



Financial Statements

December 31, 2016 and 2015



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CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Governing Board of
Charlottesville Area Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Charlottesville Area Community Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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; this includes the design, implementation, and maintenance of internal controls 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. 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016, 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.

Prior Period Financial Statements

The financial statements of the Foundation as of December 31, 2015, were audited by other accountants whose report dated July 25, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in black ink, appearing to read "Keita", with a long horizontal flourish extending to the right.

July 28, 2017
Glen Allen, Virginia

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statements of Financial Position
December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 430,027	\$ 226,805
Investments, at fair value	153,686,443	142,390,513
Notes receivable	32,436	32,436
Beneficial interests in trusts	23,259,727	23,998,406
Real estate	7,000	7,000
Property and equipment, net of accumulated depreciation of \$84,327 and \$81,229, respectively	<u>5,897</u>	<u>5,473</u>
 Total assets	 <u>\$ 177,421,530</u>	 <u>\$ 166,660,633</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 24,697	\$ 50,215
Grants payable	5,931,236	2,806,415
Annuity payable	4,381	4,381
Agency funds payable	14,747,699	14,436,690
Liability for amounts held in trust for others	<u>10,377</u>	<u>21,610</u>
 Total liabilities	 <u>20,718,390</u>	 <u>17,319,311</u>
Net assets:		
Unrestricted:		
Undesignated	12,945,800	13,081,487
Field of interest	2,228,605	2,263,366
Designated	4,050,713	3,677,147
Scholarships	7,101,447	7,015,302
Donor and committee advised	<u>106,976,781</u>	<u>99,177,149</u>
Total unrestricted	133,303,346	125,214,451
Temporarily restricted	23,339,794	24,066,871
Permanently restricted	<u>60,000</u>	<u>60,000</u>
 Total net assets	 <u>156,703,140</u>	 <u>149,341,322</u>
 Total liabilities and net assets	 <u>\$ 177,421,530</u>	 <u>\$ 166,660,633</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statement of Activities
Year Ended December 31, 2016, with Summarized Financial Information for 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Totals	2015 Totals
Revenues, gains, and support:					
Contributions and agency receipts	\$ 24,059,400	\$ -	\$ -	\$ 24,059,400	\$ 57,320,990
Gifts in-kind	58,145	-	-	58,145	-
Less amounts for agency receipts	<u>538,571</u>	<u>-</u>	<u>-</u>	<u>538,571</u>	<u>2,039,067</u>
Total contributions	23,578,974	-	-	23,578,974	55,281,923
Dividends and interest	1,759,508	-	-	1,759,508	3,121,317
Net realized investment gains	2,389,907	-	-	2,389,907	2,470,083
Net unrealized investment gains (losses)	897,823	-	-	897,823	(5,288,299)
Change in value of split interest agreements (trusts)	-	158,927	-	158,927	358,357
Fee income	<u>139,409</u>	<u>-</u>	<u>-</u>	<u>139,409</u>	<u>136,697</u>
Total revenues, gains, and support	<u>28,765,621</u>	<u>158,927</u>	<u>-</u>	<u>28,924,548</u>	<u>56,080,078</u>
Net assets released from restrictions	<u>886,004</u>	<u>(886,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Grants and distributions	20,061,074	-	-	20,061,074	9,532,945
