

**SOUTHWEST FLORIDA COMMUNITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

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To the Board of Trustees
Southwest Florida Community Foundation, Inc.
Fort Myers, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Southwest Florida Community Foundation, Inc. (a non-profit corporation) 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Florida Community Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hughes, Snell & Co., P.A.

HUGHES, SNELL & CO., P.A.
Fort Myers, Florida
November 8, 2016

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Statements of Financial Position
June 30, 2016 and 2015

<u>ASSETS</u>		<u>2016</u>	<u>2015</u>
ASSETS			
Cash and cash equivalents	\$	428,287	\$ 437,822
Contributions receivable		1,674,222	1,865,129
Prepaid expenses		16,961	41,320
Investments in securities		68,270,062	70,647,535
Split interest agreements and remainder interests			
Interest in remainder and lead trusts		21,617,254	18,301,242
Charitable gift annuities		1,902,291	1,976,081
Other remainder interests		144,885	150,384
Property and equipment, net of accumulated depreciation		92,200	113,577
Other assets		19,572	-
	Total Assets \$	<u>94,165,734</u>	<u>\$ 93,533,090</u>
 <u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable and accrued expenses	\$	57,815	\$ 46,366
Funds restricted for programs		170,923	113,353
Grants payable		886,819	521,800
Funds held as agency endowment		2,910,657	3,246,563
Annuity obligations		1,341,210	1,333,084
	Total Liabilities	<u>5,367,424</u>	<u>5,261,166</u>
 NET ASSETS			
Unrestricted		65,331,850	67,945,529
Temporarily restricted		22,156,335	18,981,270
Permanently restricted		1,310,125	1,345,125
	Total Net Assets	<u>88,798,310</u>	<u>88,271,924</u>
	Total Liabilities and Net Assets \$	<u>94,165,734</u>	<u>\$ 93,533,090</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2016
(with Comparative Totals for 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Net Assets Total	Total
REVENUES AND OTHER SUPPORT					
Contributions					
General	\$ 3,573,731	\$ 67,375	\$ -	\$ 3,641,106	\$ 10,951,604
Funds awaiting agreements	-	4,038	-	4,038	-
Total Contributions	<u>3,573,731</u>	<u>71,413</u>	<u>-</u>	<u>3,645,144</u>	<u>10,951,604</u>
Interest and dividends	785,659	3	-	785,662	1,056,490
Miscellaneous income	5,026	-	-	5,026	162,273
Net realized gains (losses) on investments	558,831	23	-	558,854	118,587
Net unrealized gains (losses) on investments	<u>(1,572,611)</u>	<u>10</u>	<u>-</u>	<u>(1,572,601)</u>	<u>120,243</u>
Net investment and other income	(223,095)	36	-	(223,059)	1,457,593
Net assets released from restrictions	<u>106,449</u>	<u>(71,449)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>3,457,085</u>	<u>-</u>	<u>(35,000)</u>	<u>3,422,085</u>	<u>12,409,197</u>
EXPENSES					
Programs					
Grants and scholarships awarded	4,064,411	-	-	4,064,411	3,258,269
Programs, net of partner support	862,655	-	-	862,655	811,220
Administrative	889,796	-	-	889,796	707,756
Development	270,592	-	-	270,592	318,810
Investment fees	191,073	-	-	191,073	172,929
Total Expenses	<u>6,278,527</u>	<u>-</u>	<u>-</u>	<u>6,278,527</u>	<u>5,268,984</u>
Payments and change in value of split interest agreements and interest in remainder and lead trusts	<u>207,763</u>	<u>3,175,065</u>	<u>-</u>	<u>3,382,828</u>	<u>4,254,559</u>
Change in net assets	(2,613,679)	3,175,065	(35,000)	526,386	11,394,772
Net Assets Beginning of Period	<u>67,945,529</u>	<u>18,981,270</u>	<u>1,345,125</u>	<u>88,271,924</u>	<u>76,877,152</u>
Net Assets End of Period	<u>\$ 65,331,850</u>	<u>\$ 22,156,335</u>	<u>\$ 1,310,125</u>	<u>\$ 88,798,310</u>	<u>\$ 88,271,924</u>

