



Financial Statements

December 31, 2017 and 2016

**The Community Foundation for  
the Capital Region, Inc.**

Financial Statements

December 31, 2017 and 2016

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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, 2017, 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 audit. We conducted our audit 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 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
The Community Foundation for the  
Greater Capital Region, Inc.  
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***Other Matter***

We have previously audited The Community Foundation for the Greater Capital Region, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BST & CO. CPAs, LLP

Albany, New York  
May 10, 2018



# The Community Foundation for the Greater Capital Region, Inc.

## Statements of Financial Position

	December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,840,871	\$ 1,899,695
Investments	82,152,232	69,246,556
Receivables	2,824,572	5,186,979
Assets held under split interest agreements	1,302,808	1,238,463
Other assets	305,707	282,653
	<b>\$ 89,426,190</b>	<b>\$ 77,854,346</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 85,755	\$ 136,330
Grants payable	176,250	363,943
Liabilities held under split interest agreements	432,424	463,303
Agency funds	3,126,902	2,716,015
	<b>3,821,331</b>	<b>3,679,591</b>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted		
Available for grants	43,290,465	36,954,272
Available for administration	492,692	321,346
Endowed for administration	3,312,744	2,741,068
	47,095,901	40,016,686
Temporarily restricted	9,602,725	5,812,610
Permanently restricted	28,906,233	28,345,459
	<b>85,604,859</b>	<b>74,174,755</b>
	<b>\$ 89,426,190</b>	<b>\$ 77,854,346</b>

# The Community Foundation for the Greater Capital Region, Inc.

## Statement of Activities

	Year Ended December 31, 2017 (comparative totals for 2016)				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
<b>REVENUES AND OTHER SUPPORT</b>					
Investment return					
Interest and dividends	\$ 1,156,509	\$ 835,674	\$ -	\$ 1,992,183	\$ 2,377,356
Net appreciation of investments	6,004,028	4,488,734	-	10,492,762	3,040,385
Less investment expense (including unrelated business income tax)	(535,274)	-	-	(535,274)	(510,596)
Investment return, net	6,625,263	5,324,408	-	11,949,671	4,907,145
Contributions	4,757,375	26,608	536,511	5,320,494	15,606,611
Fees for service	103,080	-	-	103,080	93,899
Net assets released from restrictions, satisfaction of restrictions	1,536,638	(1,560,901)	24,263	-	-
Total revenues and other support	13,022,356	3,790,115	560,774	17,373,245	20,607,655
<b>EXPENSES</b>					
Programs and grants	5,199,926	-	-	5,199,926	5,489,670
Administration	511,263	-	-	511,263	528,280
Fundraising	231,952	-	-	231,952	130,203
Total expenses	5,943,141	-	-	5,943,141	6,148,153
<b>CHANGE IN NET ASSETS</b>	<b>7,079,215</b>	<b>3,790,115</b>	<b>560,774</b>	<b>11,430,104</b>	<b>14,459,502</b>
<b>NET ASSETS, beginning of year</b>	40,016,686	5,812,610	28,345,459	74,174,755	59,715,253
<b>NET ASSETS, end of year</b>	<b>\$ 47,095,901</b>	<b>\$ 9,602,725</b>	<b>\$ 28,906,233</b>	<b>\$ 85,604,859</b>	<b>\$ 74,174,755</b>

# The Community Foundation for the Greater Capital Region, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2017

(comparative totals for 2016)

