Financial Statements

December 31, 2016 and 2015

The Community Foundation for the Capital Region, Inc.

Financial Statements

December 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
The Community Foundation for the
Greater Capital Region, Inc.
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Community Foundation for the Greater Capital Region, Inc. (a New York not-for-profit corporation), which comprise the statement of financial position as of December 31, 2016, the related statements of activities, functional expenses, and cash flows for the year 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 audits 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 reasonable 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 The Community Foundation for the Greater Capital Region, Inc. as of December 31, 2016, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements/Report on Summarized Comparative Information

The financial statements of The Community Foundation for the Greater Capital Region, Inc., as of and for the year ended December 31, 2015, before they were restated for the matter discussed in Note 1 to the financial statements, were audited by SaxBST LLP whose report dated May 11, 2016, expressed an unmodified opinion on those statements. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2015, before restatement, is consistent, in all material respects, with the audited financial statements from which it has been derived.

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 1 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of The Community Foundation for the Greater Capital Region, Inc. other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended December 31, 2016, as a whole. The accompanying supplementary information is presented for purposes 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 as of and for the year ended December 31, 2016, 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 as of and for the year ended December 31, 2016, is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information for the year ended December 31, 2015, before it was restated for the matter discussed in Note 1 to the financial statements, was audited by SaxBST LLP whose report dated May 11, 2016, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

BST & Co. CPAs, LLP

Albany, New York
May 16, 2017

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The Community Foundation for the Greater Capital Region, Inc.

Statements of Financial Position

	December 31,	
	2016	2015 (Restated)
ASSETS		
Cash and cash equivalents	$ 1,899,695	$ 1,898,967
Investments	69,246,556	59,132,052
Receivables	5,186,979	1,360,741
Assets held under split interest agreements	1,238,463	1,138,390
Other assets	282,653	282,313
Total assets	**$ 77,854,346**	**$ 63,812,463**
LIABILITIES		
Accounts payable and accrued expenses	$ 136,330	$ 903,587
Grants payable	363,943	222,225
Liabilities held under split interest agreements	463,303	441,115
Agency funds	2,716,015	2,530,283
	3,679,591	4,097,210
COMMITMENTS		
NET ASSETS		
Unrestricted		
Available for grants	36,954,272	35,651,490
Available for administration	321,346	407,874
Endowed for administration	2,741,068	2,549,408
	40,016,686	38,608,772
Temporarily restricted	5,812,610	5,161,945
Permanently restricted	28,345,459	15,944,536
	74,174,755	59,715,253
Total liabilities and net assets	**$ 77,854,346**	**$ 63,812,463**

See accompanying Notes to Financial Statements

The Community Foundation for the Greater Capital Region, Inc.

Statements of Activities

	Year Ended December 31, 2016 (comparative totals for 2015)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
REVENUES AND OTHER SUPPORT					
Investment return					
Interest and dividends	$ 1,560,824	$ 816,532	$ -	$ 2,377,356	$ 1,682,647
Net appreciation (depreciation) of investments	1,868,963	1,114,597	-	2,983,560	(3,492,292)
Less investment expense (including unrelated business income tax)	(510,596)	-	-	(510,596)	(366,069)
Investment return, net	2,919,191	1,931,129	-	4,850,320	(2,175,714)
Contributions	2,821,359	381,154	12,460,923	15,663,436	8,042,330
Fees for service	93,899	-	-	93,899	79,696
Net assets released from restrictions, satisfaction of restrictions	1,721,618	(1,661,618)	(60,000)	-	-
Total revenues and other support	7,556,067	650,665	12,400,923	20,607,655	5,946,312
EXPENSES					
Programs and grants	5,489,670	-	-	5,489,670	6,735,276
Administration	528,280	-	-	528,280	490,427
Fundraising	130,203	-	-	130,203	140,884
Total expenses	6,148,153	-	-	6,148,153	7,366,587
CHANGE IN NET ASSETS	1,407,914	650,665	12,400,923	14,459,502	(1,420,275)
NET ASSETS, ***beginning of year, as originally reported***	36,739,802	4,881,764	18,093,687	59,715,253	61,135,528
Prior period adjustment	1,868,970	280,181	(2,149,151)	-	-
NET ASSETS, ***beginning of year, as restated***	38,608,772	5,161,945	15,944,536	59,715,253	61,135,528
NET ASSETS, ***end of year***	**$ 40,016,686**	**$ 5,812,610**	**$ 28,345,459**	**$ 74,174,755**	**$ 59,715,253**