The accompanying notes are an integral part of these financial statements.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 526,386	\$ 11,394,772
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	63,454	60,669
Noncash contributions	(1,401,734)	(2,755,000)
Net realized (gain) loss on investments	(558,854)	(118,587)
Net unrealized (gain) loss on investments	1,572,601	(120,243)
(Increase) decrease in:		
Contributions receivable	190,907	1,744,749
Prepaid expenses	24,359	937
Other assets	(19,572)	-
Split interest agreements and interest in remainder and lead trusts	(3,236,723)	(3,927,306)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,449	17,958
Funds restricted for programs	57,570	29,550
Grants payable	365,019	(125,561)
Funds held as agency endowment	(335,906)	(285,460)
Annuity obligations	8,126	(36,358)
Contributions restricted for long-term purposes	-	(29,875)
Net Cash Provided by (Used in) Operating Activities	(2,732,918)	5,850,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,077)	(12,838)
Purchase of investments	(12,496,285)	(37,829,832)
Proceeds from sale of investments	15,261,745	31,987,816
Net Cash Provided by (Used in) Investing Activities	2,723,383	(5,854,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on contributions restricted for long-term purposes	-	29,875
Net Cash Provided by (Used in) Financing Activities	-	29,875
Net Increase (Decrease) in Cash and Cash Equivalents	(9,535)	25,266
Cash and Cash Equivalents at Beginning of Year	437,822	412,556
Cash and Cash Equivalents at End of Year	\$ 428,287	\$ 437,822

The accompanying notes are an integral part of these financial statements.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE A – PURPOSE OF FOUNDATION

The Southwest Florida Community Foundation (the “Foundation”) is a not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and a public charity described in section 170(b)(1)(A)(vi) and 170(c) of the Code. The Foundation’s mission is regional change for the common good. The most significant activities include convening and facilitating diverse networks of regional stakeholders (philanthropy, business, nonprofit, education, government) who together explore regional challenges and opportunities and then design, fund and execute innovative initiatives and projects with nonprofit partners that bring needed change to our region which includes the counties of Lee, Charlotte, Collier, Glades and Hendry.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred. Unrealized gains and losses resulting from changes in market values of investment securities are recorded as net unrealized gains or losses on investments in the period in which the change occurs. Investments in marketable securities with readily determinable fair values are stated at fair market value in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

In accordance with GAAP, the Foundation presents its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently restricted net assets provide permanent endowments, with investment income either unrestricted as to donor intent or temporarily restricted. Gains and losses on investments, unless otherwise restricted by the donor, are classified in the same manner as investment income. Funds subject to time restrictions are classified as temporarily restricted.

Funds are only classified as permanently restricted for financial reporting purposes when both the donor does not allow principal invasions in the gift instrument and the governing documents of the Foundation do not provide for the invasion of principal.

The Statement of Activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Board Designated Funds

The funds of the Foundation are generally classified as unrestricted net assets, because the governing instruments of the Foundation allow for the Foundation to exercise its variance power to modify any restrictions if such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

Portions of the unrestricted funds of the Foundation have been designated by the Trustees for specific uses. It is the Foundation's policy to use its best efforts to carry out the purpose, intent, and spirit of each donor's gift. If a gift is not controlled by a gift instrument, then the final decision as to the distributions of these designated funds may be made solely by the Trustees of the Foundation.

The following is a schedule of Board Designated funds by type:

Fund Type	Market Value June 30, 2016	Market Value June 30, 2015
Field of Interest	\$ 16,855,785	\$ 17,314,854
Advised	12,811,364	12,439,176
Scholarship	12,815,128	13,039,353
Designated	14,969,274	16,010,169
Designated Principal	899,899	809,736
Total	\$ 58,351,450	\$ 59,613,288

During fiscal year 2016, the Foundation had the following activities related to Board Designated funds:

	Board Designated Funds
Investment return	
Investment income	\$ 1,176,941
Net appreciation (depreciation)	(1,395,559)
Total investment income	(218,618)
Contributions to designated funds	4,186,373
Amounts appropriated for expenditure	(5,229,593)
Net transfers to designated	(1,043,220)
Total Change in Board Designated Funds	\$ (1,261,838)

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restricted gifts are received and the restrictions are met within the same reporting period, the gifts are recorded as unrestricted.

