

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

INDEPENDENT AUDITOR'S REPORT
AND
COMBINED FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Community Foundation of Sarasota County, Inc. and its subsidiaries and support organizations (the Foundation) (a not-for-profit organization) which comprise the combined statements of financial position as of May 31, 2015 and 2014, and the related combined statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

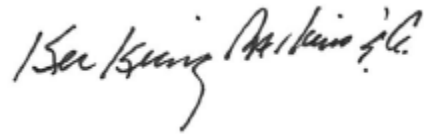
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether 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 combined 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 combined financial statements.

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

The Board of Directors
The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations
Sarasota, Florida

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Sarasota County, Inc. and its subsidiaries and support organizations as of May 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Sean Keating" followed by a stylized flourish.

Sarasota, Florida
October 20, 2015

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2015 AND 2014

| <u>Assets</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------------|---------------------------|
| Cash and cash equivalents | \$ 23,021,814 | \$ 13,234,242 |
| Investments | 244,663,231 | 238,840,458 |
| Contributions, pledges and bequests receivable, net | 7,195,911 | 3,633,927 |
| Program related investment | 238,919 | 282,026 |
| Split interest agreement assets | 9,135,735 | 9,126,765 |
| Beneficial interest in trusts | 1,538,845 | 1,565,725 |
| Single life annuity instruments | 2,500,000 | 2,500,000 |
| Other assets | 206,144 | 230,737 |
| Property and equipment, net | <u>3,598,961</u> | <u>3,622,780</u> |
| Total Assets | <u>\$ 292,099,560</u> | <u>\$ 273,036,660</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 269,472 | \$ 342,416 |
| Grants and scholarships payable | 1,722,127 | 4,902,704 |
| Split-interest agreements payable | 5,539,641 | 5,454,258 |
| Funds held as agency endowments | 28,185,112 | 24,541,589 |
| Mortgage Payable - MCF | 392,455 | - |
| Total liabilities | <u>36,108,807</u> | <u>35,240,967</u> |
| Net Assets | | |
| Unrestricted | 223,967,885 | 209,445,915 |
| Temporarily restricted | 16,640,560 | 14,619,817 |
| Permanently restricted | 15,382,308 | 13,729,961 |
| Total net assets | <u>255,990,753</u> | <u>237,795,693</u> |
| Total Liabilities and Net Assets | <u>\$ 292,099,560</u> | <u>\$ 273,036,660</u> |

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

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MAY 31, 2015
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MAY 31, 2014)

| | Unrestricted | Temporarily Restricted |
|--|----------------|---------------------------|
| Support, Revenue and Releases | | |
| Contributions | \$ 18,979,951 | \$ 6,288,907 |
| Realized and unrealized gain on investments | 6,426,375 | 463,442 |
| Investment income | 5,380,189 | 388,640 |
| Change in value of split-interest agreements | (430,219) | (16,883) |
| Change in value of beneficial interest in trusts | | (26,881) |
| Other revenue and support | 272,426 | |
| Transfers | 1,689,489 | (833,865) |
| Net assets released from restriction | 4,242,617 | (4,242,617) |
| Total support, revenue and releases | 36,560,828 | 2,020,743 |
| Expenses | | |
| Program expenses | | |
| Grants and scholarships | 16,488,806 | |
| Program services | 1,377,519 | |
| Total program expenses | 17,866,325 | - |
| Management and general | 1,722,327 | |
| Investment management fees | 1,090,426 | |
| Development expenses | 1,359,780 | |
| Total expenses | 22,038,858 | - |
| Changes in net assets | 14,521,970 | 2,020,743 |
| Net assets, beginning of year | 209,445,915 | 14,619,817 |
| Net assets, end of year | \$ 223,967,885 | \$ 16,640,560 |