	<u>Programs and Grants</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Salaries and wages	\$ 238,164	\$ 300,803	\$ 105,244	\$ 644,211	\$ 578,393
Payroll related costs	47,360	62,915	17,788	128,063	76,807
Accounting and legal	-	32,150	-	32,150	40,742
Advertising	-	29,665	-	29,665	21,650
Contracted services	26,461	1,874	552	28,887	74,987
Depreciation	1,601	2,041	601	4,243	6,852
Equipment leases and maintenance	17,775	22,665	6,676	47,116	36,436
Events			88,933	88,933	28,612
Grants and programs	4,829,450	-	-	4,829,450	5,172,998
Insurance	502	12,390	189	13,081	12,195
Meeting expense	10,067	2,308	1,248	13,623	12,613
Office supplies and expense	3,801	4,847	1,428	10,076	7,547
Postage	-	6,212	-	6,212	6,489
Printing	-	-	-	-	4,833
Professional services	576	2,573	216	3,365	3,899
Professional development	3,123	3,982	1,173	8,278	7,630
Rent	17,040	21,729	6,400	45,169	45,170
Telephone and utilities	2,349	2,996	882	6,227	6,337
Travel	1,657	2,113	622	4,392	3,963
	<u>\$ 5,199,926</u>	<u>\$ 511,263</u>	<u>\$ 231,952</u>	<u>\$ 5,943,141</u>	<u>\$ 6,148,153</u>

See accompanying Notes to Financial Statements

# The Community Foundation for the Greater Capital Region, Inc.

## Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,430,104	\$ 14,459,502
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	4,243	6,852
Net appreciation of investments	(10,492,762)	(3,040,385)
Contribution to charitable gift annuity	-	(58,098)
Change in value of split-interest agreements	94,543	65,194
Decrease (increase) in		
Receivables	2,333,947	(3,842,123)
Other assets	(8,392)	522
Increase (decrease) in		
Accounts payable and accrued expenses	(50,575)	(767,257)
Grants payable	(187,693)	141,718
Agency funds	3,847	66,309
	<b>3,127,262</b>	<b>7,032,234</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	24,285,404	5,800,471
Purchases of investments	(25,079,640)	(11,361,324)
Reinvested interest and dividends	(1,275,983)	(1,390,921)
Purchases of property and equipment	(12,125)	(2,117)
	<b>(2,082,344)</b>	<b>(6,953,891)</b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Distributions from split-interest agreements	<b>(103,742)</b>	<b>(77,615)</b>
<b>Net increase in cash and cash equivalents</b>	<b>941,176</b>	<b>728</b>
<b>CASH AND CASH EQUIVALENTS, <i>beginning of year</i></b>	<b>1,899,695</b>	<b>1,898,967</b>
<b>CASH AND CASH EQUIVALENTS, <i>end of year</i></b>	<b>\$ 2,840,871</b>	<b>\$ 1,899,695</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Income taxes	\$ 1,725	\$ 14,394

See accompanying Notes to Financial Statements



# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

## 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 2017 or 2016.

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 operations are presented in the statements of financial 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 or fulfillment of purpose 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 statement of activities as net assets released from restrictions.

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

# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

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

### *d. Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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, 2017 or 2016.

### *h. Agency Funds*

The Community Foundation has endowed funds held for other non-profit organizations that are specified to be released to those not-for-profit organizations. Accordingly, the value of those funds is reported as a liability in the statements 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 of in-kind contributions for the year ended December 31, 2016. There were no in-kind contributions for the year ended December 31, 2017.

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.

# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

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

### k. 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, 2017.

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

### l. 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, 2016, from which the summarized information was derived.

### m. Subsequent Events

The Community Foundation has evaluated subsequent events for potential recognition or disclosure through May 10, 2018, the date the financial statements were available to be issued.

## Note 2 - Receivables

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

	December 31,	
	2017	2016
Amounts due in		
Less than one year	\$ 870,000	\$ 2,452,546
One to five years	1,615,000	2,400,000
	<u>2,485,000</u>	<u>4,852,546</u>
Less discounts to present value	(73,395)	(106,995)
	<u>\$ 2,411,605</u>	<u>\$ 4,745,551</u>

# The Community Foundation for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 2 - Receivables - Continued

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 a discount rate of 2.6% and life expectancies based on published mortality tables. The beneficial interest was \$412,967 and \$441,428 as of December 31, 2017 and 2016, 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,	
	2017	2016
Charitable remainder trusts	\$ 749,808	\$ 681,894
Charitable gift annuities	553,000	556,569
	<u>\$ 1,302,808</u>	<u>\$ 1,238,463</u>

#### *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 are included within contributions on the statement of activities. 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.

