

STANISLAUS COMMUNITY FOUNDATION
(A NONPROFIT CORPORATION)

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	7
Statement of Cash Flow	9
NOTES TO FINANCIAL STATEMENTS	10



CASEY G. JOHNSON, CPA, CVA, MBA
MICHELLE N. MATOS, CPA, MBA

JOHNSON & ASSOCIATES CPAs, INC.

631 15th Street Modesto, CA 95354
Phone (209) 236-1040 • Fax (209) 236-1068

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stanislaus Community Foundation
(A Nonprofit Corporation)
Modesto, California

We have audited the accompanying financial statements of Stanislaus Community Foundation (a Nonprofit Corporation), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statement of activities, and cash flow 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.

Members • American Institute of Certified Public Accountants
• California Society of Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanislaus Community Foundation as of December 31, 2016 and 2015, and the change in net assets and cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson & Associates CPAs, cnc.

Johnson & Associates CPAs, Inc.

July 18, 2017

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents-Operating Accounts	\$ 1,714,290	\$ 92,400
Cash and Cash Equivalents-Investment Accounts	152,835	193,271
Total Cash and Cash Equivalents	1,867,125	285,671
Stock in Transit	50,205	-
Contributions Receivable	840	960
Grants Receivable	916,000	-
Total Current Assets	2,834,170	286,631
NON CURRENT ASSETS		
Long-Term Investments at Market Value	18,210,768	17,160,031
Investment in Real Property	273,000	138,000
Total Non Current Assets	18,483,768	17,298,031
FIXED ASSETS (Net of Accumulated Depreciation of \$23,007 and \$19,942)		
	17,855	10,262
Total Assets	\$ 21,335,793	\$ 17,594,924

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION (Continued)
DECEMBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts Payable	\$	10,686	\$ 1,845
Funds Payable to Others		2,238,896	1,762,911
Accrued Wages and Benefits		250	10,796
Grants Payable		23,000	-
Current Maturities of Capital Lease		1,302	-
Total Current Liabilities		<u>2,274,134</u>	<u>1,775,552</u>
LONG-TERM DEBT			
Capital Lease		6,773	-
Less: Current Maturities of Capital Leases		<u>(1,302)</u>	-
Total Long-Term Debt		<u>5,471</u>	<u>-</u>
NET ASSETS			
Unrestricted Net Assets			
Administrative		755,488	499,079
Donor Advised Funds		8,331,918	6,767,370
Designated Funds		158,712	116,008
Field of Interest Funds		1,678,089	1,404,979
Fiscal Sponsorship		121,137	155,848
Scholarship Funds		2,095,727	2,065,664
Special Initiative Grants		<u>1,275,092</u>	<u>120,026</u>
Total Unrestricted Net Assets		14,416,163	11,128,974
Temporarily Restricted Net Assets		359,929	557,948
Permanently Restricted Net Assets		<u>4,280,096</u>	<u>4,132,450</u>
Total Net Assets		<u>19,056,188</u>	<u>15,819,372</u>
Total Liabilities and Net Assets	\$	<u>21,335,793</u>	\$ <u>17,594,924</u>

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Support:		
Contributions	\$ 2,609,198	\$ 1,849,001
Grants	1,447,000	-
Interest and Dividend Income	263,715	191,793
Net Realized and Unrealized Gain (Loss) on Investments	480,010	(109,538)
Fees For Services	44,254	58,487
Miscellaneous	29,188	28,931
Net Assets Released From Restrictions	465,202	284,186
Total Revenues and Support	5,338,567	2,302,860
Expenses:		
Program Grants and Expenses	1,314,876	1,098,188
Operating Expenses	601,272	405,324
Fundraising	123,184	98,430
Total Expenses	2,039,332	1,601,942
Less: Net Assets Designated as Restricted	(12,046)	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	3,287,189	700,918
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues and Support:		
Interest and Dividend Income	100,220	79,320
Net Realized and Unrealized Gain (Loss) on Investments	182,999	(35,683)
Total Revenues and Support	283,219	43,637
Expenses:		
Operating Expenses	16,036	-
Less: Net Assets Released From Restrictions	(465,202)	(284,186)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(198,019)	(240,549)