Fund Giving Policy

All funds under management of the Foundation, except for funds classified as donor advised or designated principal, are subject to the Foundation's stated giving policy. Giving policies of funds classified as donor advised or designated principal are dictated by their respective fund agreements. The amount to be distributed (given) from all other Foundation assets will be reviewed no less frequently than annually by the Foundation's Finance Committee and appropriate recommendations made to the Board of Trustees. It is expected that the annual amount to be distributed from Foundation invested assets will be between 3% and 5% of the average market values of the funds for the previous 12 quarters. The distributions may be taken from current income or, if current income is less than planned spending, from principal. In addition, the Finance committee will review and consider the appropriate amount of assets to be held in highly liquid investments each year to ensure adequate cash flow.

Contributions Receivable and Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Equivalents

For purposes of these financial statements, the Foundation considers unrestricted bank accounts, money market funds and short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation maintains bank accounts which, at times, may exceed federally insured limits.

Investments

Investment securities are stated at market value. Donated investments are recorded at fair value at the time the contribution is received.

The Foundation's current policy states that the Foundation's investments shall be diversified to limit the specific risk associated with any single security or class of securities. The diversification is to be both by asset class and, within asset classes, by economic sector, industry, and market capitalization. Concentrations in one specific industry sector and concentrations in stock must not exceed 25% or in fixed income investments 4% for any one issuer (excluding US Government issues).

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of temporary cash investments, receivables, and investments. The Foundation places its temporary cash and other investments with high-credit quality financial institutions and investment managers. Temporary cash and other investments may at times exceed federally and privately insured amounts.

Contributions receivable are principally with organizations and individuals within the Southwest Florida community. Realization of these items is dependent on various economic conditions.

Property and Equipment

The Foundation records its property and equipment at cost and depreciates such assets over the estimated useful lives of the related assets. The Foundation capitalizes all property and equipment expenditures in excess of \$5,000. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is computed for financial reporting purposes using the straight-line method.

Functional Expense Classification

The costs of providing various programs and other activities are included in program expenses on the statement of activities and changes in net assets.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under the Internal Revenue Code and has been classified as an organization that is not a private foundation under the Internal Revenue Code.

The Foundation adopted Financial Accounting Standards Codification ASC 740-10, *Income Taxes* as it relates to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. Currently, the prior three tax periods are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit; however the tax period for the fiscal year ended 2014 was examined and has been closed with no changes.

Based on an evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Endowment Funds

The Foundation follows Financial Accounting Standards Codification ASC 958-605-25-24, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions of Others*. Financial Accounting Standards Codification ASC 958 requires that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of such fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency endowment funds.

The Foundation maintains variance power and legal ownership of the agency endowment funds and reports the funds as assets of the Foundation equal to the fair value of the funds and a corresponding liability in the accompanying Statement of Financial Position. The financial statements are presented net of the activity in these funds.

The transactions of the agency endowment funds are recorded as changes in the asset account. The corresponding liability account is adjusted for the net activity recorded in the asset account.

At June 30, 2016 and 2015, the Foundation had 88 and 90 agency endowment funds totaling \$2,910,657 and \$3,246,563, respectively. The following table summarizes the activity in the agency endowment funds for the years ending June 30, 2016 and June 30, 2015:

Agency Endowment Fund Balances – July 1, 2014	\$	3,532,023
Contributions		15,795
Interest and dividends		83,849
Realized gains and (losses)		9,253
Unrealized gains and (losses)		(19,583)
Distributions		(363,619)
Investment manager fees		<u>(11,155)</u>
Agency Endowment Fund Balances – June 30, 2015		3,246,563
Contributions		5,600
Interest and dividends		37,298
Realized gains and (losses)		30,531
Unrealized gains and (losses)		(114,905)
Distributions		(285,301)
Investment manager fees		<u>(9,129)</u>
Agency Endowment Fund Balances – June 30, 2016	\$	<u><u>2,910,657</u></u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 8, 2016, the date which the financial statements were available to be issued.

Reclassifications

Certain items in the 2015 comparative totals have been reclassified to conform to the 2016 presentation.