See accompanying Notes to Financial Statements

The Community Foundation for the Greater Capital Region, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2016 (comparative totals for 2015)				
	Programs and Grants	Administration	Fundraising	2016 Totals	2015 Totals
Salaries and wages	$ 211,921	$ 293,524	$ 72,948	$ 578,393	$ 566,128
Payroll related costs	30,301	38,037	8,469	76,807	75,090
Accounting and legal	-	40,742	-	40,742	41,126
Advertising	-	21,650	-	21,650	32,111
Contracted services	23,526	49,921	1,540	74,987	2,731,183
Depreciation	2,758	3,323	771	6,852	6,966
Equipment leases and maintenance	14,666	17,671	4,099	36,436	35,392
Events	-	-	28,612	28,612	45,925
Grants and programs	5,172,998	-	-	5,172,998	3,676,996
Insurance	473	11,590	132	12,195	15,068
Meeting expense	3,972	3,130	5,511	12,613	27,351
Office supplies and expense	3,010	3,696	841	7,547	4,666
Postage	-	6,489	-	6,489	9,991
Printing	-	4,833	-	4,833	9,897
Professional services	647	3,071	181	3,899	16,790
Professional development	3,071	3,701	858	7,630	14,314
Rent	18,181	21,907	5,082	45,170	45,112
Telephone and utilities	2,551	3,073	713	6,337	8,770
Travel	1,595	1,922	446	3,963	3,711
	$ 5,489,670	**$ 528,280**	**$ 130,203**	**$ 6,148,153**	**$ 7,366,587**

See accompanying Notes to Financial Statements

The Community Foundation for the Greater Capital Region, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2016	**2015**
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	$ 14,459,502	$ (1,420,275)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	6,852	6,966
Net (appreciation) depreciation of investments	(2,983,560)	3,492,292
Non-cash contributions	-	(655,078)
Contribution to charitable gift annuity	(58,098)	-
Change in value of split-interest agreements	65,194	(149,821)
Decrease (increase) in		
Receivables	(3,842,123)	(815,380)
Other assets	522	14,427
Increase (decrease) in		
Accounts payable and accrued expenses	(767,257)	883,670
Grants payable	141,718	(121,155)
Agency funds	66,309	5,713
	7,089,059	**1,241,359**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of investments	5,800,471	18,449,039
Purchases of investments	(11,418,149)	(18,768,111)
Reinvested interest and dividends	(1,390,921)	(778,852)
Purchases of property and equipment	(2,117)	(4,975)
	(7,010,716)	**(1,102,899)**
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Distributions from split-interest agreements	**(77,615)**	**(154,225)**
Net increase (decrease) in cash and cash equivalents	**728**	**(15,765)**
CASH AND CASH EQUIVALENTS, *beginning of year*	1,898,967	1,914,732
CASH AND CASH EQUIVALENTS, *end of year*	**$ 1,899,695**	**$ 1,898,967**
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for		
Income taxes	$ 14,394	$ 4,189

See accompanying Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Community Foundation for the Greater Capital Region, Inc. (Community Foundation) is a New York not-for-profit corporation organized under the Membership Corporation Laws of the State of New York.

CFCR Real Property Transactions, LLC is a subsidiary of the Community Foundation with no activity in 2016 or 2015.

The Community Foundation's mission is to strengthen the community through philanthropy. The Foundation does this in collaboration with donors and community partners who share its vision for community transformation through stewardship of charitable endowments, superior donor services, effective grant making, and leadership to address community needs.