Less distributions from agency funds	<u>713,011</u>	<u>-</u>	<u>-</u>	<u>713,011</u>	<u>283,985</u>
Total grants	19,348,063	-	-	19,348,063	9,248,960
Program expenses other than grants	1,695,574	-	-	1,695,574	1,506,215
General administration	268,375	-	-	268,375	249,822
Fundraising	<u>250,718</u>	<u>-</u>	<u>-</u>	<u>250,718</u>	<u>191,758</u>
Total expenses	<u>21,562,730</u>	<u>-</u>	<u>-</u>	<u>21,562,730</u>	<u>11,196,755</u>
Change in net assets	8,088,895	(727,077)	-	7,361,818	44,883,323
Net assets, beginning of year	<u>125,214,451</u>	<u>24,066,871</u>	<u>60,000</u>	<u>149,341,322</u>	<u>104,457,999</u>
Net assets, end of year	<u>\$ 133,303,346</u>	<u>\$ 23,339,794</u>	<u>\$ 60,000</u>	<u>\$ 156,703,140</u>	<u>\$ 149,341,322</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and support:				
Contributions and agency receipts	\$ 57,320,990	\$ -	\$ -	\$ 57,320,990
Less: amounts for agency funds	<u>2,039,067</u>	<u>-</u>	<u>-</u>	<u>2,039,067</u>
Total contributions	55,281,923	-	-	55,281,923
Dividends and interest	3,121,317	-	-	3,121,317
Net realized investment gains	2,470,083	-	-	2,470,083
Net unrealized investment losses	(5,288,299)	-	-	(5,288,299)
Change in value of split interest agreements (trusts)	-	358,357	-	358,357
Fee income	<u>136,697</u>	<u>-</u>	<u>-</u>	<u>136,697</u>
Total revenue, gains, and support	<u>55,721,721</u>	<u>358,357</u>	<u>-</u>	<u>56,080,078</u>
Net assets released from restrictions	<u>1,120,486</u>	<u>(1,120,486)</u>	<u>-</u>	<u>-</u>
Expenses:				
Grants and distributions	9,532,945	-	-	9,532,945
Less: distributions from agency funds	<u>283,985</u>	<u>-</u>	<u>-</u>	<u>283,985</u>
Total grants	9,248,960	-	-	9,248,960
Program expenses other than grants	1,506,215	-	-	1,506,215
General administration	249,822	-	-	249,822
Fundraising	<u>191,758</u>	<u>-</u>	<u>-</u>	<u>191,758</u>
Total expenses	<u>11,196,755</u>	<u>-</u>	<u>-</u>	<u>11,196,755</u>
Change in net assets	45,645,452	(762,129)	-	44,883,323
Net assets, beginning of year	<u>79,568,999</u>	<u>24,829,000</u>	<u>60,000</u>	<u>104,457,999</u>
Net assets, end of year	<u>\$ 125,214,451</u>	<u>\$ 24,066,871</u>	<u>\$ 60,000</u>	<u>\$ 149,341,322</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Statements of Cash Flows Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,361,818	\$ 44,883,323
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized gain on investments	(2,389,907)	(2,470,083)
Unrealized (gain) loss on investments	(897,823)	5,288,299
Change in value of split interest agreements	(158,927)	(358,357)
Depreciation	3,098	3,209
Non-cash contributions of investments	-	(41,582,876)
Collection of interests in trusts	897,606	1,120,486
Changes in assets and liabilities:		
Accounts payable	(25,518)	47,687
Grants payable	3,124,821	690,430
Annuity payable	(11,233)	(109)
Agency funds payable	<u>311,009</u>	<u>1,760,833</u>
Net cash provided by operating activities	<u>8,214,944</u>	<u>9,382,842</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,522)	-
Sale of investments	83,702,749	68,966,968
Purchases of investments	(91,710,949)	(78,648,526)
Collections of notes receivables	<u>-</u>	<u>5,450</u>
Net cash used in investing activities	<u>(8,011,722)</u>	<u>(9,676,108)</u>
Net change in cash	203,222	(293,266)
Cash, beginning of year	<u>226,805</u>	<u>520,071</u>
Cash, end of year	<u>\$ 430,027</u>	<u>\$ 226,805</u>

