

THE COMMUNITY  
FOUNDATION OF  
HERKIMER AND ONEIDA  
COUNTIES, INC. AND  
AFFILIATES

For the Year Ended  
December 31, 2016

CONSOLIDATED  
FINANCIAL STATEMENTS

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

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# D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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## **Independent Auditor's Report**

To the Board of Trustees

The Community Foundation of Herkimer and Oneida Counties, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of The Community Foundation of Herkimer and Oneida Counties, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the consolidated 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 Foundation'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Herkimer and Oneida Counties, Inc. and affiliates as of December 31, 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.

*D'Arcangelo + Co., LLP*

June 1, 2017

Utica, New York

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 3,918,115	\$ 3,312,349
Other Current Assets	<u>329,047</u>	<u>263,964</u>
Total Current Assets	<u>4,247,162</u>	<u>3,576,313</u>
<b>Long-Term Assets</b>		
Investments	116,167,675	110,013,742
Promises to Give	5,750	99,729
Charitable Lead Trust	1,698,547	1,780,360
Charitable Remainder Trusts	<u>782,177</u>	<u>868,056</u>
Total Long-Term Assets	<u>118,654,149</u>	<u>112,761,887</u>
<b>Property, Net</b>	<u>3,907,446</u>	<u>3,493,859</u>
<b>Total Assets</b>	<u>\$ 126,808,757</u>	<u>\$ 119,832,059</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Grants Payable	\$ 1,912,504	\$ 1,006,863
Accounts Payable and Accrued Expenses	117,289	114,650
Deferred Revenue	0	118,280
Charitable Gift Annuity Obligations	885,999	903,247
Life Estate Interest Payable	<u>0</u>	<u>162,694</u>
Total Current Liabilities	<u>2,915,792</u>	<u>2,305,734</u>
<b>Long-Term Liabilities</b>		
Grants Payable	314,314	213,675
Agency Funds	<u>4,748,709</u>	<u>4,635,410</u>
Total Long-Term Liabilities	<u>5,063,023</u>	<u>4,849,085</u>
<b>Net Assets</b>		
Unrestricted		
Available for Grants and Investments	36,122,359	34,164,098
Operations and Administration	2,839,709	2,815,803
Temporarily Restricted	52,782,854	50,143,533
Permanently Restricted	<u>27,085,020</u>	<u>25,553,806</u>
Total Net Assets	<u>118,829,942</u>	<u>112,677,240</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 126,808,757</u>	<u>\$ 119,832,059</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**THE COMMUNITY FOUNDATION OF HERKIMER AND ONEIDA COUNTIES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains, and Support</b>								
Gifts and Bequests	\$ 963,196	\$ 1,307,951	\$ 1,531,214	\$ 3,802,361	\$ 1,890,902	\$ 3,912,495	\$ 808,186	\$ 6,611,583
Investment Income (Loss), Net	3,528,278	5,385,649	0	8,913,927	(76,580)	(1,558,793)	0	(1,635,373)
Other Income	141,753	242,694	0	384,447	0	0	0	0
<b>Net Assets Released from Restrictions</b>								
Satisfaction of Program Restrictions	4,296,973	(4,296,973)	0	0	3,842,353	(3,842,353)	0	0
Total Revenue, Gains, and Support	<u>8,930,200</u>	<u>2,639,321</u>	<u>1,531,214</u>	<u>13,100,735</u>	<u>5,656,675</u>	<u>(1,488,651)</u>	<u>808,186</u>	<u>4,976,210</u>
<b>Expenses</b>								
Program Services								
Grants Approved	4,861,011	0	0	4,861,011	4,545,400	0	0	4,545,400
Program Sponsored Initiatives	508,983	0	0	508,983	183,078	0	0	183,078
Supporting Services								
Management and General	1,578,039	0	0	1,578,039	1,522,881	0	0	1,522,881
Total Expenses	<u>6,948,033</u>	<u>0</u>	<u>0</u>	<u>6,948,033</u>	<u>6,251,359</u>	<u>0</u>	<u>0</u>	<u>6,251,359</u>
<b>Change in Net Assets</b>	1,982,167	2,639,321	1,531,214	6,152,702	(594,684)	(1,488,651)	808,186	(1,275,149)
<b>Net Assets, Beginning of Year</b>	<u>36,979,901</u>	<u>50,143,533</u>	<u>25,553,806</u>	<u>112,677,240</u>	<u>37,574,585</u>	<u>51,632,184</u>	<u>24,745,620</u>	<u>113,952,389</u>
<b>Net Assets, End of Year</b>	<u>\$ 38,962,068</u>	<u>\$ 52,782,854</u>	<u>\$ 27,085,020</u>	<u>\$ 118,829,942</u>	<u>\$ 36,979,901</u>	<u>\$ 50,143,533</u>	<u>\$ 25,553,806</u>	<u>\$ 112,677,240</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows from (Used by) Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 6,152,702	\$ (1,275,149)
Adjustments for Noncash Transactions		
Depreciation	148,098	166,723
Realized (Gains) on Investments	(1,211,863)	(2,207,887)
Unrealized (Gains) Losses on Investments	(5,192,797)	6,071,036
Present Value Change in CRT	167,692	(1,782,242)
Change in Marketable Securities	(453,440)	(302,372)
(Increase) Decrease in Assets		
Promises to Give	93,979	55,750
Other Current Assets	(65,083)	28,891
Increase (Decrease) in Liabilities		
Grants Payable	1,006,280	(261,689)
Accounts Payable and Accrued Expenses	2,639	(511,381)
Charitable Gift Annuity Obligations	(17,248)	(23,476)
Change in Life Estate Payable	(162,694)	0
Deferred Revenue	(118,280)	118,280
Agency Funds	<u>113,298</u>	<u>(281,724)</u>
Net Cash Flows from Operating Activities	<u>463,283</u>	<u>(205,240)</u>
<b>Cash Flows from (Used by) Investing Activities</b>		
Capital Expenditures	(561,685)	(803,024)
Proceeds from Redemptions of Investment Securities	14,897,248	8,536,479
Reinvested Interest and Dividends	(2,509,266)	(2,285,276)
Purchase of Investment Securities	<u>(11,683,814)</u>	<u>(5,543,027)</u>
Net Cash Flows from (Used by) Investing Activities	<u>142,483</u>	<u>(94,848)</u>
<b>Net Increase (Decrease) in Cash</b>	605,766	(300,088)
<b>Cash, Beginning of Year</b>	<u>3,312,349</u>	<u>3,612,437</u>
<b>Cash, End of Year</b>	<u>\$ 3,918,115</u>	<u>\$ 3,312,349</u>
<b>Cash Paid During the Year For</b>		
Interest	<u>\$ 0</u>	<u>\$ 0</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