In achieving its mission, the Community Foundation:

- Serves over 400 separate charitable funds, working with donors to achieve their philanthropic goals.
- Provides grant administration, investment management, and leadership to address community needs and provide for the long-term operations of the Community Foundation. The resources available to support this mission are presented on the statements of net position as unrestricted net assets, available for administration.

b. Basis of Accounting and Financial Statement Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Contributions and Net Assets

The net assets of the Community Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets are not subject to donor restrictions and are segregated by the portion that is held as endowment from the funds that are currently available for grants and administration.

Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by the passage of time and consist of items identified in Note 5. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets are endowment funds restricted by donors to be maintained in perpetuity.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

e. Fair Value Measurements

The Community Foundation reports certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (Note 10).

f. Cash and Cash Equivalents

The Community Foundation's cash and cash equivalents are defined as short-term, highly liquid investments with an initial maturity of three months or less.

g. Receivables

Unconditional promises of gifts that are expected to be collected within one year are recorded, as receivables, at net realizable value. Unconditional promises of gifts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Promises of gifts are written off when deemed uncollectible. Recoveries of promises of gifts previously written off are recorded when received. The Community Foundation considered receivables to be fully collectible; accordingly, no allowance for doubtful accounts was necessary as of December 31, 2016 or 2015.

h. Agency Funds

The Community Foundation has endowed funds held for other non-profit organizations that are specified to be released to those non-profit organizations. Accordingly, the value of those funds is reported as a liability on the statement of financial position.

i. Donated Goods and Services

Quantifiable donated goods and skilled services are reported, based on estimated fair value, as both revenue and expense in the year contributed. There was approximately $4,000 and $3,000 of in-kind contributions for the years ended December 31, 2016 and 2015, respectively.

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or evaluation.

j. Functional Expenses

Expenses are allocated after all attempts have been made to charge expenses directly to programs. Methodologies used for allocation include estimated time per job description.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Functional Expenses

Expenses are allocated after all attempts have been made to charge expenses directly to programs. Methodologies used for allocation include estimated time per job description.

l. Tax Status

The Community Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (Code) and related New York State law and is exempt from income taxes. The Community Foundation has been classified as a publicly-supported organization that is not a private foundation under Section 509(a)(1) of the Code.

The Community Foundation files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Community Foundation's tax positions, and concluded that the Community Foundation has taken no tax positions that required adjustment in their financial statements as of December 31, 2016.

The Community Foundation has taxable unrelated business income related to an investment holding.

m. Prior Year Summarized Financial Information

The statements of activities and functional expenses include prior year summarized comparative information in total but not by net asset class and function, respectively. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Community Foundation's previously issued financial statements for the year ended December 31, 2015, from which the summarized information was derived.

n. Subsequent Events

The Community Foundation has evaluated subsequent events for potential recognition or disclosure through May 16, 2017, the date the financial statements were available to be issued.

o. Change in Presentation and Restatement

In 2016, management changed the presentation of the statement of financial position and statement of activities to a format that better represents the activities of the organization and that aligns with industry practices for similar community foundations. The summarized comparative totals for 2015 on the statements of activities and functional expenses were revised to conform to this changed presentation. The changes include a restatement for the reclassification of certain charitable funds from permanently restricted net assets to temporarily restricted and unrestricted net assets.

Note 2 - Receivables

Receivables include promises of gifts to the Community Foundation and are as follows:

	December 31, 2016	December 31, 2015
Amounts due in		
Less than one year	$ 2,452,546	$ 778,667
One to five years	2,400,000	124,763
	4,852,546	903,430
Less discounts to present value	(106,995)	-
	$ 4,745,551	$ 903,430

The Community Foundation is also a remainder beneficiary of certain charitable remainder trusts and pooled income funds. The Community Foundation records a contribution receivable reflected as beneficial interest in the trusts and funds. The assumptions used in computing the contribution receivable include discount rates of 2.0% to 2.4% and, in certain cases, life expectancies based on published mortality tables. The beneficial interest was $441,428 and $457,311 as of December 31, 2016 and 2015, respectively.

Note 3 - Split Interest Agreements

Split interest agreements are trusts or other arrangements under which the Community Foundation receives benefits that are shared with other beneficiaries. The Community Foundation's split interest agreements include charitable remainder trusts, pooled income funds and charitable gift annuities.