See accompanying notes to the financial statements.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements

1. Nature of Organization:

Charlottesville Area Community Foundation (the "Foundation") is a non-stock corporation organized under the laws of the Commonwealth of Virginia. The mission of the Foundation is to improve the quality of life in the city of Charlottesville and surrounding counties of Albemarle, Buckingham, Fluvanna, Greene, Louisa, Nelson and Orange. The Foundation makes grants to support partner agencies working to address community challenges and opportunities. The Foundation also works with donors to fulfill their philanthropic interests and conduct tax efficient charitable giving.

2. Summary of Significant Accounting Policies:

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

The financial statements are presented in accordance with FASB guidance, which establishes standards for financial statements issued by nonprofit organizations. It required that net assets and related revenue and expenses be classified in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Foundation. Donor-restricted contributions, sponsorships and grants whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets – Net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. 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 – Net assets that are subject to donor-imposed stipulations that the Foundation maintains them permanently.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 periods reported. Actual results could differ from those estimates.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Cash: The Foundation considers cash in demand deposits, money market accounts and other highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies. Thus, cash in operating accounts is included in the statements of financial position as cash and other cash and equivalents are included in investments. The balances in these accounts at times may exceed federally insured limits. However, the Foundation does not believe it is subject to any significant credit risk as a result of these deposits.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities. Investment income, gains, and losses are reported as increases or decreases in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor or time restrictions. Donated investments are recorded at their fair value on the date of the contribution.

Beneficial Interests in Trusts: The Foundation has been named the beneficiary of several charitable remainder trusts and charitable lead trusts. Contribution revenue based on the present value of the expected benefits was recognized as temporarily restricted in the years the trusts were funded due to the implied time restrictions. The lead trusts make distributions to the Foundation for the term of the trust. The remainder trusts make distributions to other beneficiaries for the term of the trust or life of the grantor and the Foundation will receive the remaining amount of the trust assets at termination. The Foundation holds the assets for one of the remainder trusts, but the assets of the other trusts are held by external trustees. Assets held by the Foundation in a charitable remainder trust as of December 31 2016 and 2015 totaled \$90,444 and \$90,074, respectively, and are reported in investments at fair value in the statements of financial position. On an annual basis, the Foundation reviews the need to revalue the liability to make distributions to the beneficiary based on actuarial assumptions. The present value of the estimated future benefits was calculated using a discount rate ranging from 1.8% to 4.0% in 2016 and 4.0% in 2015.

Property and Equipment: The Foundation capitalized all acquisitions of property and equipment in excess of \$750 during 2016 and 2015. Property and equipment are stated at cost less accumulated depreciation. Depreciation of the property and equipment is computed using the straight-line method over a period of 3 to 7 years. Depreciation expense was \$3,098 for 2016 and \$3,209 for 2015.

Agency Obligations: The Foundation accepts assets from unaffiliated nonprofit organizations (“agencies”) that name themselves or their affiliates as the beneficiaries of the funds created. In accordance with generally accepted accounting principles, a liability has been established for the fair value of the funds and no contribution revenue was recognized for the period in which the agency funds are received.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Support and Revenue Recognition: The Foundation reports contributions received as unrestricted support, except for agency funds received, which are reported as a liability and one fund which was received with the stipulation that the principal be permanently invested, which is reported as permanently restricted. The bylaws and fund agreements of the Foundation include a Variance Provision giving the Governing Board the power to vary the use of funds. While the Foundation attempts to meet the desires of the donors or advisors, the Foundation reserves the right to modify any recommended distributions from funds if, in the sole judgment of the Foundation's Board, such distributions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or if a distribution requested by a donor would result in use of funds contrary to the intent originally understood. Based on the Variance Provision, almost all contributions received by the Foundation are reported as unrestricted support, except for assets related to charitable lead and remainder trusts, which are classified as temporarily restricted due to the time restrictions on the assets, and the one fund which the donor restricted for the principal to be invested permanently and only the income is available for distributions.

Charitable remainder trusts and charitable lead trusts are reported as temporarily restricted support until collected. When a time 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.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributed Services: Many individuals volunteer their time by assisting with committee assignments and donor relations, but these services do not meet the criteria for recognition as contributed services under GAAP.

Advertising: Advertising costs of \$114,168 for 2016 and \$83,350 for 2015, are included in general administration expenses and are expensed as incurred.

Functional Allocation of Expenses: The costs of providing support to local charities and nonprofits have been summarized on a functional basis in the statements of activities as program expenses. Non-grant costs have been allocated among program, general administration, and fundraising on the basis of the activity benefited based on management's estimates.

Grants: Grants are recorded as expenses in the year they are approved by the Board when the probability of not meeting any grant conditions is remote.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: The Foundation is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes on exempt income included in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Income Tax Uncertainties: The Foundation follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Foundation is not currently under audit by any tax jurisdiction.