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES (Continued)
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Revenues and Support:		
Endowment Funds	\$ 600	\$ 93,892
Net Realized and Unrealized Gain (Loss) on Investments	135,000	(101,000)
Net Assets Designated as Restricted	12,046	-
 INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	 147,646	 (7,108)
 TOTAL CHANGE IN NET ASSETS	 3,236,816	 453,261
 Net Assets at Beginning of Year	 15,819,372	 15,366,111
 Net Assets at End of Year	 \$ 19,056,188	 \$ 15,819,372

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOW FROM (USED BY) OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,236,816	\$ 453,261
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,065	2,144
Net Realized and Unrealized Losses (Gains) on Long-Term Investments	(798,009)	246,221
Like-Kind Contributions Received	(263,041)	-
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Contributions Receivable	120	815
Decrease (Increase) in Stock in Transit	(50,205)	-
Decrease (Increase) in Funds Held for Others	-	99,587
Decrease (Increase) in Grants Receivable	(916,000)	-
Increase (Decrease) in Accounts Payable	8,840	(38)
Increase (Decrease) in Accrued Expenses	(10,545)	10,796
Increase (Decrease) in Grants Payable	23,000	-
Increase (Decrease) in Funds Payable to Others	392,902	(834,429)
Total Adjustments	(1,609,873)	(474,904)
Net Cash Flow From (Used By) Operating Activities	1,626,943	(21,643)
CASH FLOW FROM (USED BY) INVESTING ACTIVITIES		
Purchases of Fixed Assets	(3,569)	(7,378)
Purchases of Investments	(9,767,013)	(1,853,703)
Proceeds from Sale of Investments	9,725,408	1,482,127
Net Cash Flow From (Used By) Investing Activities	(45,174)	(378,954)
CASH FLOW FROM (USED BY) FINANCING ACTIVITIES		
Payment on Capital Lease	(315)	-
Net Cash Flow From (Used By) Financing Activities	(315)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,581,454	(400,597)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	285,671	686,268
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,867,125	\$ 285,671

See accompanying notes and accountant's report.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stanislaus Community Foundation (the Foundation), a California Nonprofit Corporation, is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code).

The purpose of the Stanislaus Community Foundation is to facilitate and develop philanthropy by engaging in grant making. The Foundation administers several individual funds; each established by a donation describing either the general or specific purposes for which grants are to be made.

Classification of Net Assets

Generally accepted accounting principles requires the Foundation to report information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted and permanently restricted - based upon the existence or absence of donor-imposed restrictions.

Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time, are designated as temporarily restricted. Permanently restricted net assets are subject to donor-imposed restrictions that will be maintained in perpetuity. The investment income generated from these assets is available for general support of the Foundation's programs and operations or held within a specific fund. The Foundation's permanently restricted net assets as of December 31, 2016 and 2015 were \$4,280,096 and \$4,132,450, respectively.

The Board of Directors of the Foundation has the unilateral power to redirect the use of a donor's contribution to another beneficiary; however, they would exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's financial statements classify all net assets that are not permanently or temporarily restricted as unrestricted, but segregate the net assets into one of several different categories depending on intended purpose.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase.

The Foundation maintains cash deposits at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage per depositor per financial institution. The maximum coverage as of December 31, 2016 and 2015 was \$250,000 for interest bearing accounts and unlimited on non-interest bearing transaction accounts. The Foundation also had money on deposit in brokerage accounts, which are not insured by the FDIC. At December 31, 2016 and 2015, the Foundation's uninsured cash balance was \$1,665,503 and \$806,272, respectively.