A summary of assets held, at fair value, under split interest agreements is as follows:

	December 31, 2016	December 31, 2015
Charitable remainder trusts	$ 681,894	$ 673,869
Charitable gift annuities	556,569	464,521
	$ 1,238,463	$ 1,138,390

Liability Under Charitable Remainder Trust Agreements

The obligation, as trustee for each trust, is reported herein as liabilities held under split interest agreements. The obligation is estimated at the time of the agreements (unitrust or annuity trust) based on the average life expectancies of the beneficiaries or specific trust terms, and the expected rate of return on invested assets. Any excess amount of the gift over the estimated liability is recorded as a temporarily restricted net asset. The obligation is subject to adjustments and reflects amortization of any discount, reevaluation of the present value of estimated future payments, and any change in actuarial assumptions. These adjustments, if any, are recorded in the statement of activities as a change in value of split interest agreements. The assumptions used in computing the liabilities under charitable remainder trust agreements include a discount rate of 9.4% and life expectancies based on published single and multiple life expectancy tables.

Note 3 - Split Interest Agreements - Continued

Liability Under Charitable Gift Annuity Agreements

Under New York State Insurance Law, the Community Foundation is required to maintain qualified reserves reported herein above as assets held under split interest agreements, charitable gift annuities. As of December 31, 2016, the Community Foundation maintained a segregated reserve of $556,569, which is in excess of the minimum required reserve of $433,345. As of December 31, 2015, the Community Foundation maintained a segregated reserve of $464,521, which is in excess of the minimum required reserve of $399,142.

The obligations under the agreements are reported herein as liabilities held under split interest agreements. The obligations are estimated at the time of the agreement based on the present value of future cash flows expected to be paid to the donors. The obligations are subject to adjustments to reflect amortization of any discount and changes in the life expectancies of the donors. The assumptions used in computing the liabilities under charitable gift annuity agreements include discount rates ranging from 1.4% to 6.2% and life expectancies based on published single and multiple life expectancy tables.

Note 4 - Agency Funds Held

A summary of the Community Foundation's agency funds is as follows:

	December 31,	
	2016	2015
Agency Funds, beginning of year	$ 2,530,283	$ 2,672,167
Amounts raised	90,349	103,064
Interest and dividends	100,948	70,836
Realized investment gain (loss), net	22,223	(9,285)
Unrealized investment gain (loss), net	97,200	(138,312)
Fees	(46,980)	(42,726)
Grants to public charities	(78,008)	(125,461)
Agency Funds, end of year	$ 2,716,015	$ 2,530,283

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	December 31,	
	2016	2015
Charitable remainder trusts	$ 964,682	$ 969,634
Charitable gift annuities	476,720	404,086
Public Arts Project	120,496	580,357
Pledges receivable	200,000	-
Pooled Income Fund receivable	37,902	35,948
Accumulated earnings, endowed funds	4,012,810	3,171,920
	$ 5,812,610	$ 5,161,945

Note 6 - Endowment

The Community Foundation holds charitable gifts in funds that may be created by the donor as endowed or non-endowed. An endowment fund generally stipulates that the gift will be invested in perpetuity while the investment earnings may be distributed to support the donor's charitable purposes. A non-endowed fund may also be invested with a long-term horizon, without restricting distribution of fund principal.

The Community Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to be endowed for administration. As required by U.S. GAAP, net assets associated with endowment funds, including funds endowed for administration, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Board of Directors of the Community Foundation has interpreted the New York State Not-For-Profit Corporation Law (NPCL). The interpretation views NPCL as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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 in a manner consistent with the standard procedures prescribed in NPCL Article 5-A.

The Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Community Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the organization;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization, and
8. The investment policies of the organization.