#### *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, 2017, the Community Foundation maintained a segregated reserve of \$553,000, which is in excess of the minimum required reserve of \$409,127. 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.

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.

# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

## Note 4 - Agency Funds Held

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

	December 31,	
	2017	2016
Agency Funds, beginning of year	\$ 2,716,015	\$ 2,530,283
Amounts raised	257,614	90,349
Interest and dividends	79,214	100,948
Realized investment gain, net	193,008	22,223
Unrealized investment gain, net	214,032	97,200
Fees	(78,056)	(46,980)
Grants to the Agencies	(254,925)	(78,008)
	<u>\$ 3,126,902</u>	<u>\$ 2,716,015</u>
Agency Funds, end of year	<u>\$ 3,126,902</u>	<u>\$ 2,716,015</u>

## Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	December 31,	
	2017	2016
Charitable remainder trusts	\$ 1,012,209	\$ 964,682
Charitable gift annuities	499,076	476,720
Public Arts Project	-	120,496
Pledges receivable	170,000	200,000
Pooled Income Fund receivable	41,564	37,902
Accumulated earnings, endowed funds	7,879,876	4,012,810
	<u>\$ 9,602,725</u>	<u>\$ 5,812,610</u>

## 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 donors to be endowed for operations. 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.

# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

## Note 6 - Endowment - Continued

### 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, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 7,879,876	\$ 28,906,233	\$ 36,786,109
Endowed for administration	3,312,744	-	-	3,312,744
<b>Total funds</b>	<b>\$ 3,312,744</b>	<b>\$ 7,879,876</b>	<b>\$ 28,906,233</b>	<b>\$ 40,098,853</b>
<i>Endowment net assets, beginning of year</i>	<i>\$ 2,741,068</i>	<i>\$ 4,012,810</i>	<i>\$ 28,345,459</i>	<i>\$ 35,099,337</i>
Investment return				
Interest and dividends	82,778	835,673	-	918,451
Net appreciation of investments	427,725	4,339,020	-	4,766,745
Investment expense	(32,750)	(217,236)	-	(249,986)
<b>Total investment return</b>	<b>477,753</b>	<b>4,957,457</b>	<b>-</b>	<b>5,435,210</b>
Contributions	199,383	-	560,774	760,157
Withdrawals	(105,460)	(1,090,391)	-	(1,195,851)
<b>Endowment net assets, end of year</b>	<b>\$ 3,312,744</b>	<b>\$ 7,879,876</b>	<b>\$ 28,906,233</b>	<b>\$ 40,098,853</b>

# The Community Foundation for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 6 - Endowment - Continued

#### Relevant Law - Continued

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

  

	December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, <i>beginning of year</i>	\$ 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 of investments	127,965	1,114,598	-	1,242,563
Investment expense	(31,136)	(179,066)	-	(210,202)
Total investment return	<u>203,173</u>	<u>1,752,063</u>	<u>-</u>	<u>1,955,236</u>
Contributions	<u>86,613</u>	<u>111,332</u>	<u>12,460,923</u>	<u>12,658,868</u>
Withdrawals	<u>(98,126)</u>	<u>(1,022,505)</u>	<u>(60,000)</u>	<u>(1,180,631)</u>
Endowment net assets, <i>end of year</i>	<u>\$ 2,741,068</u>	<u>\$ 4,012,810</u>	<u>\$ 28,345,459</u>	<u>\$ 35,099,337</u>

#### 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, 2017 and 2016.

#### 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.

# The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

## Note 6 - Endowment - Continued

### 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 the 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, 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 100% of every dollar contributed by the employee up to the first 5% of the employee's salary. The Community Foundation also made a non-elective contribution of 3% of the employee's salary for the year ended December 31, 2017. For the years ended December 31, 2017 and 2016, the Community Foundation's employer contributions were \$45,522 and \$4,752, respectively.

## Note 8 - Commitments

### *Operating Leases*

The Community Foundation's lease for office space at 6 Tower Place expired effective June 2017. The Community Foundation paid rent on a month-to-month basis through April 2018. During April 2018, the Community Foundation signed a new noncancelable office lease. The lease expires in July 2023 and calls for rent ranging from \$8,052 to \$8,900 per month.