New Accounting Guidance: In May 2015, FASB issued ASU No. 2015-07, "Disclosure for Investments in Certain Entities that Calculated Net Asset Value ("NAV") per Share (or Its Equivalent)", which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured using net asset value per share as a practical expedient. The amendments in the ASU are effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Foundation has elected to early adopt this ASU and the adoption of this ASU is reflected in the fair value hierarchy where investments valued using NAV per share as a practical expedient are excluded from categorization in the fair value hierarchy.

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

New Accounting Guidance, Continued:

- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Foundation has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

Subsequent Events: Management has evaluated subsequent events through July 28, 2017, the date the financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying financial statements.

3. Fair Value Measurements:

The Foundation has adopted FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

3. Fair Value Measurements, Continued:

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Money market: Valued at the cash balance.

Equity securities, EFTs, and mutual funds: Valued at closing prices reported on the active market on which the individual securities are traded.

Government bonds, corporate bonds, and bond index funds: Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

Strategy funds, and hedge funds: Valued at the net asset value of shares held at year-end as determined by general partners of the funds.

Real estate: Valued using recent assessments or listing prices for real estate currently being marketed.

Beneficial interest in trusts: Valued using the fair value of underlying assets of the trust as an estimate for the present value of the expected future cash flows discounted at 1.8% to 4.0% for 2016 and 4.0% for 2015. One trust has been valued based on a proposed transaction.

Grants payable: Valued at the sum of future payables adjusted to the present value using a discount rate of 1.8% during 2016 and 4.0% during 2015.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

3. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment money market accounts	\$ 17,164,307	\$ -	\$ -	\$ 17,164,307
Marketable equity securities and EFTs:				
Consumer discretionary	8,916,114	-	-	8,916,114
Consumer staples	3,864,558	-	-	3,864,558
Energy	3,844,145	-	-	3,844,145
Financials	6,796,947	-	-	6,796,947
Healthcare	7,235,276	-	-	7,235,276
Industrials	6,228,622	-	-	6,228,622
Information technology	11,187,535	-	-	11,187,535
Materials	1,823,512	-	-	1,823,512
Telecommunication services	2,125,307	-	-	2,125,307
Utilities	896,562	-	-	896,562
International	13,422,124	-	-	13,422,124
Other	212,328	-	-	212,328
Marketable equity mutual funds:				
Domestic mutual funds	16,045,959	-	-	16,045,959
International mutual funds	6,633,042	-	-	6,633,042
Marketable debt securities:				
Domestic mutual funds	62,489	-	-	62,489
International mutual funds	11,832	-	-	11,832
Corporate bonds	18,821,273	-	-	18,821,273
Government obligations	-	5,246,152	-	5,246,152
Mortgage backed securities	-	374,176	-	374,176
Real asset funds	-	2,956,807	-	2,956,807
Real estate holdings	-	-	7,000	7,000
Notes receivable	-	-	32,436	32,436
Beneficial interests in trusts	-	-	23,259,727	23,259,727
Total assets in the fair value hierarchy	<u>\$ 125,291,932</u>	<u>\$ 8,577,135</u>	<u>\$ 23,299,163</u>	157,168,230
Investments measured at NAV (a)				<u>19,817,376</u>
Total assets at fair value				<u>\$ 176,985,606</u>
Liabilities:				
Grants payable	\$ -	\$ 5,931,236	\$ -	\$ 5,931,236
Annuity payable	-	4,381	-	4,381
Agency funds payable	-	14,747,699	-	14,747,699
Liability under trust agreement	-	10,377	-	10,377
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 20,693,693</u>	<u>\$ -</u>	<u>\$ 20,693,693</u>