Endowment net asset composition by type of fund:

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,012,810	$ 28,345,459	$ 32,358,269
Endowed for administration	2,741,068	-	-	2,741,068
Total funds	$ 2,741,068	$ 4,012,810	$ 28,345,459	$ 35,099,337

Note 6 - Endowment - Continued

Relevant Law - Continued

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, *beginning of year*	$ 2,549,408	$ 3,171,920	$ 15,944,536	$ 21,665,864
Investment return				
Interest and dividends	106,344	816,531	-	922,875
Net appreciation (depreciation) of investments	127,965	1,114,598	-	1,242,563
Investment expense	(31,136)	(179,066)	-	(210,202)
Total investment return	203,173	1,752,063	-	1,955,236
Contributions	86,613	111,332	12,460,923	12,658,868
Withdrawals	(98,126)	(1,022,505)	(60,000)	(1,180,631)
Endowment net assets, *end of year*	$ 2,741,068	$ 4,012,810	$ 28,345,459	$ 35,099,337

	December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(Restated)	(Restated)	(Restated)	(Restated)
Donor-restricted endowment funds	$ -	$ 3,171,920	$ 15,944,536	$ 19,116,456
Endowed for administration	2,549,408	-	-	2,549,408
Total funds	$ 2,549,408	$ 3,171,920	$ 15,944,536	$ 21,665,864

	December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(Restated)	(Restated)	(Restated)	(Restated)
Endowment net assets, *beginning of year, as originally reported*	$ 1,384,706	$ 4,974,522	$ 17,709,384	$ 24,068,612
Prior period adjustment	1,166,086	(129,059)	(1,938,239)	(901,212)
Endowment net assets, *beginning of year, as restated*	2,550,792	4,845,463	15,771,145	23,167,400
Investment return				
Interest and dividends	73,332	551,647	-	624,979
Net appreciation (depreciation) of investments	(161,797)	(1,145,129)	-	(1,306,926)
Investment expense	(24,257)	(330,773)	-	(355,030)
Total investment return	(112,722)	(924,255)	-	(1,036,977)
Contributions	203,569	169,815	354,891	728,275
Withdrawals	(92,231)	(919,103)	(181,500)	(1,192,834)
Endowment net assets, *end of year*	$ 2,549,408	$ 3,171,920	$ 15,944,536	$ 21,665,864

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Community Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no funds with deficiencies at both December 31, 2016 and 2015.

Note 6 - Endowment - Continued

Return Objectives and Risk Parameters

The Community Foundation's endowment consists of various investments overseen by the Finance Committee of the Board of Directors. The Community 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to attain an average total return (net of investment management fees) of the Consumer Price Index plus 5%.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Subject to the intent of donors expressed in fund agreements, the Community Foundation appropriates for expenditure or accumulates so much of endowed funds as the Community Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established.

Due to the Community Foundation's federal tax classification, governing documents and its fund agreements, permanently restricted endowed funds are subject to variance power. Thereunder, the Community Foundation's Board of Directors has the power to modify any restriction or condition on distribution from the fund for any specified purpose or to any specified organization, if, in the sole judgment of that Board, compliance with such restriction becomes unnecessary, impractical, impossible, or inconsistent with the purposes of the Community Foundation. The net assets are held as permanently restricted endowment funds until such time, if ever, as the Board deems prudent and appropriate to expend some part of the principal.

The Community Foundation has approved a spending policy which calculates a percentage (currently 4%) of the average value of the fund, including income, realized and unrealized appreciation and principal over the past 20 quarters.

Note 7 - Defined Contribution Plan

The Community Foundation offers a 403(b) tax deferred annuity plan to its employees. The Community Foundation matches employee contributions in the amount of 25% of every dollar contributed by the employee up to first 10% of the employee's salary. For the year ended December 31, 2016 and 2015, the Community Foundation's match was $4,752 and $4,807, respectively.

Note 8 - Commitments

Operating Leases

The Community Foundation's office is leased under a noncancelable operating lease. The lease calls for monthly payments of $3,764 and expires in June 2017. The Community Foundation is also required to pay, as additional rent, its pro rata share of the increases in the lessor's operating expenses, computed on an annual basis. Under this lease, the Community Foundation also pays its pro rata share of gas and electric costs.

The Community Foundation also rents office equipment under operating leases that call for monthly payments ranging from $285 to $439 expiring at various times between November 2018 and April 2020.