The Community Foundation of Herkimer and Oneida Counties, Inc. and affiliates (the Foundation). It was formed for charitable, philanthropic, welfare, scientific, and education purposes, through the making of grants or otherwise extending financial assistance and support for the accomplishment of the objectives set forth by the Foundation.

The Foundation effectively controls all operational aspects of the affiliate organizations described below. The financial activity of the affiliates has been consolidated in the accompanying financial statements. All significant inter-affiliate transactions and balances have been eliminated.

- Community Foundation Holding Corporation was established to hold the real property that is the headquarters of The Foundation.
- Community Foundation Gift Holding, LLC (the LLC) was established for the purpose of holding real estate that may be gifted to the Foundation. The LLC is a New York limited liability company wholly owned by the Foundation and is a tax-exempt organization based on the tax status of its sole member.

**Financial Statement Presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), on the accrual basis. Balances and transactions are presented according to the existence or absence of donor-imposed restrictions. Financial position and activities are reported according to three classes: permanently restricted, temporarily restricted, or unrestricted.

**Contributions and Donations**

The Foundation records contributions received into these three classes depending on the nature of any donor restrictions.

All donor support that carries a restriction/action beyond the current period is reported as an increase in temporarily or permanently restricted net assets. When a temporary restriction expires those assets are reclassified to unrestricted and reported in the Statement of Activities as such.

Donations other than cash are recorded at fair market value upon receipt.



**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**Cash**

For purposes of the consolidated statement of cash flows, the Foundation considers all demand deposit checking and money market accounts to be cash.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give. Management believes that all promises to give are collectible and that no allowance is necessary.

**Property**

Property is recorded at cost if purchased, or fair market value if donated and depreciated using the straight-line method over estimated useful lives of the assets as follows:

Furniture and Equipment	5-7 Years
Building Improvements	10-15 Years
Building	40 Years

The Foundation utilizes a \$1,000 threshold as its capitalization policy.

