The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Financial Report

June 30, 2016

Contents

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Independent Auditor's Report

To the Board of Trustees
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

We have audited the accompanying financial statements of The DuPage Community Foundation (d.b.a. DuPage Foundation), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The DuPage Community Foundation (d.b.a. DuPage Foundation) as of June 30, 2016 and 2015 and its 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.

Plante & Moran, PLLC

October 20, 2016

The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Statement of Financial Position

	June 30, 2016	June 30, 2015
Assets		
Cash	$ 2,332,839	$ 1,691,233
Administrative fees receivable	122,363	122,458
Prepaid expenses and other	32,592	23,866
Charitable lead trust receivable (Note 4)	183,525	211,239
Investments (Note 5)	59,659,664	58,198,752
Reinsurance contract (Note 3)	96,271	125,322
Pledges receivable	2,000	-
Cash value of life insurance	544,284	539,509
Other assets	28,000	28,000
Property and equipment - Net (Note 2)	1,454,426	1,875,386
Total assets	**$ 64,455,964**	**$ 62,815,765**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,047	$ 247,834
Agency funds (Note 7)	11,712,752	11,626,672
Annuity payable (Note 3)	241,533	262,714
Line of credit (Note 6)	-	267,413
Accrued liabilities	28,729	16,870
Total liabilities	11,984,061	12,421,503
Net Assets		
Unrestricted	7,099,481	8,169,503
Temporarily restricted (Note 8)	8,550,245	7,609,264
Permanently restricted (Note 8)	36,822,177	34,615,495
Total net assets	52,471,903	50,394,262
Total liabilities and net assets	**$ 64,455,964**	**$ 62,815,765**

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Activities and Changes in Net Assets

	Year Ended							
	June 30, 2016				June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Gifts, bequests, and grants	$ 1,545,168	$ 3,609,081	$ 2,206,682	$ 7,360,931	$ 1,382,108	$ 2,394,942	$ 3,033,877	$ 6,810,927
Interest and dividend income	202,471	780,894	-	983,365	181,252	749,593	-	930,845
Net investment (losses) gains	(114,280)	(1,015,039)	-	(1,129,319)	(67,455)	208,420	-	140,965
Administrative fees	105,185	-	-	105,185	112,920	-	-	112,920
Net assets released from restrictions	2,433,955	(2,433,955)	-	-	3,372,191	(3,372,191)	-	-
Total revenue, gains, and other support	4,172,499	940,981	2,206,682	7,320,162	4,981,016	(19,236)	3,033,877	7,995,657
Expenses								
Grants awarded	3,672,065	-	-	3,672,065	3,598,673	-	-	3,598,673
Grant-making activities	808,878	-	-	808,878	796,176	-	-	796,176
Management and general	436,949	-	-	436,949	309,477	-	-	309,477
Fundraising	324,629	-	-	324,629	297,677	-	-	297,677
Total expenses	5,242,521	-	-	5,242,521	5,002,003	-	-	5,002,003
(Decrease) Increase in Net Assets	(1,070,022)	940,981	2,206,682	2,077,641	(20,987)	(19,236)	3,033,877	2,993,654
Net Assets - Beginning of year	8,169,503	7,609,264	34,615,495	50,394,262	8,190,490	7,628,500	31,581,618	47,400,608
Net Assets - End of year	**$ 7,099,481**	**$ 8,550,245**	**$ 36,822,177**	**$ 52,471,903**	**$ 8,169,503**	**$ 7,609,264**	**$ 34,615,495**	**$ 50,394,262**