The Community Foundation's future minimum rental commitments under such leases are as follows:

For the year ending December 31,		
2017	$	28,992
2018		6,313
2019		5,268
2021		1,756
	$	42,329

Note 9 - Risks and Uncertainties

a. Fair Value of Investments

The Community Foundation invests in various investment securities. 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 such changes could materially affect the amounts reported in the financial statements.

b. Concentrations of Credit Risk - Cash

The Community Foundation maintains operating cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, the Community Foundation has bank deposits in excess of the amounts insured by the FDIC.

The Community Foundation maintains many of its securities with a brokerage firm that is a member of the Securities Investor Protection Corporation (SIPC). Securities held at a member brokerage firm are insured by the SIPC up to $500,000 per customer, including a maximum of $250,000 for cash.

Note 10 - Fair Value of Financial Instruments

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three levels of inputs may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*, allows the Community Foundation, as a practical expedient, to estimate the fair value using net asset value (NAV) for commingled investments that do not have a readily determinable fair market value.

ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* removes the requirement to make certain disclosures and categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The Community Foundation adopted ASU 2015-07 during 2016.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the Community Foundation's investments are in publicly traded securities or in commingled funds, including limited partnerships that are invested in publicly traded securities. The fair value of publicly traded securities is based on quoted market prices and observable net assets values. As a practical expedient, commingled funds are valued at net asset value provided by fund managers utilizing quoted market prices, market value of comparable companies, an income based approach, or discounted cash flow projections. These valuations are reviewed for reasonableness by management of the Community Foundation.

Assets reserved under split interest agreements are valued on quoted market prices.

The methods described above may produce a fair value/net asset value calculation that may not be indicative of net realizable value or reflective of future fair or net asset values. Furthermore, while the Community Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair or net asset value of certain financial instruments could result in a different fair or net asset value measurement at the reporting date.

Note 10 - Fair Value of Financial Instruments - Continued

The following tables present the Community Foundation's investments at December 31, 2016 and 2015:

	December 31, 2016				
	Total	Level 1	Level 2	Level 3	Commingled Investments Measured at NAV
Assets					
Investments					
Large Cap Equity	$ 14,396,177	$ 14,396,177	$ -	$ -	$ -
Mid Cap Equity	6,518,137	-	-	-	6,518,137
Small Cap Equity	4,257,431	4,257,431	-	-	-
International Equity	13,517,042	-	-	-	13,517,042
Emerging Markets	5,670,392	1,880,889	-	-	3,789,503
Mutli Strategy Hedge Funds	4,924,870	-	-	-	4,924,870
Long/Short Equity Hedge Funds	3,188,414	-	-	-	3,188,414
Liquid Real Estate Assets	3,248,360	3,248,360	-	-	-
Private Equity	605,537	-	-	-	605,537
Real Estate	1,203,140	-	-	-	1,203,140
Fixed income	11,717,056	4,353,186	-	-	7,363,870
	$ 69,246,556	$ 28,136,043	$ -	$ -	$ 41,110,513
Assets reserved under split interest agreements	$ 1,238,463	$ 1,238,463	$ -	$ -	$ -

	December 31, 2015				
	Total	Level 1	Level 2	Level 3	Commingled Investments Measured at NAV
Assets					
Investments					
Large Cap Equity	$ 12,363,873	$ 12,363,873	$ -	$ -	$ -
Mid Cap Equity	5,252,870	-	-	-	5,252,870
Small Cap Equity	3,615,717	3,615,717	-	-	-
International Equity	11,806,846	-	-	-	11,806,846
Emerging Markets	4,118,476	947,056	-	-	3,171,420
Mutli Strategy Hedge Funds	3,712,534	-	-	-	3,712,534
Long/Short Equity Hedge Funds	3,237,545	-	-	-	3,237,545
Liquid Real Estate Assets	2,448,599	2,448,599	-	-	-
Private Equity	346,355	-	-	-	346,355
Real Estate	1,223,499	-	-	-	1,223,499
Fixed income	11,005,738	4,604,580	-	-	6,401,158
	$ 59,132,052	$ 23,979,825	$ -	$ -	$ 35,152,227
Assets reserved under split interest agreements	$ 1,138,390	$ 1,138,390	$ -	$ -	$ -