NOTE C – INVESTMENTS AND POOLED INVESTMENTS ACCOUNTS

The market value and cost of investment securities as of June 30 are as follows:

	2016		2015	
	Market Value	Cost	Market Value	Cost
SEI Investments	\$ 67,603,886	\$ 71,369,588	\$ 70,472,328	\$ 68,976,640
Lucas Capital Mgt.	161,043	149,958	175,207	169,892
Investors' Security Trust	505,133	486,124	-	-
Totals	\$ 68,270,062	\$ 72,005,670	\$ 70,647,535	\$ 69,146,532

Investments consisted of the following at June 30:

	2016		2015	
	Market Value		Market Value	
Equities	\$ 43,210,015	\$ 44,834,712		
Fixed Income	21,715,673	21,202,447		
Alternative Investments	2,506,982	2,701,787		
Cash Equivalents	837,392	1,908,589		
	\$ 68,270,062	\$ 70,647,535		

The primary long-term investment objective of the Foundation is to preserve real (inflation-adjusted) purchasing power of Foundation assets and earnings, after accounting for investment returns, spending and inflation. The Foundation Board of Trustees sets investment policies to supervise, monitor and evaluate the investment of Foundation assets. The established policies are reviewed periodically and modified as needed.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE C – INVESTMENTS AND POOLED INVESTMENTS ACCOUNTS (continued)

To provide better diversification of investments across a representative array of asset classes, the investment policy allows for investments in equities equal to 60% of the total portfolio, fixed income and cash equal to 30% of the total portfolio, and alternative investments equal to 10% of the total portfolio. These percentages may vary by +/- 15%, +/- 15%, and +/- 10% respectively. As of June 30, 2016 these percentages were equities 63%; fixed income and cash 33%; and alternative investments 4%; and as of June 30, 2015 these percentages were equities 59%; fixed income and cash 33%; and alternative investments 8%.

The Foundation had alternative investments in diversified mutual funds at June 30, 2016, with a market value of \$2,506,983 and a cost of \$2,872,855. The difference between the original cost and the market value at June 30, 2016 has been included in unrealized gains (losses) on investments.

NOTE D – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Codification ASC 820-10-50, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Codification ASC 820-10-50 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Mutual funds: Valued at the net asset value (“NAV”) of the shares held at year end.

Alternative Investments:

Hedge fund: Value of the fund is determined using the fair value of the portfolio. The fair value of the portfolio is calculated independently by the fund’s administrator and includes a valuation of the underlying investment funds net of management and other fees.

Split Interest Agreements:

Interest in remainder and lead trusts: Value is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables, an assumed growth rate of 5.0% and a 1.8% discount rate.

Charitable gift annuities: Valued at the fair value of the donated assets which consist of publicly traded mutual funds.

Annuity obligations: Consist of the present value of the expected future payments, based on the expected mortality and earnings rate.

Other remainder interests: Value is calculated as the cash value of the insurance policy less the surrender charge.