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 electric, heat and air conditioning 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 for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 8 - Commitments - Continued

#### *Operating Leases - Continued*

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

For the year ending December 31,		
2018	\$	66,550
2019		101,902
2020		102,205
2021		101,720
2022		105,535
Thereafter		<u>53,403</u>
	\$	<u>531,315</u>

### 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*

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.

# The Community Foundation for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 10 - Fair Value of Financial Instruments - Continued

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

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 asset values (NAV). As a practical expedient, commingled funds that do not have a readily determinable fair value are valued at NAV 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.

The following tables present the Community Foundation's investments at December 31, 2017 and 2016:

	December 31, 2017				Commingled Investments Measured at NAV
	Total	Level 1	Level 2	Level 3	
<b>Assets</b>					
Investments					
Large Cap Equity	\$ 17,691,831	\$ 17,691,831	\$ -	\$ -	\$ -
Mid Cap Equity	7,885,937	-	-	-	7,885,937
Small Cap Equity	4,920,645	4,920,645	-	-	-
International Equity	20,600,563	-	-	-	20,600,563
Emerging Markets	7,626,553	-	-	-	7,626,553
Multi Strategy Hedge Funds	5,066,960	-	-	-	5,066,960
Long/Short Equity Hedge Funds	3,494,710	-	-	-	3,494,710
Private Equity	1,344,294	-	-	-	1,344,294
Real Estate	1,229,786	-	-	-	1,229,786
Fixed income	12,290,953	4,396,071	-	-	7,894,882
	<u>\$ 82,152,232</u>	<u>\$ 27,008,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,143,685</u>
Assets reserved under split interest agreements	<u>\$ 1,302,808</u>	<u>\$ 1,302,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# The Community Foundation for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 10 - Fair Value of Financial Instruments - Continued

	December 31, 2016				Commingled Investments Measured at NAV
	Total	Level 1	Level 2	Level 3	
<b>Assets</b>					
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
Multi 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
	<u>\$ 69,246,556</u>	<u>\$ 28,136,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,110,513</u>
Assets reserved under split interest agreements	\$ 1,238,463	\$ 1,238,463	\$ -	\$ -	\$ -

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	\$ 4,397,076	\$ -	Monthly	n/a	15 days
Mid Cap Equity	3,488,861	-	Daily	n/a	Daily
International Equity	6,704,778	-	Monthly	n/a	6 days
International Equity	10,068,750	-	Monthly	n/a	5 days
International Equity	3,827,035	-	n/a	March 31, 2019	90 days
Emerging Markets	2,472,228	-	Monthly	n/a	7 days
Emerging Markets	5,154,325	-	Daily	n/a	Daily
Multi Strategy Hedge Fund	3,081,225	-	Quarterly	n/a	70 days
Multi Strategy Hedge Fund	1,985,735	-	n/a	June 30, 2018	60 days
Long/Short Equity Hedge Funds	3,494,710	-	Quarterly	n/a	95 days
Private Equity	740,005	261,000	No liquidity	n/a	n/a
Private Equity	165,536	810,000	No liquidity	n/a	n/a
Private Equity	438,753	647,472	No liquidity	n/a	n/a
Real Estate	1,087,018	150,975	No liquidity	n/a	n/a
Real Estate	36,980	950,000	No liquidity	n/a	n/a
Real Estate	105,788	897,583	No liquidity	n/a	n/a
Fixed income	4,337,601	-	Semi- Monthly	n/a	5 days
Fixed income	3,557,281	-	Monthly	n/a	10 days
	<u>\$ 55,143,685</u>	<u>\$ 3,717,030</u>			

# The Community Foundation for the Greater Capital Region, Inc.

## Notes to Financial Statements December 31, 2017 and 2016

### Note 11 - Pending Accounting Pronouncements

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.

In February 2017, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Community Foundation is evaluating the impact of the pending adoption of the new standard on the consolidated financial statements. The Community Foundation currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the statement of financial position in amounts that will be material.