Note 10 - Fair Value of Financial Instruments - Continued

The following table summarizes investments measured at fair value based on NAV:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Available	Notice Period
Mid Cap Equity	$ 3,668,237	$ -	Monthly	n/a	15 days
Mid Cap Equity	2,849,900	-	Daily	n/a	Daily
International Equity	5,333,106	-	Monthly	n/a	6 days
International Equity	8,183,936	-	Monthly	n/a	5 days
Emerging Markets	3,789,503	-	Monthly	n/a	7 days
Mutli Strategy Hedge Fund	2,728,417	-	Quarterly	n/a	70 days
Mutli Strategy Hedge Fund	2,196,453	-	n/a	June 30, 2017	60 days
Long/Short Equity Hedge Funds	3,188,414	-	n/a	March 31, 2018	95 days
Private Equity	565,537	351,000	No liquidity	n/a	n/a
Private Equity	40,000	960,000	No liquidity	n/a	n/a
Real Estate	1,203,140	160,875	No liquidity	n/a	n/a
Fixed income	7,363,870	-	Monthly	n/a	10 days
	$ 41,110,513	$ 1,471,875			

Note 11 - Pending Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Community Foundation is currently evaluating the impact the adoption of this guidance will have on its financial statements.

The Community Foundation for the Greater Capital Region, Inc.

Statement of Financial Position - Administration

	December 31, 2016				
	The Community Foundation for the Greater Capital Region, Inc.	Judith N. Lyons Administrative Endowment	Roy Moore Hershey and Nancy K. Hershey Fund	A. Walter Reid Fund	Total
ASSETS					
Cash, cash equivalents and investments	$ 343,040	$ 1,759,173	$ 820,363	$ 161,532	$ 3,084,108
Receivables	202,116	-	-	-	202,116
Assets held under split interest agreements	-	-	-	-	-
Other assets	17,750	-	-	-	17,750
Total assets	**$ 562,906**	**$ 1,759,173**	**$ 820,363**	**$ 161,532**	**$ 3,303,974**
LIABILITIES					
Accounts payable and accrued expenses	$ 41,560	$ -	$ -	$ -	$ 41,560
Grants payable	-	-	-	-	-
Liabilities held under split interest agreements	-	-	-	-	-
Agency funds	-	-	-	-	-
	41,560	-	-	-	41,560
COMMITMENTS					
NET ASSETS					
Unrestricted					
Available for administration	321,346	-	-	-	321,346
Endowed for administration	-	1,759,173	820,363	161,532	2,741,068
	321,346	1,759,173	820,363	161,532	3,062,414
Temporarily restricted	200,000	-	-	-	200,000
	521,346	1,759,173	820,363	161,532	3,262,414
Total liabilities and net assets	**$ 562,906**	**$ 1,759,173**	**$ 820,363**	**$ 161,532**	**$ 3,303,974**

See Independent Auditor's Report.

The Community Foundation for the Greater Capital Region, Inc.

Statement of Financial Position - Administration

	December 31, 2015				
	The Community Foundation for the Greater Capital Region, Inc.	Judith N. Lyons Administrative Endowment	Roy Moore Hershey and Nancy K. Hershey Fund	A. Walter Reid Fund	Total
ASSETS					
Cash, cash equivalents and investments	$ 266,454	$ 1,683,328	$ 708,704	$ 157,376	$ 2,815,862
Receivables	-	-	-	-	-
Assets held under split interest agreements	464,521	-	-	-	464,521
Other assets	23,008	-	-	-	23,008
Total assets	**$ 753,983**	**$ 1,683,328**	**$ 708,704**	**$ 157,376**	**$ 3,303,391**
LIABILITIES					
Accounts payable and accrued expenses	$ 30,582	$ -	$ -	$ -	$ 30,582
Grants payable	-	-	-	-	-
Liabilities held under split interest agreements	315,527	-	-	-	315,527
Agency funds	-	-	-	-	-
	346,109	-	-	-	346,109
COMMITMENTS					
NET ASSETS					
Unrestricted					
Available for administration	407,874	-	-	-	407,874
Endowed for administration	-	1,683,328	708,704	157,376	2,549,408
	407,874	1,683,328	708,704	157,376	2,957,282
Temporarily restricted	-	-	-	-	-
	407,874	1,683,328	708,704	157,376	2,957,282
Total liabilities and net assets	**$ 753,983**	**$ 1,683,328**	**$ 708,704**	**$ 157,376**	**$ 3,303,391**

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The Community Foundation for the Greater Capital Region, Inc.