| <u>Permanently Restricted</u> | <u>2015 Total</u> | <u>2014 Total</u> |
|-----------------------------------|-----------------------|-----------------------|
| \$ 1,531,255 | \$ 26,800,113 | \$ 24,342,882 |
| 470,703 | 7,360,520 | 19,556,950 |
| 394,709 | 6,163,538 | 4,983,156 |
| 111,304 | (335,798) | 625,704 |
| | (26,881) | 85,801 |
| | 272,426 | 180,260 |
| (855,624) | - | - |
| | - | - |
| <u>1,652,347</u> | <u>40,233,918</u> | <u>49,774,753</u> |
| | 16,488,806 | 19,332,661 |
| | 1,377,519 | 1,214,078 |
| <u>-</u> | <u>17,866,325</u> | <u>20,546,739</u> |
| | 1,722,327 | 1,496,274 |
| | 1,090,426 | 1,093,867 |
| | 1,359,780 | 1,248,248 |
| <u>-</u> | <u>22,038,858</u> | <u>24,385,128</u> |
| 1,652,347 | 18,195,060 | 25,389,625 |
| 13,729,961 | 237,795,693 | 212,406,068 |
| <u>\$ 15,382,308</u> | <u>\$ 255,990,753</u> | <u>\$ 237,795,693</u> |

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

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED MAY 31, 2014
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED MAY 31, 2015)

| | Unrestricted | Temporarily Restricted |
|--|----------------|---------------------------|
| Support, Revenue and Releases | | |
| Contributions | \$ 20,795,385 | \$ 3,547,497 |
| Realized and unrealized gain on investments | 16,967,852 | 1,286,779 |
| Investment income | 4,360,120 | 309,289 |
| Change in value of split-interest agreements | (40,639) | 645,706 |
| Change in value of beneficial interest in trusts | | 85,801 |
| Other revenue and support | 180,260 | |
| Transfers | 2,758,761 | (1,035,578) |
| Net assets released from restriction | 1,535,787 | (1,535,787) |
| Total support, revenue and releases | 46,557,526 | 3,303,707 |
| Expenses | | |
| Program expenses | | |
| Grants and scholarships | 19,332,661 | |
| Program services | 1,214,078 | |
| Total program expenses | 20,546,739 | - |
| Management and general | 1,496,274 | |
| Investment management fees | 1,093,867 | |
| Development expenses | 1,248,248 | |
| Total expenses | 24,385,128 | - |
| Changes in net assets | 22,172,398 | 3,303,707 |
| Net assets, beginning of year | 187,273,517 | 11,316,110 |
| Net assets, end of year | \$ 209,445,915 | \$ 14,619,817 |

| <u>Permanently Restricted</u> | <u>2014 Total</u> | <u>2015 Total</u> |
|-----------------------------------|------------------------------|------------------------------|
| \$ | \$ | \$ |
| | 24,342,882 | 26,800,113 |
| 1,302,319 | 19,556,950 | 7,360,520 |
| 313,747 | 4,983,156 | 6,163,538 |
| 20,637 | 625,704 | (335,798) |
| | 85,801 | (26,881) |
| | 180,260 | 272,426 |
| (1,723,183) | - | - |
| | - | - |
| <u>(86,480)</u> | <u>49,774,753</u> | <u>40,233,918</u> |
| | 19,332,661 | 16,488,806 |
| | 1,214,078 | 1,377,519 |
| <u>-</u> | <u>20,546,739</u> | <u>17,866,325</u> |
| | 1,496,274 | 1,722,327 |
| | 1,093,867 | 1,090,426 |
| | 1,248,248 | 1,359,780 |
| <u>-</u> | <u>24,385,128</u> | <u>22,038,858</u> |
| (86,480) | 25,389,625 | 18,195,060 |
| 13,816,441 | 212,406,068 | 237,795,693 |
| \$ <u><u>13,729,961</u></u> | \$ <u><u>237,795,693</u></u> | \$ <u><u>255,990,753</u></u> |