The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Statement of Cash Flows

	Year Ended	
	June 30, 2016	June 30, 2015
Cash Flows from Operating Activities		
Increase in net assets	$ 2,077,641	$ 2,993,654
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net investment loss (gains)	1,129,319	(140,965)
Depreciation	52,995	15,439
Noncash donations	(2,768,776)	(2,223,641)
Loss on disposal of assets	28,710	-
Changes in operating assets and liabilities which provided (used) cash:		
Administrative fees receivable	95	(8,349)
Charitable lead trust receivable	27,714	18,129
Prepaid expenses and other	(8,726)	2,231
Cash value of life insurance	29,051	1,052
Pledges receivable	(2,000)	-
Accounts payable	(246,787)	10,523
Agency funds	86,080	(302,856)
Annuity payable	(21,181)	67,077
Accrued liabilities	11,859	16,870
Net cash provided by operating activities	395,994	449,164
Cash Flows from Investing Activities		
Purchase of property and equipment	(41,352)	(1,238,204)
Purchases of investments	(13,655,205)	(14,242,061)
Proceeds from sales and maturities of investments	14,262,900	13,900,959
Proceeds from disposal of property and equipment	380,607	-
Net cash provided by (used in) investing activities	946,950	(1,579,306)
Cash Flows from Financing Activities		
Proceeds from line of credit	-	267,413
Noncash donations for endowments	(433,925)	(279,162)
Payments on the line of credit	(267,413)	-
Net cash used in financing activities	(701,338)	(11,749)
Net Increase (Decrease) in Cash	641,606	(1,141,891)
Cash - Beginning of year	1,691,233	2,833,124
Cash - End of year	**$ 2,332,839**	**$ 1,691,233**

See Notes to Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

Organization Purpose - The DuPage Community Foundation (d.b.a. DuPage Foundation) (the "Foundation") is a grant-making community foundation created in 1986 to benefit the people of DuPage County, Illinois. The Foundation receives contributions and bequests into endowment funds. The earnings on these funds are used, according to donors' wishes, for the Foundation's grant-making and community leadership activities.

During the year 2015, the Foundation started doing business as DuPage Foundation. Its legal name has not been changed.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. This method records revenue and related assets when earned and records expenses and related liabilities when the obligations are incurred.

Classification of Net Assets - Net assets of the Foundation are classified as unrestricted, board designated, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. Board designations are imposed and removed by the board of directors and classified as unrestricted.

Cash - For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts at Northern Trust, which at times may exceed federally insured limits. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash.

Cash and short-term investments held in bank and brokerage money market accounts are reported as restricted because the Foundation holds those funds as endowments.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Investments - The Foundation's investments are reported at fair value. Donated investments are reflected as contributions at their fair values at the date the donor relinquishes control. Gain or loss on the sale of investments is computed using the specific recorded costs of each security. Investment income is recorded on the accrual basis and is reported in the statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks such as interest rate, credit risk, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Administrative Fees Receivable - Receivables represent administrative fees charged to agencies and other fund holders. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts. For the years ended June 30, 2016 and 2015, all amounts are deemed to be collectible.

Agency Funds - The Foundation adopted the accounting treatment prescribed by generally accepted accounting principles, *Transfers of Assets to a Not-for-Profit Organization of Charitable Trust that Raises or Holds Contributions for Others*, and accordingly, records the funds received on behalf of others as a liability.

Property and Equipment - Property and equipment are stated at their estimated fair value at the date donated or at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The capitalization policy is set at $5,000. Costs of maintenance and repairs are charged to expense when incurred.

Pledges Receivable - Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. As of June 30, 2016 and 2015, there was $2,000 and $0, respectively, in pledges receivable.

Gifts, Bequests, and Grants - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Conditional promises are recorded when donor stipulations are substantially met. Contributions are recorded net of allowances.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

An allowance for doubtful accounts is provided based on management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions received with donor-imposed restrictions are reported as revenue of the permanently restricted or temporarily restricted net asset class as required by the donor intent. Temporarily restricted net assets released from restrictions primarily relate to expenditures incurred for capital additions and program services. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class.

The bylaws of the Foundation include a variance provision and powers of modification, giving the board of trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations, if in the board's sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community that the Foundation serves. Based on these provisions, the Foundation accounts for contributions with the donor's imposed restrictions until they use variance power to modify the restrictions.