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

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 69,756	\$ -	\$ -	\$ 69,756
Direct holdings				
Domestic equity	560,672	-	-	560,672
International equity	26,461	-	-	26,461
Mutual funds				
Money market funds	767,636	-	-	767,636
Domestic equity	28,729,415	-	-	28,729,415
International equity	13,893,466	-	-	13,893,466
Fixed income	21,715,673	-	-	21,715,673
Alternative investment funds				
Hedge fund	-	-	2,506,983	2,506,983
	<u>65,763,079</u>	<u>-</u>	<u>2,506,983</u>	<u>68,270,062</u>
Split interest agreements				
Interest in remainder and lead trusts	-	-	21,617,254	21,617,254
Charitable gift annuities	-	1,902,291	-	1,902,291
Annuity obligations	-	-	(1,341,210)	(1,341,210)
Other remainder interests	-	-	144,885	144,885
	<u>-</u>	<u>1,902,291</u>	<u>20,420,929</u>	<u>22,323,220</u>
Total Investments at Fair Value	<u>\$ 65,763,079</u>	<u>\$ 1,902,291</u>	<u>\$ 22,927,912</u>	<u>\$ 90,593,282</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial instruments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 25,889	\$ -	\$ -	\$ 25,889
Direct holdings				
Domestic equity	103,451	-	-	103,451
International equity	6,396	-	-	6,396
Mutual funds				
Money market funds	1,882,700	-	-	1,882,700
Domestic equity	29,142,388	-	-	29,142,388
International equity	15,582,477	-	-	15,582,477
Fixed income	21,202,447	-	-	21,202,447
Alternative investment funds				
Hedge fund	-	-	2,701,787	2,701,787
	<u>67,945,748</u>	<u>-</u>	<u>2,701,787</u>	<u>70,647,535</u>
Split interest agreements				
Interest in remainder and lead trusts	-	-	18,301,242	18,301,242
Charitable gift annuities	-	1,976,081	-	1,976,081
Annuity obligations	-	-	(1,333,084)	(1,333,084)
Other remainder interests	-	-	150,384	150,384
	<u>-</u>	<u>1,976,081</u>	<u>17,118,542</u>	<u>19,094,623</u>
Total Investments at Fair Value	<u>\$ 67,945,748</u>	<u>\$ 1,976,081</u>	<u>\$ 19,820,329</u>	<u>\$ 89,742,158</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 instruments for the year ended June 30, 2016:

	Hedge Fund	Interest in Remainder and Lead Trusts	Annuity Obligation	Other Remainder Interests
Balance, beginning of year	\$ 2,701,787	\$ 18,301,242	\$ (1,333,084)	\$ 150,384
Unrealized gains (losses)	(194,804)	3,316,012	(8,126)	(34,619)
Purchases, sales, issuances and settlements (net)	-	-	-	29,120
Balance, end of year	<u>\$ 2,506,983</u>	<u>\$ 21,617,254</u>	<u>\$ (1,341,210)</u>	<u>\$ 144,885</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements
June 30, 2016 and 2015

NOTE D – FAIR VALUE MEASUREMENTS (continued)

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 instruments for the year ended June 30, 2015:

	Hedge Fund	Interest in Remainder and Lead Trusts	Annuity Obligation	Other Remainder Interests
Balance, beginning of year	\$ 2,716,966	\$ 14,292,481	\$ (1,369,442)	\$ 125,440
Unrealized gains (losses)	(15,179)	4,008,761	36,358	(4,176)
Purchases, sales, issuances and settlements (net)	-	-	-	29,120
Balance, end of year	<u>\$ 2,701,787</u>	<u>\$ 18,301,242</u>	<u>\$ (1,333,084)</u>	<u>\$ 150,384</u>

The following table sets forth a summary of the Foundation's investments for which fair value is estimated using the net asset value per share:

Fair Value Estimated Using Net Asset Value at June 30, 2016				
Mutual Funds	Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ <u>2,506,983</u>	\$ <u>-</u>	Quarterly	95 days

Fair Value Estimated Using Net Asset Value at June 30, 2015				
Mutual Funds	Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ <u>2,701,787</u>	\$ <u>-</u>	Quarterly	95 days

The Hedge fund comprises direct or indirect investment in offshore hedge funds of funds with an investment objective to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. The valuation techniques used to measure fair value attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. Considerable judgment is required to interpret the factors used to develop estimates of the fair value. Valuations of the underlying investment funds are obtained and reviewed. The securities that are valued by the funds are interests in the investment funds and not the underlying holdings of such investment funds. Thus the inputs used to value the investments in each of the underlying funds may differ from the inputs used to value the underlying holdings of such funds. In determining the fair value of a security, the fund managers may consider any information that is deemed relevant regarding the portfolio security.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE E – SPLIT INTEREST AGREEMENTS AND REMAINDER INTERESTS

Interests in Remainder Trusts

The Foundation is designated as a remainder beneficiary under various trusts, many of which are charitable remainder trusts. Under the terms of these agreements, the income beneficiaries receive distributions for a given term or life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust, which represent the remainder interest of the Foundation, will be transferred to the Foundation. The Foundation is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received, based on expected mortality and earnings rate.