**Income Taxes**

The Foundation is exempt from taxes as described in Section 501(c)(3) of the Internal Revenue Code.

**Investment Valuation and Income Recognition**

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment income on the statement of activities includes the Foundation's unrealized gains and losses.

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Grants Payable**

Grants authorized but unpaid at year end are reported as liabilities. Grants to be paid in more than one year have been recorded as a long-term liability.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on total net assets.

**Spending Policy**

The Foundation Board adopted the total return philosophy of investing. This establishes an annual amount available for charitable distribution based on a defined percentage of the investment asset base. The current rate is 3.5% of a rolling average fund balance.

**Investment Pools**

The Foundation maintains an investment pool for its charitable funds. Realized and unrealized gains and losses from investments are allocated quarterly to the individual funds based on the relationship of the market value of each fund to the total market value of the investment pool, as adjusted for additions to or deductions from the pool.

**NOTE 2 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash in financial institutions. Cash balances often exceed the Federal Deposit Insurance Corporation (FDIC) coverage. Management believes that it is not exposed to any significant risk with respect to these accounts.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is likely that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**NOTE 3 PROPERTY**

A detail of the Foundation's property is as follows:

	<u>2016</u>	<u>2015</u>
Land and Improvements	\$ 177,132	\$ 173,932
Building and Improvements	3,095,049	3,095,049
Furniture and Equipment	452,596	436,288
Tenant Improvements	<u>544,297</u>	<u>2,120</u>
Total Property	4,269,074	3,707,389
Accumulated Depreciation	<u>361,628</u>	<u>213,530</u>
Property, Net	<u>\$ 3,907,446</u>	<u>\$ 3,493,859</u>

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 4 RETIREMENT PLANS**

The Foundation participates in a Section 403(b) defined contribution plan. Employees are eligible after one year of full-time employment and must be 21 years of age. The Foundation contributes 7% of the eligible employee's salary to an account with immediate vesting. The Foundation's contributions for 2016 and 2015 amounted to approximately \$40,000 each year.

**NOTE 5 INVESTMENTS**

Investments are stated at fair value and are summarized as follows as of December 31:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Short-Term Investments	\$ 2,361,311	\$ 2,361,311	\$ 672,577	\$ 672,814
Fixed Income	26,036,692	27,225,493	29,180,016	30,466,280
Equities	59,936,248	79,394,146	57,438,655	71,032,702
Real Estate	957,024	957,024	957,024	957,024
Alternatives	5,387,628	6,066,191	5,801,919	6,728,411
Life Insurance	163,511	163,511	156,511	156,511
Total	<u>\$ 94,842,414</u>	<u>\$ 116,167,675</u>	<u>\$ 94,206,702</u>	<u>\$ 110,013,742</u>

The components of investment income consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 2,509,266	\$ 2,227,776
Realized Gains on Investments	1,211,863	2,207,887
Unrealized Gains (Losses) on Investments	<u>6,002,460</u>	<u>(5,253,405)</u>
	9,723,589	(817,742)
Investment Fees	<u>(809,662)</u>	<u>(817,631)</u>
Investment Income (Loss), Net	<u>\$ 8,913,927</u>	<u>\$ (1,635,373)</u>

**NOTE 6 FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (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:

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 FAIR VALUE MEASUREMENTS (Continued)**

**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 the following:

- 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.

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 at December 31, 2016 and 2015:

**Short-Term Investments**

Short-Term Investments: Valued at amortized cost which approximates fair value.

**Fixed Income**

U.S. Government, Agency, and Other Government Securities: Fair values of securities traded on a national securities exchange are based on the last reported sales price on the last business day of the year; bonds, notes, and government securities for which no sale was reported on that date are valued at the last reported bid price.

Corporate Debt Securities: Certain corporate debt securities are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds and listed securities for which no sale was reported on that date are valued at the last reported bid price.

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 FAIR VALUE MEASUREMENTS (Continued)**

**Equities – International and Domestic**

Corporate Equity Securities: Fair values of securities traded on a national securities exchange are based on the last reported sales price on the last business day of the year.

Mutual Funds: Valued at the net asset value of shares held by the Foundation at year end.

**Alternatives**

Private Market Equities: Investments in various limited partnerships and joint ventures which are classified as private market equities. The estimated fair value of the private equities is based on quarterly financial information received from investment advisors and/or general partners.

**Life Insurance**

Life Insurance: Stated at estimated fair value as reported by the sponsoring insurance companies.