STANISLAUS COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The balances of money on deposit by institution per the institution's statements are as follows:

	12/31/16	12/31/15
Financial Institutions:		
Modesto Commerce Bank	\$ 1,762,668	\$ 863,001
Brokerage Accounts:		
Charles Schwab	\$ 152,835	\$ 193,271

Contributions Receivable

Unconditional promises to give are recorded as contributions when received at the net present value of the amounts expected to be collected. At December 31, 2016 and 2015, the Foundation had \$840 and \$960 of uncollateralized contributions receivable, all of which will be received within one year. In the unlikely event all contributions were not paid, the maximum recognized loss would be \$840 and \$960.

Grant Awards

The Foundation receives grants from private grantors for various purposes. Grant income is reported in total in the year the grant was awarded with any amount not received accrued as a receivable. Typically, grant funds are disbursed over several years, pursuant to each individual grant terms.

Allowance for Doubtful Accounts

The Foundation uses the direct write-off method for uncollectible accounts receivable. Generally accepted accounting principles require the use of the allowance for doubtful accounts method for accounts receivable. Management believes that all accounts receivable are collectible. Therefore, the direct write-off method is equivalent to the allowance for doubtful accounts method. Bad debt expense for 2016 and 2015 was zero.

Investments

Investments in debt securities and equity securities with readily determinable market values are recorded at fair market value. Investment assets are invested under the supervision of the Finance Committee. Investments are made according to the Investment Statement of Objectives and Policies adopted by the Foundation's Board. These guidelines provide for investment in equities and fixed income securities with performance measured against appropriate indices. Investment securities, in

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fixed Assets

Fixed assets, consisting of the assets noted below, are carried at cost, net of accumulated depreciation. Asset acquisitions in excess of \$500 with a life in excess of one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture	7 years
Office Equipment	5 years
Computer Equipment and Software	3 years
Leasehold Improvements	10 years (not to exceed lease term)

The Foundation uses the deferral method to account for planning major maintenance activities, whereby the cost of major maintenance is capitalized and depreciated over the period to the next major maintenance.

Grants

Grants are made from available principal and income by or under the authority of the Board of Directors. Donor-advised funds permit donors to recommend possible recipients. Grants are recorded at the date of approval by the Board of Directors or when awarded under the authority of the Board of Directors, when the grant award is communicated to the grantee.

Management Fee

The Foundation charges an annual fee to cover the cost it incurs by administering each fund. This fee is applied to the general operating costs of the Foundation.

Income Taxes

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and California income tax, except on net income derived from unrelated business activities. The Foundation reported unrelated business income from a real estate investment partnership received as a contribution. The Foundation believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The foundation is classified as a public charity under IRC section 170(b)(1)(A)(vi). Management believes that the Foundation will continue to

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

be exempt from taxes. The Foundation's federal returns are subject to examination by the IRS, generally for three years after they were filed.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide the 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 are described as follows:

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

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.
- Level 2

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.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

The asset 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2016 and 2015.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2016 and 2015:

	<u>12/31/16</u>	<u>12/31/15</u>
Level 1		
Common and Preferred Stocks		
Schwab - Equity Funds	\$ 8,695,040	\$ 10,226,079
Schwab - ETF	2,005,619	-
Mutual Funds		
Schwab - Bond Funds	<u>7,283,615</u>	<u>6,707,734</u>
Total Level 1	<u>17,984,274</u>	<u>16,933,813</u>
Level 2		
Other Investments		
Lo Conte Corporate Stock	226,494	226,218
Real Property - Land	<u>273,000</u>	<u>138,000</u>
Total Level 2	<u>499,494</u>	<u>364,218</u>
Total Investments	<u>\$ 18,483,768</u>	<u>\$ 17,298,031</u>

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

The following schedule summarizes the investment return in the statement of activities:

	<u>12/31/16</u>	<u>12/31/15</u>
Interest and Dividends	\$ 363,935	\$ 271,113
Net Realized and Unrealized Gains (Losses)	<u>798,009</u>	<u>(246,221)</u>
Net Investment Return	<u>\$ 1,161,944</u>	<u>\$ 24,892</u>

NOTE 3 FUNDS HELD FOR AND PAYABLE TO OTHERS

The Foundation receives and distributes assets under certain agency and intermediary arrangements. Generally accepted accounting standards have established standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. The liability is reflected under Funds Payable to Others on the accompanying statement of financial position.