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

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ <u>18,195,060</u> | \$ <u>25,389,625</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 162,882 | 155,518 |
| Non-cash contributions | (6,079,354) | (2,567,884) |
| Realized and unrealized gain on investments | (8,204,064) | (21,744,924) |
| Realized and unrealized gain agency endowments | 843,544 | 2,187,974 |
| Loss on disposal of building | 284,878 | |
| Change in value of split-interest agreements | 335,798 | (625,704) |
| Change in value of beneficial interest in trusts | 26,881 | (85,801) |
| Program related investment converted to grant - noncash | - | 701,000 |
| (Increase) decrease in operating assets | | |
| Contributions, pledges and bequests receivable, net | (3,561,984) | (2,746,773) |
| Split-interest agreement assets | 266,593 | 443,363 |
| Other assets | 24,593 | (59,185) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued liabilities | (72,944) | 141,025 |
| Grants and scholarships payable | (3,180,577) | 3,656,067 |
| Split-interest agreements payable | (525,975) | (530,406) |
| Funds held as agency endowments | 2,799,976 | 2,694,987 |
| Total adjustments | <u>(16,879,753)</u> | <u>(18,380,743)</u> |
| Net cash provided by operating activities | <u>1,315,307</u> | <u>7,008,882</u> |
| Cash Flows from Investing Activities | | |
| Program related investments | 43,107 | 72,780 |
| Purchases of investments | (94,198,964) | (103,427,853) |
| Proceeds from sales of investments | 102,659,609 | 93,825,836 |
| Proceeds from sale of building | 297,900 | |
| Purchases of land, buildings and equipment | <u>(721,842)</u> | <u>(370,967)</u> |
| Net cash (used in) provided by investing activities | <u>8,079,810</u> | <u>(9,900,204)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from mortgage payable | 400,000 | - |
| Payments on mortgage payable | <u>(7,545)</u> | <u>-</u> |
| Net cash provided by financing activities | <u>392,455</u> | <u>-</u> |
| Increase in cash and cash equivalents | 9,787,572 | (2,891,322) |
| Cash and cash equivalents, beginning of year | 13,234,242 | 16,125,564 |
| Cash and cash equivalents, end of year | \$ <u><u>23,021,814</u></u> | \$ <u><u>13,234,242</u></u> |

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

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies

Organization

The Community Foundation of Sarasota County, Inc. is a public charity founded in 1979 by the Southwest Florida Estate Planning Council as a resource for caring individuals and the causes they support, enabling them to make a charitable impact on the community. The Community Foundation was built donor by donor, fund by fund, and now stewards more than \$292 million in over 1,300 individual and nonprofit funds. The mission of the Community Foundation of Sarasota County, Inc. is partnering to make charitable giving work in our communities. Its vision is making donor dreams a reality.

The Community Foundation of Sarasota County, Inc. has four strategic differentiators that guide its work: donor peace of mind, leveraging collaborative partnerships, philanthropic thought leadership, and generational philanthropy.

The Community Foundation has two supporting organizations: the Manatee Community Foundation (which also includes the Lakewood Ranch Community Fund, both of which serve neighboring Manatee County), and the Wetherington Foundation. The Community Foundation also serves Longboat Key through the Longboat Key Foundation Fund and DeSoto County through the DeSoto Community Foundation Fund. The Community Foundation has two subsidiary organizations, the Community Foundation Trust of Sarasota County, Inc. and CFSC Asset Company, LLC. Collectively, these organizations are referred to as the Community Foundation, or, the Foundation.

In addition, the Community Foundation invests back into the community each year through grants, awards and scholarships. During the year ended May 31, 2015, more than \$16 million was invested back into the community to support education; arts, culture and humanities; civic engagement; health and human services; animal welfare; and the environment. Since 1979, the Community Foundation has awarded more than \$160 million in grants and scholarships.

Donors

From its very beginnings, the Community Foundation has placed donor intentions and personalized customer service at the forefront of its business practices. Donors have a wide variety of charitable tools that maximize impact, tax benefits and future legacy. The Community Foundation proudly displays the "Community Foundation National Standards" seal, which signifies its commitment to accountability, transparency and continuous self-improvement.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Donors (Continued)

One way the Community Foundation has clearly demonstrated its commitment to honoring donor intent is to hire in-house Corporate Counsel. This experienced legal professional is responsible for providing legal guidance to Community Foundation leadership and staff, maintaining relationships with professional advisors and donors, and ensuring that fund agreements not only reflect donor intentions, but that they can also be managed and implemented readily.