Interests in Lead Trusts

The Foundation is a beneficiary under various lead trusts. Under the terms of these agreements, the Foundation receives income distributions for a given term or life of the donor. At the end of the term, or upon the death of the donor the Foundation no longer receives income distributions and is not entitled to trust assets. The Foundation is neither the trustee nor does it exercise any control over the assets. The beneficial interest in the income distributions has been recorded at the present value of the estimated future benefits to be received, based on the given term or expected mortality and earnings rate.

Charitable Gift Annuities

The Foundation has received donations in the form of charitable gift annuities. The charitable gift annuity is a combination of a gift to the Foundation and an annuity for the designated beneficiary. The donor transfers property to the Foundation and the Foundation promises to pay a given amount at the end of each selected payment period to the designated income beneficiary for life or the designated term of the annuity. At the end of the annuity period, the remainder is transferred to the Foundation with no probate cost.

The assets received are recorded at their fair value and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of the expected future payments, based on the expected mortality and earnings rate.

In accordance with Florida Statute Chapter 627, the Foundation is required to maintain minimum reserves plus a specified surplus related to outstanding annuity agreements. The reserve requirement at June 30, 2016 and 2015 were \$1,445,949 and \$1,425,667, respectively. The Foundation maintained more than the required total reserve amounts totaling \$1,902,291 as of June 30, 2016, and \$1,976,081 as of June 30, 2015.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements
June 30, 2016 and 2015

NOTE E – SPLIT INTEREST AGREEMENTS AND REMAINDER INTERESTS (continued)

Other Remainder Interests

The Foundation purchased a Joint and Survivor Life Insurance Policy on the lives of specified donors under an agreement for which they mutually understand the nature and purpose of the agreement. The gift made thereby is to provide an endowment fund. The face amount of the policy is \$1,500,000 and the present value of the Foundation’s interest in the policy is estimated to be \$144,885 and \$150,384 at June 30, 2016 and 2015, respectively.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2016	2015
Software and equipment	\$ 236,824	\$ 219,954
Leasehold improvements	81,833	56,626
	318,657	276,580
Less accumulated depreciation	(226,457)	(163,003)
	\$ 92,200	\$ 113,577

Depreciation expense included under administrative expenses was \$63,454 and \$60,669 for the years ended June 30, 2016 and 2015, respectively.

NOTE G – GRANT COMMITMENTS

The Foundation has approved grants payable in the following years:

Year Ended June 30,		
2017	\$	613,819
2018		136,500
2019		108,500
2020		14,000
2021		4,000
Thereafter		10,000
	\$	886,819

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE H – LEASE COMMITMENT

The Foundation leases office space for their main location under a lease agreement dated effective June 24, 2011 for a period of seven (7) years. The monthly base rent as of June 30, 2016, was \$4,387 and increases four percent (4%) each year of the term of the lease. Additionally, there is a monthly fee of \$2,170 added to the base rent for common area maintenance costs. Rent expense for the years ending June 30, 2016 and 2015 was \$85,775 and \$76,577, respectively. At the end of the lease term the Foundation may renew the lease for an additional five (5) more years.

The Foundation maintains a presence within its service areas in three satellite locations (Fort Myers, Sanibel, and Labelle) for the purposes of donor outreach under various arrangements generally on a month-to-month basis cancellable with thirty days' notice. Expenses for the years ended June 30, 2016 and 2015 are \$7,500 and \$6,000 respectively.

Future minimum lease obligations under the agreement are as follows:

Year Ended June 30,	
2017	\$ 80,791
2018	82,980
	<u>\$ 163,771</u>

NOTE I – RETIREMENT PLANS

The Foundation adopted the 403(b) Thrift Plan for Southwest Florida Community Foundation, Inc. (the "403(b) Plan") as of January 1, 2015 for the benefit of its employees. All employees scheduled to work at least 1,000 hours per calendar year are eligible to participate as of the first of the month following or coincident with their dates of hire. Employees are allowed to contribute up to the amount allowed by the Internal Revenue Code and the Foundation will match up to 3% of the employees' salaries. Participants in the Plan are 100% vested in the Foundation's contributions. The Foundation's contributions for the year ending June 30, 2016 were \$23,685. The Foundation's contributions for the period for the six months ending June 30, 2015 were \$11,634.