The Foundation has determined that all agency funds are most appropriately considered liabilities. Pursuant to the agency fund agreement, the Foundation will hold and administer the funds of the fund holders. It is the understanding that the fund holders would be entitled to and would exercise the right to receive the funds back at a later time. Therefore, these funds, comprised of total principal and related income and expenses held for the fund holders, have been included in the amount payable to others.

Funds Held For and Payable to Others at December 31, 2016 and 2015 consisted of the following:

	<u>12/31/16</u>	<u>12/31/15</u>
Funds Payable to Others		
Book of Dreams	\$ 48,967	\$ 53,749
City of Modesto – Parks, Recs & Neighborhoods	650,707	660,255
Great Valley Center	296,405	283,947
National Ag Science Center	-	163,195
Modesto Rotary Club Foundation	214,914	-
Patterson Historical Research Foundation	208,229	-
Modesto Gateway Rotary	166,649	159,645
All Other Agency Funds	<u>652,955</u>	<u>442,120</u>
Total	<u>\$ 2,238,896</u>	<u>\$ 1,762,911</u>

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 NATURAL CLASSIFICATION OF EXPENSES

Operating and fundraising expenses incurred in the fiscal year ended December 31, 2016, were as follows:

	<u>Operating</u>	<u>Fundraising</u>
Salaries, Wages, and Benefits	\$ 287,429	\$ 123,184
Advertising	34,430	-
Asset Management Fees	57,996	-
Contract Labor	853	-
Database System	29,395	-
Depreciation Expense	3,065	-
Events	33,457	-
Insurance	10,877	-
Office Expense	6,228	-
Operating Expenses	82,782	-
Professional Fees	33,380	-
Rent	27,594	-
Utilities	<u>9,822</u>	<u>-</u>
Total Operating Expenses	<u>\$ 617,308</u>	<u>\$ 123,184</u>

Operating and fundraising expenses incurred in the fiscal year ended December 31, 2015, were as follows:

	<u>Operating</u>	<u>Fundraising</u>
Salaries, Wages, and Benefits	\$ 229,670	\$ 98,430
Advertising	4,007	-
Contract Labor	633	-
Database System	26,250	-
Depreciation Expense	2,144	-
Insurance	4,066	-
Office Expense	5,375	-
Operating Expenses	81,032	-
Professional Fees	17,942	-
Rent	25,620	-
Utilities	<u>8,585</u>	<u>-</u>
Total Operating Expenses	<u>\$ 405,324</u>	<u>\$ 98,430</u>

STANISLAUS COMMUNITY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016 AND 2015

NOTE 5 ENDOWMENT FUNDS

The Foundation's endowment consists of four individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Fund 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 standing 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Foundation's investment policies.

In accordance with Foundation policy, up to 6% of a fund's permanently restricted balance can be reclassified as unrestricted to pay administration and grant costs.

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 zero as of December 31, 2016 and December 31, 2015.

Endowment Net Asset Composition by Type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 359,929	\$ 4,280,096	\$4,640,025

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 ENDOWMENT FUNDS (Continued)

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment New Assets, Beginning of Year	\$ -	\$ 557,948	\$ 4,132,450	\$ 4,690,398
Investment Return:				
Investment Income				
Dividends	-	100,220	-	100,220
Net Appreciation	<u>-</u>	<u>182,999</u>	<u>135,000</u>	<u>317,999</u>
Total Investment Return	-	283,219	135,000	418,219
Contributions to Endowments	12,046	-	600	12,646
Operating Expenses Designated as Restricted	-	(16,036)	-	(16,036)
Amounts Appropriated for Expenditures	(12,046)	-	12,046	-
Expenditures	465,202	(465,202)	-	-
	<u>(465,202)</u>	<u>-</u>	<u>-</u>	<u>(465,202)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 359,929</u>	<u>\$ 4,280,096</u>	<u>\$ 4,640,025</u>

