreciation of investments	\$ (415,203)	(1,103,615)	
Investment return	175,557	570,974	
Total revenue and support	(239,646)	536,288	
Appropriation of endowment assets for expenditure	314,149	538,101	
Change in endowment net assets	(553,795)	(1,813)	
Endowment net assets, beginning of year	759,502	21,669,833	\$ 208,053
Endowment net assets, end of year	\$ 205,707	\$ 21,668,020	\$ 208,053
	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income		\$ 2,532,962	
Appreciation of investments	\$ 84,515	180,890	
Investment return	186,872	587,122	
Total revenue and support	271,387	3,300,974	
Appropriation of endowment assets for expenditure	289,089	444,064	
Change in endowment net assets	(17,702)	2,856,910	
Endowment net assets, beginning of year	777,204	18,812,923	\$ 208,053
Endowment net assets, end of year	\$ 759,502	\$ 21,669,833	\$ 208,053

The Foundation 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 the Foundation 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. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE M - ENDOWMENT - Continued

To satisfy its long-term rate of return objectives, the Foundation 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).

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value over the prior 12 quarters through September 30 of the fiscal year preceding the fiscal year in which the distribution is planned, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2015, 25 of the 249 endowment funds had deficiencies totaling \$527,946. As of December 31, 2014, 0 of the 226 endowment funds had deficiencies. Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

The Foundation follows the topic Donor-Restricted Endowment Fund under FASB ASC 958. FASB ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. In accordance with the Foundation's fund agreements, charitable endowments are classified as temporarily and permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted. Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

NOTE N - RESTRICTIONS ON NET ASSETS

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 and primarily made up of the Foundation's operating fund and administrative endowment. The Foundation maintains unrestricted fund as follows:

Operating - used to fund current operations of the Foundation.

Board Designated - used to fund future operations of the Foundation as designated by the Board.

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Putnam County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE N - RESTRICTIONS ON NET ASSETS - Continued

Temporarily restricted net assets are restricted for the following purposes at December 31,

	<u>2015</u>	<u>2014</u>
Time restrictions related to:		
Charitable trusts	\$ 204,762	\$ 246,207
Pledges receivable		19,075
Endowment funds not yet appropriated for expenditure	21,668,020	21,669,833
Non-ended pass-thru funds	<u>273,662</u>	<u>278,790</u>
	<u>\$ 22,146,444</u>	<u>\$ 22,213,905</u>

Permanently restricted net assets of \$208,053 are restricted to support scholarships to Putnam County residents.

NOTE O - RELATED PARTY TRANSACTIONS

The Foundation received \$64,469 and \$68,312 in contributions from members of the Foundation's Board of Directors and staff during the years ended December 31, 2015 and 2014, respectively.

NOTE P - OTHER REVENUES

The Foundation received other revenues during the years ended 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Copy income	\$ 1,992	\$ 2,210
Rent income	14,230	28,778
Other income	<u>8,484</u>	<u>10,967</u>
	<u>\$ 24,706</u>	<u>\$ 41,955</u>

NOTE Q - SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 855, Subsequent Events, the Foundation has evaluated subsequent events through April 25, 2016, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2015, have been incorporated into these financial statements herein.

SUPPLEMENTAL INFORMATION



**Report of Independent Certified Public Accountants
on Supplemental Information**

**Board of Directors
Putnam County Community Foundation, Inc.**

We have audited the financial statements of Putnam County Community Foundation, Inc. as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated April 25, 2016, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Estep Burkey Simmons, LLC
Muncie, Indiana
April 25, 2016

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Putnam County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2015				Supplemental Information	
	Program Services	Supporting Services	Fundraising	Total	Agency Fund Activity	Total
Personnel costs						
Salaries and wages	\$ 84,618	\$ 73,732	\$ 46,339	\$ 204,689		\$ 204,689
Payroll taxes and benefits	10,768	7,996	5,897	24,661		24,661
Insurance	3,734	3,111	2,045	8,890		8,890
Administrative and development costs						
Office supplies	37	3,038	91	3,166		3,166
Computer expenses	2,250	6,641	4,114	13,005		13,005
Printing and copying	1,399	8,324	11,856	21,579		21,579
Postage and shipping	460	410	4,108	4,978		4,978
Dues and subscriptions		3,389	949	4,338		4,338
Credit card fees		511		511		511
Consulting fees		2,819	2,235	5,054		5,054
Insurance		2,232		2,232		2,232
Communications expense	1,269	490	695	2,454		2,454
Legal and accounting		28,227		28,227		28,227
Miscellaneous	1,116	2,222	1,292	4,630		4,630
Advertising	1,694			1,694		1,694
Travel and education	148	975	881	2,004		2,004
Board and committee meetings	136	632		768		768
Event expenses	5,116	643	6,688	12,447		12,447
Occupancy costs						
Depreciation		27,833		27,833		27,833
Repairs and maintenance		5,283		5,283		5,283
Utilities		5,452		5,452		5,452
Interest expense		8,380		8,380		8,380
Total operating expenses	112,745	192,340	87,190	392,275		392,275
Investment management fees		60,121		60,121	\$ 10,929	71,050
Grants and scholarships	857,989			857,989	163,806	1,021,795
Other program expenses	85,894			85,894		85,894
Total expenses	\$ 1,056,628	\$ 252,461	\$ 87,190	\$ 1,396,279	\$ 174,735	\$ 1,571,014

2014				Supplemental Information	
Program Services	Supporting Services	Fundraising	Total	Agency Fund Activity	Total
\$ 84,304	\$ 70,161	\$ 46,167	\$ 200,632		\$ 200,632
11,909	7,019	6,521	25,449		25,449
3,827	2,979	2,096	8,902		8,902
123	1,799	40	1,962		1,962
	7,154	5,186	12,340		12,340
1,292	7,992	10,887	20,171		20,171
531	1,440	2,405	4,376		4,376
	2,959	1,249	4,208		4,208
	211	4	215		215
		2,447	2,447		2,447
	2,302		2,302		2,302
1,159	890	634	2,683		2,683
	24,302		24,302		24,302
2,489	3,420	1,585	7,494		7,494
1,902			1,902		1,902
693	1,028	360	2,081		2,081
106	236		342		342
6,650	70	5,495	12,215		12,215
	28,550		28,550		28,550
	6,630		6,630		6,630
	6,180		6,180		6,180
	4,759		4,759		4,759
114,985	180,081	85,076	380,142		380,142
	55,000		55,000	\$ 10,983	65,983
656,330			656,330	148,388	804,718
21,045			21,045		21,045
<u>\$ 792,360</u>	<u>\$ 235,081</u>	<u>\$ 85,076</u>	<u>\$ 1,112,517</u>	<u>\$ 159,371</u>	<u>\$ 1,271,888</u>