Donors who wish to make a permanent charitable impact on the community can use the Community Foundation to carry out their estate plans. These donors, who only need to make a statement of establishment or intent to leave a gift to the Community Foundation in their estate plans, are recognized through the Legacy Society.

Nonprofits are also encouraged to choose the Community Foundation to steward their funds - no administrative fees are charged to not-for-profit organizations, and they benefit from the large investment pools at the Community Foundation, resulting in lower investment management fees. Manatee Community Foundation charges an administrative fee of 0.50% for nonprofits.

Professional Advisors

For professional advisors, the Community Foundation is a single, convenient partner for meeting a variety of charitable interests. The Community Foundation partners with professional advisors to provide support, information and expertise on charitable giving. The Community Foundation works with advisors who wish to discuss charitable giving with their clients, but need to avoid the appearance of favoritism in encouraging clients to donate to any specific charity. Additionally, there are opportunities for professional wealth advisors to financially manage their clients' funds held at the Community Foundation.

One way the Community Foundation recognizes the efforts of area professional advisors is by hosting the Distinguished Speaker Series, a signature series of educational lectures provided to our community's professional advisors, enabling them to earn continuing education credits at no cost.

Community Investment

In its effort to ensure donor funds are used efficiently and achieve maximum impact, the Community Foundation works to increase not-for-profit capacity through its Community Investment department. This team spearheads the community partnership that built and supports The Giving Partner, an online tool populated with in-depth information about more than 460 charitable organizations serving Sarasota, Manatee, Charlotte and DeSoto Counties. The Giving Partner profiles include information about the organizations' core missions, programmatic impact, governance, management and financials.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

Community Investment (Continued)

Using the profiles local organizations develop and update in The Giving Partner, our Community Investment team provides donors with more informed choices to guide their philanthropy; streamlines an Immediate Impact grant application process; provides valuable nonprofit information to other local funders, donors and citizens; and uses local data to determine capacity-building needs including governance, management, financial, leadership and marketing training, consulting and resources.

Community Foundation Initiatives

It is when the Community Foundation's deep knowledge of community needs intersects with the passion of its donors that innovation truly happens. In partnership with living and legacy donors, and numerous other community organizations, the Community Foundation has focused on the following areas:

- Helping the at-risk: these efforts are focused on preventing homelessness through Season of Sharing, a 16-year campaign that provides targeted financial assistance, primarily for mortgage/rent and utilities, and provides funds for principals and teachers to allocate to needy children for one-time, immediate assistance through the Student Emergency Fund.
- Literacy/Education: a multi-project, multi-partner effort that includes programs such as Any Given Child (arts integration for low income students in K-8 grade), EdExploreSRQ (experiential learning opportunities for students in K-12), Campaign for Grade Level Reading (focusing literacy efforts on birth through third grade), and two-generational work going on with students and parents at Alta Vista Elementary School which serves low income families.
- Inspired by the work of Ascend at the Aspen Institute, the Community Foundation is applying a two-generational lens to much of its work. This approach posits that a powerful way to help struggling families move beyond poverty is through a "two-generation" strategy, which provides opportunities for vulnerable children and their parents together.

Because these initiatives grew from donor passions, matching funds from generous donors have been made available to incentivize community support for many of these programs.

Financial Statements

The combined financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Foundation prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue, expenses and changes in net assets during the reported period. Actual results could differ from those estimates and assumptions.

Principles of Combination

The combined financial statements of the Foundation include its own accounts, and the combined accounts of related organizations which include the Community Foundation Trust of Sarasota County, Inc. (Trust), Wetherington Foundation, Inc. (WF), a Type I supporting organization, Manatee Community Foundation, Inc. (MCF), a Type I supporting organization, and CFSC Asset Company, LLC, all of which are exempt not-for-profit organizations. The Foundation controls WF and MCF through a majority voting interest in the Board of Directors and holds an economic interest in all of these entities. All material transactions between the organizations have been eliminated.

Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that provide management or the governing board with discretionary control to use in carrying on the mission of the Foundation due to the absence of donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations for use in future periods or currently available for use but only for purposes specified by the grantor or donor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Variance Power

Accounting principles generally accepted in the United States of America and the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has the ability known as variance power; however, the Board of Directors would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's combined financial statements classify the majority of funds, including the corpus of certain donor advised funds, as unrestricted net assets, but segregate for internal management and record keeping the portion that is held as donor advised from the funds that are currently available for grants administration.

Financial Instruments Not Measured at Fair Value

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents, contributions and pledges receivable, program related investment, accounts payable and accrued liabilities, grants and scholarships payable and other assets.

Cash and Cash Equivalents

The Foundation considers all short-term, highly liquid investments with original maturities of ninety days or less to be cash equivalents. Cash equivalents include money market funds, which are readily convertible to cash, and are stated at cost which approximates fair value.

Investments

Investments are stated at fair value, which represents the value on the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Investment income and unrealized gains or losses are allocated to the funds based upon their principal balances.

The Foundation's investments consist primarily of common and preferred stocks, mutual funds, United States government securities/bonds, alternative investments and corporate bonds. Assets included in investments are carried at fair value as detailed in Note 4.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized net of allowances. Promises made that are designated for future periods or restricted by the donor for specific purposes are recorded as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation records the support as unrestricted.

The Foundation assesses the collectability of individual pledges receivable annually and provides an allowance for uncollectible pledges receivable. The Foundation considers all pledges receivable to be fully collectible at May 31, 2015 and 2014, therefore no allowance has been provided for in these combined financial statements.

Bequests Receivable

The Foundation has been named beneficiary in a number of bequests. Bequests that have not been recorded in the accompanying combined financial statements are those where the donors' wills have not been declared valid by the probate court or the value of the amounts to be received are not yet determinable. All other bequests are reflected as bequests receivable in the accompanying combined financial statements.

Program Related Investment

The Foundation entered into a program related investment loan with another not-for-profit organization in Manatee County during the year ended May 31, 2013. The investment represents a below market rate loan in an amount not to exceed \$1,155,000 for the furtherance of non-for-profit's tax-exempt mission. The terms of the program related investment loan require the loan to be repaid in five years but may be extended beyond five years if agreed to by the Foundation. As of May 31, 2013, the Foundation has disbursed \$1,055,806 of the total commitment. As of May 31, 2015, \$701,000 of the loan had been forgiven, \$115,887 has been repaid and the remaining balance is \$238,919. This program related investment is considered to be fully collectible, therefore, no allowance has been provided for in these combined financial statements.

Beneficial Interest in Trusts

The Foundation has been given beneficial interests in trusts. The trusts' assets are held by third party trustees and the Foundation receives the income generated by the trusts' assets in perpetuity or until the termination of the Foundation. The Foundation's beneficial interests in the trusts are measured by the fair value of the trusts' assets held on behalf of the Foundation.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment, Net

Property and equipment are stated at historical cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Property and equipment are recorded as unrestricted net assets or temporarily restricted net assets when the donations have time stipulations. Expenditures over \$1,000 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the period the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of estimated useful lives is as follows:

| | |
|----------------------------|----------------|
| Land improvements | 15 years |
| Buildings and improvements | 15 to 39 years |
| Furniture and equipment | 3 to 7 years |

Single Life Annuity Instruments

Single life annuity instruments include beneficial interests in single life annuities as of May 31, 2015 and 2014, respectively. These single life annuity instruments are recorded at the original cost to the Foundation totaling \$2,500,000 as of May 31, 2015 and 2014, respectively.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of charitable gift annuities, charitable remainder annuity trusts and charitable remainder unitrusts. Contributions of split-interest agreements are recorded at fair value when the Foundation is informed of the contribution and its interest is irrevocable. Contributions of split-interest agreements included in contributions on the accompanying combined statements of activities were \$267,783 and \$471,734 for the years ended May 31, 2015 and 2014, respectively. Assets are invested and payments are made to donors and/or others in accordance with the respective agreements. The present value of payments under these arrangements are calculated using applicable tax discount rates at the combined statements of financial position dates and annuity payout rates ranging from 3.7% to 11.3%.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the combined statements of activities and changes in net assets. These amounts and amounts of related assets and liabilities are based on the estimated maturities of the agreements. Actual results could differ from those estimates.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

Charitable remainder trusts are classified as temporarily restricted and permanently restricted. Once the beneficial interest is passed to the Foundation, the remaining assets are released for unrestricted, temporarily restricted or permanently restricted use as specified by the donor.