Donated Services - The Foundation records contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation. When such contributions are received, they are recorded at their fair values in the period received. The Foundation did not receive donated services during the years ended June 30, 2016 and 2015.

Income Taxes - The Foundation is exempt from income tax under provision of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grants - Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing various programs and other services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated based on an analysis of indirect expenses and personnel assigned. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Recent Accounting Pronouncement - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in August, 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations who follow FASB not-for-profit rules, including changing from three classes of net assets to two classes, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Foundation, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Foundation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Foundation is currently evaluating the impact this standard will have on the financial statements.

Use of 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 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 20, 2016, which is the date the financial statements were available to be issued.

Note 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2016	2015	Depreciable Life - Years
Land	$ 68,860	$ 163,770	-
Buildings	1,019,839	1,399,625	7-40
Building improvements	350,014	343,514	3-10
Computer software	93,578	66,518	3-5
Furniture and equipment	56,667	63,659	5
Total cost	1,588,958	2,037,086	
Less accumulated depreciation	(134,532)	(161,700)	
Net carrying amount	$ 1,454,426	$ 1,875,386	

Depreciation expense was $52,995 for 2016 and $15,439 for 2015.

Note 3 - Charitable Gift Annuities

In 2004, the Foundation entered into a charitable gift annuity agreement with a donor. The donor agreed to provide a gift to the fund, in exchange for a lifetime annuity to be paid to the donor. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the fiscal year ended June 30, 2005. As required by state law, the Foundation entered into an agreement with an insurance company to fund payment of the annuity to this donor. The value of this annuity agreement is reflected as a reinsurance contract in the statement of financial position. It is expected that the reinsurance contract will offset the annuity liability, resulting in no net impact on the statement of activities and changes in net assets in future periods. At June 30, 2016 and 2015, the asset and liability arising from this agreement are reported at $96,271 and $125,322, respectively.

Note 3 - Charitable Gift Annuities (Continued)

During the fiscal years 2013 through 2016, the Foundation entered into six charitable gift annuity agreements with donors. The donors agreed to provide a gift to the fund, in exchange for a lifetime annuity to be paid to the donors. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and the expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the respective year ends. The Foundation met state law requirements and was not required to enter into an agreement with an insurance company to fund payment of the annuity to those donors. At June 30, 2016 and 2015, the liability arising from these agreements is reported at $145,262 and $137,392, respectively.

Note 4 - Charitable Lead Trust

During fiscal year 2009, a donor established a trust naming the Foundation as one of the lead beneficiaries of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive 45 percent of a unitrust amount equal to 4 percent of the net fair market value of the assets of the trust valued as of the first business day of each taxable year for the trust for a period of 22 years. After that time, the trust is to terminate, and remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of expected future cash inflows. Based on the duration of the trust and a 5 percent discount rate, the fair value of the Foundation's interest in the trust was estimated and recorded in 2009 as a temporarily restricted contribution and as charitable lead trust receivable. The Foundation received $17,420 and $18,424 from the trust in 2016 and 2015, respectively, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets. On an annual basis, the Foundation will revalue the contribution receivable based on asset valuation and current market conditions.

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2016 and 2015 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Foundation applies a guidance that allows for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Investments measured at fair value using NAV per share (or its equivalent) as a practical expedient are not classified in the hierarchy table.