Prior to the adoption of the 403(b) Plan the Foundation maintained a SIMPLE IRA plan for the benefit of its employees. The Foundation's contributions to the plan were \$10,910 for the period from July 1, 2014 through December 31, 2014.

The Foundation adopted, as of July 1, 2015, an Eligible 457(b) Deferred Compensation Plan and an Eligible 457(f) Deferred Compensation Plan for the President & Chief Executive Officer of the Foundation. The plans have a graduated vesting schedule whereby the President & Chief Executive Officer is 50% vested after five (5) years; 75% vested after seven (7) years and 100% vested after 10 years of service after the date of the inception of the plans.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements
June 30, 2016 and 2015

NOTE I – RETIREMENT PLANS (continued)

Contributions to these plans, made by the Foundation as determined by the Board of Trustees based upon the employee’s performance, totaled \$19,500 for the year ended June 30, 2016. The plans total assets of \$19,572 as of June 30, 2016 are included on the Foundation’s Statement of Financial Position as an asset and a corresponding liability.

The following table presents a reconciliation for Level 3 investments measured at fair market value for the year ended June 30, 2016:

	457(b) Plan	457(f) Plan
Beginning balance, July 1, 2015	\$ -	\$ -
Employer contributions	18,000	1,500
Investment return	67	5
Ending balance, June 30, 2016	\$ 18,067	\$ 1,505

NOTE J - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Funds awaiting agreements	\$ 4,038	\$ -
Interest in remainder and lead trusts	21,617,254	18,301,242
Charitable gift annuities	561,081	642,997
Other remainder interests	144,885	150,384
Funds restricted for programs	(170,923)	(113,353)
Totals	\$ 22,156,335	\$ 18,981,270

Permanently restricted net assets consist of the following:

	2016	2015
Advised funds	\$ 590,125	\$ 625,125
Designated funds	355,000	355,000
Field of interest funds	45,000	45,000
Designated principal funds	65,000	65,000
Scholarship funds	215,000	215,000
Community unrestricted funds	40,000	40,000
Totals	\$ 1,310,125	\$ 1,345,125

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE K - ENDOWMENT NET ASSETS

The Foundation adopted authoritative guidance intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This guidance provides clarity on classifying the net assets associated with donor-restricted endowment funds held by an organization that is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

The guidance also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations.

Endowment Funds

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted FUPMIFA as requiring the preservation of the fair value of the original endowed 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 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 unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, 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.

Return Objectives and Risk Parameters

The 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.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements

June 30, 2016 and 2015

NOTE K - ENDOWMENT NET ASSETS (continued)

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary objective of the Finance Committee is to provide for adequate, total investment return without undue exposure to market risk to enable the Foundation to accomplish its charitable purpose and to support programs on a continuing and reasonably consistent basis.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year between 3% and 5% of the average of its endowment funds' quarterly fair values over the prior 12 quarters through the fiscal year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its net assets. This is consistent with the Foundation's objective to provide for adequate total investment return without undue exposure to market risk.

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 required the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as a reduction in unrestricted net assets were approximately \$28,965 and \$10,108 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations, minimum balances lower than required not met, and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Financial Statements
June 30, 2016 and 2015

NOTE K - ENDOWMENT NET ASSETS (continued)

Changes in Endowment Net Assets

	2016		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 58,268,163	\$ 1,345,125	\$ 59,613,288
Contributions	4,186,373	-	4,186,373
Investment returns:			
Investment income	1,176,942	-	1,176,942
Net appreciation (depreciation)	(1,395,559)	-	(1,395,559)
Satisfaction of program restrictions	(5,194,594)	(35,000)	(5,229,594)
Endowment net assets, end of year	\$ 57,041,325	\$ 1,310,125	\$ 58,351,450

	2015		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 49,758,581	\$ 1,375,000	\$ 51,133,581
Contributions	11,215,653	-	11,215,653
Investment returns:			
Investment income	993,047	-	993,047
Net appreciation (depreciation)	244,382	-	244,382
Satisfaction of program restrictions	(3,943,500)	(29,875)	(3,973,375)
Endowment net assets, end of year	\$ 58,268,163	\$ 1,345,125	\$ 59,613,288