Charitable gift annuities are classified as unrestricted, temporarily restricted and permanently restricted based upon the individual gift agreements. Distributions of the annuities are paid from income first then as a release of principal, if necessary.

Grants and Scholarships Payable

Grants and scholarships payable consist of grants which are recorded as expenses when authorized by the Board of Directors and committed to a specified recipient but have not yet been paid. Certain grants made by the Board of Directors are contingent on activities to be performed by the recipient.

Agency Endowments

The Foundation accounts for agency transactions in accordance with FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This Topic establishes 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 ASC specifically 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 that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of certain agency endowment funds and as such, continues to report the funds as assets of the Foundation. However, a liability has been established for the fair value of the funds.

At May 31, 2015 and 2014, the Foundation held 131 and 119 agency endowment funds with combined fair values of \$28,185,112 and \$24,541,589, respectively. Funds are segregated on the combined statements of financial position and are classified as funds held as agency endowments.

Donated Services

Donated services have not been recorded in the combined financial statements since no objective basis is available to measure such services; however, a substantial number of volunteers have donated time to the program services of the Foundation.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation and its support organizations are exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for. The Foundation is not a private foundation under Section 509(a) of the Internal Revenue Code.

Under the *Income Taxes* Topic of the FASB Accounting Standards Codification, the Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the combined financial statements.

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject include fiscal years ended May 31, 2012 through May 31, 2015.

Subsequent Events

The Foundation has evaluated all events subsequent to the combined statement of financial position date of May 31, 2015 through the date these combined financial statements were available for issuance, October 20, 2015, and have determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.

Note 2 - Reclassifications

To facilitate comparison of financial data, certain amounts in the 2014 combined financial statements have been reclassified to conform to 2015 reporting presentation. Such reclassifications had no effect on total net assets as previously reported.

Note 3 - Contributions, Pledges and Bequests Receivable

As of May 31, 2015 and 2014, the Foundation has written contributions, pledges and bequests receivable totaling \$7,195,911 and \$3,633,927, respectively. The Foundation records signed pledges as receivables based upon management evaluations of donors and pledge history.

As of May 31, 2015 and 2014, no allowance for uncollectible pledges has been established, as all receivables were considered collectible. Amounts are generally collected over one to five years and are recorded at their realizable value which approximates fair value. Based on the limited receivable balance due after one year, amounts are not discounted to net present value.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities

The Foundation values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents the classes of assets and liabilities measured at fair value on a recurring basis as of May 31, 2015 and indicates the fair value hierarchy of the valuation techniques used to determine fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

| Description | Fair Value May 31, 2015 | Fair Value Measurements on a Recurring Basis at Reporting Date Using | | |
|-----------------------------|----------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>Assets at Fair Value</u> | | | | |
| Investments | | | | |
| Equity | | | | |
| Large cap U.S. | \$ 84,740,706 | \$ 83,712,769 | \$ 1,027,937 | \$ |
| Mid cap U.S. | 15,742,045 | 15,742,045 | | |
| Small cap U.S. | 10,538,509 | 10,538,509 | | |
| International developed | 30,877,024 | 30,877,024 | | |
| Emerging markets | 8,449,508 | 8,449,508 | | |
| Total equity | <u>150,347,792</u> | <u>149,319,855</u> | <u>1,027,937</u> | <u>-</u> |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