Note 5 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2016
Assets - Investments					
Emerging markets mutual funds	$ 2,540,165	$ -	$ -	$ 558,811	$ 3,098,976
Exchange traded funds	7,096,356	-	-	-	7,096,356
International mutual funds	2,173,753	-	-	3,637,646	5,811,399
Domestic mutual funds	12,402,904	-	-	3,430,044	15,832,948
Domestic common stock	7,117,585	-	-	-	7,117,585
Fixed-income securities	1,020,121	-	-	-	1,020,121
Mutual funds	7,245,391	-	-	2,637,925	9,883,316
Hedge funds	426,599	-	-	4,212,740	4,639,339
Real estate funds	1,487,588	-	-	-	1,487,588
Commodity funds	765,802	-	-	-	765,802
Private equity funds	-	-	-	2,906,234	2,906,234
Total assets	$ 42,276,264	$ -	$ -	$ 17,383,400	$ 59,659,664

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2015
Assets - Investments					
Emerging markets mutual funds	$ 2,406,675	$ -	$ -	$ 763,356	$ 3,170,031
International mutual funds	2,219,027	-	-	3,555,276	5,774,303
International common stock	184,823	-	-	-	184,823
Domestic mutual funds	19,054,032	-	-	3,539,789	22,593,821
Domestic common stock	6,254,771	-	-	-	6,254,771
Fixed-income securities	7,707,267	-	-	3,771,964	11,479,231
Hedge funds	584,725	-	-	4,289,175	4,873,900
Real estate funds/partnerships	1,253,317	-	-	-	1,253,317
Commodity funds	778,368	-	-	-	778,368
Private equity	-	-	-	1,836,187	1,836,187
Total assets	$ 40,443,005	$ -	$ -	$ 17,755,747	$ 58,198,752

Note 5 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

Investments held at June 30, 2016

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Emerging markets mutual funds (a)	$ 558,811	$ -	Daily	1-2 days
International mutual funds (b)	3,637,646	-	Daily	2-3 days
Domestic mutual funds (c)	3,430,044	-	Daily	1-2 days
Fixed-income securities (d)	2,637,925	-	Daily	None
Funds of hedge funds (e)	4,212,740	-	90 days or less	90 days or less
Private equity (f)	2,906,234	4,845,000	Quarterly	None
Total	$ 17,383,400	$ 4,845,000		

Investments Held at June 30, 2015

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Emerging markets mutual funds (a)	$ 763,356	$ -	Daily	1-2 days
International mutual funds (b)	3,555,276	-	Daily	2-3 days
Domestic mutual funds (c)	3,539,789	-	Daily	1-2 days
Fixed-income securities (d)	3,771,964	-	Daily	None
Funds of hedge funds (e)	4,289,175	-	90 days or less	90 days or less
Private equity (f)	1,836,187	5,772,600	Quarterly	None
Total	$ 17,755,747	$ 5,772,600		

(a) Emerging markets mutual funds: invest in international securities that are in the MSCI Emerging Markets Index with the objective of replicating the performance of the MSCI Emerging Markets Index.

(b) International mutual funds: invest in international securities that are in the MCI EAFE Index and in the MSCI Emerging Markets Index with the objective of outperforming the MSCI EAFE Index and replicating the performance of the MSCI ACWI ex-US.

(c) Domestic mutual funds: invest in domestic equities in the Russell 1000, Midcap, and 2000 Indices with the objective of outperforming the Russell 1000, Midcap, and 2000 Indices.

(d) Fixed-income securities: invest in domestic fixed-income securities with the objective of replicating the BC US Aggregate Bond Index.

Note 5 - Fair Value Measurements (Continued)

(e) Funds of hedge funds: these funds of hedge funds are designated to provide a competitive rate of return. Generally, these investments have a redemption period of 90 days or less and a notification period of 90 days or less. Approximately 0.2 percent of the investments are in side pocket arrangements. The Foundation will not be able to redeem such value from any particular underlying investments until such amount is released from its respective side pocket arrangement. The Foundation is not able to estimate the timing of receipt of such amounts.

(f) Private equity: invests in private equity with the objective of obtaining a competitive rate of return.

Note 6 - Line of Credit

In 2015, the Foundation established an unsecured revolving line of credit agreement with available borrowings of $1,500,000 with interest at a variable rate as determined by the bank's prime interest rate index less .5 percentage points expiring in January 2017. The effective rate as of June 30, 2015 was 2.75 percent.