**Real Estate**

Real Estate: The market approach uses prices or other information generated by the market transactions for identical or similar assets or liabilities.

All assets have been valued using a market approach except for certain Level 3 assets which have been valued using a combination of market approach and income approach.

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures established by the Foundation.

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 COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 FAIR VALUE MEASUREMENTS (Continued)**

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

Investments	Total	Fair Value Measurements at December 31, 2016		
		(Level 1)	(Level 2)	(Level 3)
Short-Term Investments	\$ 2,361,311	\$ 2,361,311	\$ 0	\$ 0
Fixed Income	27,225,493	18,137,308	9,088,185	0
Equities				
International	36,877,209	10,971,388	25,905,821	0
Domestic	42,516,937	37,433,013	5,083,924	0
Real Estate	957,024	0	0	957,024
Alternatives	6,066,190	0	2,785,615	3,280,575
Life Insurance	163,511	0	0	163,511
Total	<u>\$ 116,167,675</u>	<u>\$ 68,903,021</u>	<u>\$ 42,863,545</u>	<u>\$ 4,401,110</u>

Investments	Total	Fair Value Measurements at December 31, 2015		
		(Level 1)	(Level 2)	(Level 3)
Short-Term Investments	\$ 672,814	\$ 672,814	\$ 0	\$ 0
Fixed Income	30,466,280	20,988,027	9,478,253	0
Equities				
International	26,717,755	6,442,362	20,275,393	0
Domestic	44,314,947	39,562,617	4,752,330	0
Real Estate	957,024	0	0	957,024
Alternatives	6,728,411	0	2,400,884	4,327,527
Life Insurance	156,511	0	0	156,511
Total	<u>\$ 110,013,742</u>	<u>\$ 67,665,820</u>	<u>\$ 36,906,860</u>	<u>\$ 5,441,062</u>

Information about Level 3 assets and liabilities measured at fair value on a recurring basis must be reported. Both observable and unobservable inputs may be used to determine the fair value of positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (i.e., changes in market interest rates) and unobservable (i.e., changes in unobservable long-dated volatilities) inputs.

**THE COMMUNITY FOUNDATION OF HERKIMER  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 FAIR VALUE MEASUREMENTS (Continued)**

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2016 are as follows:

	<u>Real Estate</u>	<u>Alternative Investments</u>			<u>Life Insurance</u>	<u>Total</u>
		<u>Multi-Strategy</u>	<u>Private Equity</u>	<u>Long/Short</u>		
Balance, Beginning of Year	\$ 957,024	\$ 982,171	\$ 1,279,446	\$ 2,065,910	\$ 156,511	\$ 5,441,062
Net Gain (Loss)	0	(3,212)	61,903	(308,181)	0	(249,490)
Interest and Dividends	0	49,888	24,577	27,373	0	101,838
Investment Fees	0	(4,493)	(13,593)	(27,373)	0	(45,459)
Withdrawals	0	(874,145)	(121,236)	0	0	(995,381)
Additions	0	0	141,540	0	7,000	148,539
Balance, End of Year	<u>\$ 957,024</u>	<u>\$ 150,209</u>	<u>\$ 1,372,637</u>	<u>\$ 1,757,729</u>	<u>\$ 163,511</u>	<u>\$ 4,401,110</u>

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2015 are as follows:

	<u>Real Estate</u>	<u>Alternative Investments</u>			<u>Life Insurance</u>	<u>Total</u>
		<u>Multi-Strategy</u>	<u>Private Equity</u>	<u>Long/Short</u>		
Balance, Beginning of Year	\$ 957,024	\$ 2,085,785	\$ 1,154,319	\$ 1,782,645	\$ 148,454	\$ 6,128,227
Net Gain (Loss)	0	(52,493)	123,274	283,265	0	354,046
Interest and Dividends	0	18,881	17,327	28,364	0	64,572
Investment Fees	0	(18,881)	(12,785)	(28,364)	0	(60,030)
Withdrawals	0	(1,051,121)	(175,189)	0	0	(1,226,310)
Additions	0	0	172,500	0	8,057	180,557
Balance, End of Year	<u>\$ 957,024</u>	<u>\$ 982,171</u>	<u>\$ 1,279,446</u>	<u>\$ 2,065,910</u>	<u>\$ 156,511</u>	<u>\$ 5,441,062</u>

The following table sets forth additional information on the Level 3 investments:

<u>Description</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Long/Short	\$ 0	Monthly/Quarterly	45-90 Days Written Notice
Multi-Strategy	0	Monthly/Quarterly	45-90 Days Written Notice
Private Equity	357,500	No Liquidity	N/A
Life Insurance	0	Liquid	N/A
Total	<u>\$ 357,500</u>		

**THE COMMUNITY FOUNDATION OF HERKIMER  
AND ONEIDA COUNTIES, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 FAIR VALUE MEASUREMENTS (Continued)**

The following provides a general description of the investment strategy for the above-noted investments:

**Alternatives**

Long/Short: This strategy includes taking a long position in equity securities, expecting the price will rise, or a short position, expecting the price will decline.

Multi-Strategy: Strategies may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

Private Equity: This strategy is based on a fund-of-funds structure. Private equity consists of investments made directly into private companies or buyouts of public companies. Private equity investments are made with a long-term perspective.

**NOTE 7 ENDOWMENT NET ASSETS**

The majority of the Foundation's contributions are subject to the terms of its governing documents. (Certain contributions are subject to specific agreements with the Foundation.) Under the terms of the Foundation's governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine.

The Foundation attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current interest and dividends.

Changes in endowment net assets are as follows for 2016:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Net Endowment <u>Assets</u>
Endowment Net Assets, Beginning of Year	\$ 5,785,586	\$25,553,806	\$31,339,392
Contributions	0	1,531,214	1,531,214
Investment Income (loss), Net	2,015,721	0	2,015,721
Grants Paid	(679,683)	0	(679,683)
Program Related Expenses	(246,147)	0	(246,147)
Administrative Fees	<u>(281,480)</u>	<u>0</u>	<u>(281,480)</u>
Endowment Net Assets, End of Year	<u>\$ 6,593,997</u>	<u>\$27,085,020</u>	<u>\$33,679,017</u>



**THE COMMUNITY FOUNDATION OF HERKIMER  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets are as follows for 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment Net Assets, Beginning of Year	\$ 7,135,911	\$24,745,620	\$31,881,531
Contributions	0	808,186	808,186
Investment Income (loss), Net	(212,744)	0	(212,744)
Grants Paid	(817,214)	0	(817,214)
Administrative Fees	<u>(320,367)</u>	<u>0</u>	<u>(320,367)</u>
Endowment Net Assets, End of Year	<u>\$ 5,785,586</u>	<u>\$25,553,806</u>	<u>\$31,339,392</u>

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of those assets subject to donor imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. At December 31, 2016 and 2015, temporarily restricted net assets were \$52,782,854 and \$50,143,533, respectively.

**NOTE 9 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets of the Foundation are comprised of several funds established by donors. Only earnings generated from these funds may be used for grants while the principal remains inviolate. At December 31, 2016 and 2015, permanently restricted net assets amounted to \$27,085,020 and \$25,553,806, respectively.

**NOTE 10 CHARITABLE TRUSTS**

Some donors have established charitable remainder trusts naming the Foundation as the beneficiary. Under the terms of these Trusts the Foundation is to receive the assets of the trusts upon the donor's death. Based on the donor's life expectancy, the present value of future benefits expected to be received by the Foundation is estimated to be \$782,177 and \$868,056, at December 31, 2016 and 2015, respectively.

Some donors have established charitable gift annuities naming the Foundation as the beneficiary. The assets are recorded at fair value, which was \$1,675,396 and \$1,588,335 at December 31, 2016 and 2015, respectively. A corresponding annuity obligation is recorded for the estimated future contractual payments, which were \$885,999 and \$903,247 at December 31, 2016 and 2015, respectively based upon the life expectancy of the beneficiaries, discounted to present value. At the end of the annuity period the remaining balance becomes an asset of the Foundation.

**THE COMMUNITY FOUNDATION OF HERKIMER  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 CHARITABLE TRUSTS (Continued)**

A donor has established a charitable lead unitrust whereby the Foundation will receive annual payments based on the fair market value of the principal value. The irrevocable trust has a term of 20 years, which began in 2015. At the end of the term the principal of the trust will be distributed to the named beneficiary. At December 31, 2016 and 2015 the Foundation recorded an amount of \$1,698,547 and \$1,780,360, respectively, for the value of the future annual payments.

**NOTE 11 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 1, 2017, the date on which the consolidated financial statements were available to be issued.