Endowment Net Asset Composition by Type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 557,948</u>	<u>\$ 4,132,450</u>	<u>\$4,690,398</u>

Change in Endowment Net Assets for the Fiscal Year ending December 31, 2015:

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 ENDOWMENT FUNDS (Continued)

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment New Assets, Beginning of Year	\$ -	\$ 798,497	\$ 4,139,558	\$ 4,938,055
Investment Return:				
Investment Income				
Dividends	-	79,320	-	79,320
Net Depreciation	-	(35,683)	-	(136,683)
Total Investment Return	-	43,637	-	(57,363)
Contributions to Endowments	-	-	93,892	93,892
Amounts Appropriated for Expenditures	284,186	(284,186)	-	-
Expenditures	(284,186)	-	-	(284,186)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 557,948</u>	<u>\$ 4,132,450</u>	<u>\$ 4,690,398</u>

NOTE 6 PROFIT-SHARING PLAN

During the year ended December 31, 2015, the Foundation adopted a defined-contribution Profit Sharing Plan covering all eligible employees of the foundation who have 1,000 hours of service, except collective bargaining employees. The Foundation may make matching contributions and profit-sharing contributions to the plan each year at their discretion. Employees may contribute to the 401(k) feature through salary reductions up to the maximum permitted by law. For the years ended December 31, 2016 and December 31, 2015, the Foundation made matching contributions of \$0 and \$0 and profit-sharing contributions of \$10,097 and \$0, respectively.

NOTE 7 OPERATING LEASES

The Foundation leases the office space located at 1029 16th Street in Modesto under a non-cancelable operating lease expiring January 31, 2019. The lease has two, five year renewal options, which are reasonably assumed to be exercised. The monthly lease payment is \$2,060 and increases annually pursuant to a pre-determined rate schedule. Total lease payments for the years ended December 31, 2016 and December 31, 2015 were \$27,534 and \$25,620, respectively.

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 OPERATING LEASES (Continued)

Minimum future lease payments to be paid each year and in the aggregate for the remainder of the lease are as follows:

<u>Period Ended December 31,</u>	<u>12/31/16</u>	<u>12/31/15</u>
2016	\$ -	\$ 24,660
2017	25,400	25,400
2018	26,162	26,162
2019	26,225	26,225
Total	<u>\$ 77,787</u>	<u>\$ 102,447</u>

NOTE 8 CAPITAL LEASES

The Foundation is the lessee of a copier with a recorded cost of \$7,089 and \$0 as of December 31, 2016 and December 31, 2015, respectively. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated following the same policies for fixed assets owned by the Foundation. The amount charged to depreciation related to capital lease assets for the years ended December 31, 2016 and December 31, 2015 were \$473 and \$0, respectively.

Capital lease obligations consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
US Bank- Savin Copier	\$ 7,581	\$ -
Less: Amount Representing Interest	(807)	-
Total Principal	6,774	-
Less: Current Portion	(1,302)	-
Long-Term Portion	<u>\$ 5,472</u>	<u>\$ -</u>

The following is a summary of payments on capital leases to maturity:

<u>Year Ending December 31,</u>	<u>2016</u>	<u>2015</u>
2017	\$ 1,302	\$ -
2018	1,365	-
2019	1,432	-
2020	1,501	-
2021	1,174	-
Total Minimum Lease Payments	<u>\$ 6,774</u>	<u>\$ -</u>

STANISLAUS COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 NON-CASH TRANSACTIONS

The Foundation purchased fixed assets totaling \$7,089 through the use of financing for the entire amount.

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 18, 2017, which is the date the financial statements were available to be issued.