The outstanding balance as of June 30, 2016 and 2015 was $0 and $267,413, respectively. The line of credit was closed on March 11, 2016.

Note 7 - Agency Funds

The financial effects of transactions related to agency funds are recorded as changes in the agency funds liability on the statement of financial position and are not included in the statement of activities and changes in net assets. The changes are summarized as follows:

	2016	2015
Additions:		
Deposits	$ 885,795	$ 561,457
Investment income	236,526	227,405
Net unrealized and realized loss	(293,322)	(20,539)
Total additions	828,999	768,323
Deductions:		
Distributions	606,636	923,254
Investment expense	136,283	147,925
Total deductions	742,919	1,071,179
Change in balance	86,080	(302,856)
Agency funds - Beginning of year	11,626,672	11,929,528
Agency funds - End of year	$ 11,712,752	$ 11,626,672

Note 8 - Donor-restricted and Board-designated Endowments

The Foundation's endowment consists of approximately 264 individual funds established for a variety of purposes. Endowments include both donor-restricted funds and funds designated by the board of trustees to function as endowments.

Interpretation of Relevant Law

The board of trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the 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 Foundation
(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3,563,786)	$ 8,550,245	$ 36,822,177	$ 41,808,636
Board-designated endowment funds	8,703,144	-	-	8,703,144
Total funds	$ 5,139,358	$ 8,550,245	$ 36,822,177	$ 50,511,780

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 6,298,621	$ 7,609,264	$ 34,615,495	$ 48,523,380
Investment return:				
Investment income	202,471	780,894	-	983,365
Net depreciation (realized and unrealized)	(114,280)	(1,015,039)	-	(1,129,319)
Total investment return	88,191	(234,145)	-	(145,954)
Contributions	1,009,098	3,609,081	2,206,682	6,824,861
Appropriation of endowment assets for expenditure	(2,256,552)	(2,433,955)	-	(4,690,507)
Endowment net assets - End of year	$ 5,139,358	$ 8,550,245	$ 36,822,177	$ 50,511,780

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,693,193)	$ 7,609,264	$ 34,615,495	$ 40,531,566
Board-designated endowment funds	7,991,814	-	-	7,991,814
Total funds	$ 6,298,621	$ 7,609,264	$ 34,615,495	$ 48,523,380

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 7,339,688	$ 7,628,500	$ 31,581,618	$ 46,549,806
Investment return:				
Investment income	180,612	749,593	-	930,205
Net appreciation (realized and unrealized)	(67,455)	208,420	-	140,965
Total investment return	113,157	958,013	-	1,071,170
Contributions	147,814	2,394,942	3,033,877	5,576,633
Appropriation of endowment assets for expenditure	(1,302,038)	(3,372,191)	-	(4,674,229)
Endowment net assets - End of year	$ 6,298,621	$ 7,609,264	$ 34,615,495	$ 48,523,380

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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $3,563,786 as of June 30, 2016 and $1,693,193 as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies, approved by the board of trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk, including investment income as well as capital appreciation, which exceeds the annual distribution.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to minimize risk.

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation will use the moving average method to plan year-to-year grants in order to reduce annual variations in the amounts distributed from the aggregate portfolio. The amount will be determined based on the moving average of the portfolio fair value from the previous 12 quarters (that is, the moving average will be determined in the last quarter of the calendar year based on 12 averaged quarters ending September 30 before the calendar year in which the funds are to be spent). For funds less than three years old, the market value will be the average of all averaged quarters to date. This policy creates more consistent and predictable granting by the Foundation over the long term.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment assets are invested in a well diversified asset mix, that is intended to result in consistent inflation-protected rates of return with sufficient liquidity to make an annual distribution of between 4 percent and 5 percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return, net of fees of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Note 9 - Noncash Transactions

Capital expenditures in the amount of $0 and $225,780 were included in accounts payable and accrued expenses as of June 30, 2016 and 2015, respectively.