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

3. Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Investment money market accounts	\$ 16,107,234	\$ -	\$ -	\$ 16,107,234
Marketable equity securities and EFTs:				
Consumer discretionary	4,054,756	-	-	4,054,756
Consumer staples	1,005,537	-	-	1,005,537
Energy	470,908	-	-	470,908
Financials	1,969,677	-	-	1,969,677
Healthcare	2,783,455	-	-	2,783,455
Industrials	1,787,963	-	-	1,787,963
Information technology	4,961,006	-	-	4,961,006
Materials	568,443	-	-	568,443
Telecommunication services	4,657,938	-	-	4,657,938
Utilities	269,163	-	-	269,163
International	1,251,960	-	-	1,251,960
Other	221,951	-	-	221,951
Marketable equity mutual funds:				
Domestic mutual funds	44,513,473	-	-	44,513,473
International mutual funds	19,257,694	-	-	19,257,694
Marketable debt securities:				
Domestic mutual funds	59,969	-	-	59,969
International mutual funds	9,869	-	-	9,869
Corporate bonds	12,191,287	-	-	12,191,287
Government obligations	-	5,432,242	-	5,432,242
Mortgage backed securities	-	874,289	-	874,289
Other	-	26,111	-	26,111
Real estate holdings	-	-	7,000	7,000
Notes receivable	-	-	32,436	32,436
Beneficial interests in trusts	-	-	23,998,406	23,998,406
Total assets in the fair value hierarchy	<u>\$ 116,142,283</u>	<u>\$ 6,332,642</u>	<u>\$ 24,037,842</u>	146,512,767
Investments measured at NAV (a)				<u>19,915,588</u>
Total assets at fair value				<u>\$ 166,428,355</u>
Liabilities:				
Grants payable	\$ -	\$ 2,806,415	\$ -	\$ 2,806,415
Annuity payable	-	4,381	-	4,381
Agency funds payable	-	14,436,690	-	14,436,690
Liability under trust agreement	-	21,610	-	21,610
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 17,269,096</u>	<u>\$ -</u>	<u>\$ 17,269,096</u>

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

3. Fair Value Measurements, Continued:

(a) In accordance of FASB guidance Accounting Standard Update (ASU) 2015-07, certain investments that were measured at NAV have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position and consist of investments in the limited partnership of Bluestem, alternative investments, and a Real Estate Investment Trust.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2016:

	Beneficial Interest in Trusts	Notes Receivable	Real Estate Holdings
Balance, beginning of year	\$ 23,998,406	\$ 32,436	\$ 7,000
Change in value	158,927	-	-
Collections	(897,606)	-	-
Balance, end of year	\$ 23,259,727	\$ 32,436	\$ 7,000

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2015:

	Beneficial Interest in Trusts	Notes Receivable	Real Estate Holdings
Balance, beginning of year	\$ 24,756,960	\$ 37,886	\$ 7,000
Change in value	361,932	-	-
Collections	(1,120,486)	(5,450)	-
Balance, end of year	\$ 23,998,406	\$ 32,436	\$ 7,000

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

4. Grants Payable:

The Foundation's Board approved multi-year grants and scholarships payable in future years. Commitments for grants and scholarships outstanding as of December 31, 2016 are generally due as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 2,149,684
2018	1,719,371
2019	527,625
2020	195,000
2021	100,000
Thereafter	<u>1,771,750</u>
Total undiscounted commitments	6,463,430
Less: present value discounting	<u>532,194</u>
Total	<u>\$ 5,931,236</u>

The Foundation used a rate of 1.8% at December 31, 2016 to discount to present value its grants payable.

5. Restrictions on Net Assets:

Temporarily restricted net assets result from the implied time restriction related to the future interests in trusts totaling \$23,339,794 as of December 31, 2016 and \$24,066,871 as of December 31, 2015.

Permanently restricted net assets of \$60,000 consist of the historic gift amount of one fund where assets are to be held in perpetuity. The income from these net assets is expendable.

6. Retirement Plan:

The Foundation offers an optional salary deferral plan for employees. There was no Foundation contribution to the plan during 2016 or 2015.

7. Fundraising Expenses:

The Foundation pays for certain fundraising activity expenditures of various community foundation funds for which the Foundation is reimbursed from the funds. The Foundation was reimbursed for expenses such as meals, conferences, meetings, and printing. The fundraising expense reimbursement amounted to \$204,893 for 2016 and \$154,508 for 2015.

CHARLOTTESVILLE AREA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

8. Leases:

The Foundation leases office space and equipment under operating leases that expire through December 2020. Future minimum payments under operating lease obligations consisted of the following at December 31, 2016:

<u>Year</u>	<u>Amount</u>
2017	\$ 12,282
2018	15,282
2019	19,457
2020	<u>24,000</u>
Total	<u>\$ 71,021</u>

Total operating lease expense was \$66,754 for 2016, and \$2,625 for 2015. Lease expense for 2016 includes gifts in-kind of \$58,145 related to office space lease.