Statement of Activities - Administration

	Year Ended December 31, 2016				
	The Community Foundation for the Greater Capital Region, Inc.	Judith N. Lyons Administrative Endowment	Roy Moore Hershey and Nancy K. Hershey Fund	A. Walter Reid Fund	Total
REVENUES AND OTHER SUPPORT					
Investment return					
Interest and dividends	$ 16,857	$ 70,204	$ 29,621	$ 6,519	$ 123,201
Net appreciation (depreciation) of investments	21,465	83,767	36,432	7,766	149,430
Less investment expense (including unrelated business income tax)	(3,759)	(14,236)	(13,465)	(3,435)	(34,895)
Investment return, net	34,563	139,735	52,588	10,850	237,736
Contributions	263,893	5,750	80,863	-	350,506
Fees for service	582,076	-	-	-	582,076
Net assets released from restrictions, satisfaction of restrictions	-	-	-	-	-
Total revenues and other support	880,532	145,485	133,451	10,850	1,170,318
EXPENSES					
Programs and grants	316,765	69,640	21,792	6,694	414,891
Administration	528,907	-	-	-	528,907
Fundraising	121,388	-	-	-	121,388
Total expenses	967,060	69,640	21,792	6,694	1,065,186
CHANGE IN UNRESTRICTED NET ASSETS	**(86,528)**	**75,845**	**111,659**	**4,156**	**105,132**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	200,000	-	-	-	200,000
CHANGE IN NET ASSETS	**113,472**	**75,845**	**111,659**	**4,156**	**305,132**
NET ASSETS, *beginning of year*	407,874	1,683,328	708,704	157,376	2,957,282
NET ASSETS, *end of year*	**$ 521,346**	**$ 1,759,173**	**$ 820,363**	**$ 161,532**	**$ 3,262,414**

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The Community Foundation for the Greater Capital Region, Inc.

Statement of Activities - Administration

	Year Ended December 31, 2015				
	The Community Foundation for the Greater Capital Region, Inc.	Judith N. Lyons Administrative Endowment	Roy Moore Hershey and Nancy K. Hershey Fund	A. Walter Reid Fund	Total
REVENUES AND OTHER SUPPORT					
Investment return					
Interest and dividends	$ 30,716	$ 49,566	$ 19,086	$ 4,680	$ 104,048
Net appreciation (depreciation) of investments	(39,593)	(103,725)	(48,293)	(9,779)	(201,390)
Less investment expense (including unrelated business income tax)	(9,746)	(10,452)	(10,610)	(3,195)	(34,003)
Investment return, net	(18,623)	(64,611)	(39,817)	(8,294)	(131,345)
Contributions	189,834	2,470	201,099	-	393,403
Fees for service	567,269	-	-	-	567,269
Net assets released from restrictions, satisfaction of restrictions	-	-	-	-	-
Total revenues and other support	738,480	(62,141)	161,282	(8,294)	829,327
EXPENSES					
Programs and grants	340,688	68,374	17,170	6,687	432,919
Administration	462,774	-	-	-	462,774
Fundraising	94,854	-	-	-	94,854
Total expenses	898,316	68,374	17,170	6,687	990,547
CHANGE IN UNRESTICTED NET ASSETS	**(159,836)**	**(130,515)**	**144,112**	**(14,981)**	**(161,220)**
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	-	-	-
CHANGE IN NET ASSETS	**(159,836)**	**(130,515)**	**144,112**	**(14,981)**	**(161,220)**
NET ASSETS, *beginning of year*	567,710	1,813,843	564,592	172,357	3,118,502
NET ASSETS, *end of year*	**$ 407,874**	**$ 1,683,328**	**$ 708,704**	**$ 157,376**	**$ 2,957,282**

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