| Description | Fair Value May 31, 2015 | Fair Value Measurements on a Recurring Basis at Reporting Date Using | | |
|--|----------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>Assets at Fair Value (Continued)</u> | | | | |
| Investments (Continued) | | | | |
| Fixed Income | | | | |
| Core U.S. fixed | \$ 50,351,678 | \$ 48,144,732 | \$ 2,206,946 | \$ |
| TIPS | 369,558 | 369,558 | | |
| International | 4,236,401 | 4,236,401 | | |
| High yield | 11,709,115 | 11,709,115 | | |
| Total fixed income | <u>66,666,752</u> | <u>64,459,806</u> | <u>2,206,946</u> | <u>-</u> |
| Alternative | | | | |
| Private equity | 2,324,218 | | | 2,324,218 |
| Global real estate | 4,903,779 | 4,903,779 | | |
| Commodities | 960,800 | 960,800 | | |
| REITS | 888,568 | 888,568 | | |
| Limited partnership | 546,700 | | | 546,700 |
| Other | 18,024,622 | | | 18,024,622 |
| Total alternative | <u>27,648,687</u> | <u>6,753,147</u> | <u>-</u> | <u>20,895,540</u> |
| Total investments | <u>244,663,231</u> | <u>220,532,808</u> | <u>3,234,883</u> | <u>20,895,540</u> |
| Bequests receivable | 7,058,711 | 7,058,711 | | |
| Estimated reinsurance receivable | 948,589 | | | 948,589 |
| Charitable remainder trust assets held as trustee | 910,013 | 910,013 | | |
| Charitable remainder trusts receivable | 7,277,133 | | | 7,277,133 |
| Beneficial interest in trusts | 1,538,845 | 1,538,845 | | |
| Total Assets at Fair Value | <u>\$ 262,396,522</u> | <u>\$ 230,040,377</u> | <u>\$ 3,234,883</u> | <u>\$ 29,121,262</u> |
| <u>Liabilities at Fair Value</u> | | | | |
| Split-interest agreements payable | \$ 5,539,641 | \$ | \$ | \$ 5,539,641 |
| Funds held as agency endowments | 28,185,112 | 28,185,112 | | |
| Total Liabilities at Fair Value | <u>\$ 33,724,753</u> | <u>\$ 28,185,112</u> | <u>\$ -</u> | <u>\$ 5,539,641</u> |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

The total cost of investments as of May 31, 2015 is \$210,588,051. For the year ended May 31, 2015, the Foundation had realized gains and unrealized losses on investments of \$10,666,326 and \$2,462,262, respectively. This includes realized gains and unrealized losses on agency endowments totaling \$1,071,544 and \$228,000, respectively.

The following table presents the classes of assets and liabilities measured at fair value on a recurring basis as of May 31, 2014 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

| Description | Fair Value May 31, 2014 | Fair Value Measurements on a Recurring Basis at Reporting Date Using | | |
|-----------------------------|----------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>Assets at Fair Value</u> | | | | |
| Investments | | | | |
| Equity | | | | |
| Large cap U.S. | \$ 82,229,986 | \$ 81,155,453 | \$ 1,074,533 | \$ - |
| Mid cap U.S. | 13,232,471 | 13,232,471 | | |
| Small cap U.S. | 12,932,442 | 12,932,442 | | |
| International developed | 32,222,353 | 32,222,353 | | |
| Emerging markets | 10,087,463 | 10,087,463 | | |
| Total equity | <u>150,704,715</u> | <u>149,630,182</u> | <u>1,074,533</u> | <u>-</u> |
| Fixed Income | | | | |
| Core U.S. fixed | 42,941,784 | 40,442,027 | 2,499,757 | |
| TIPS | 4,201,957 | 4,201,957 | | |
| International | 3,276,916 | 3,276,916 | | |
| High yield | 11,461,064 | 11,461,064 | | |
| Total fixed income | <u>61,881,721</u> | <u>59,381,964</u> | <u>2,499,757</u> | <u>-</u> |
| Alternative | | | | |
| Private equity | 1,915,849 | | | 1,915,849 |
| Hedge funds | 1,912,067 | 1,912,067 | | |
| Global real estate | 547,952 | 500,805 | | 47,147 |
| Commodities | 1,317,600 | 1,317,600 | | |
| REITS | 3,684,611 | 3,684,611 | | |
| Other | 16,875,943 | 561,308 | | 16,314,635 |
| Total alternative | <u>26,254,022</u> | <u>7,976,391</u> | <u>-</u> | <u>18,277,631</u> |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

| Description | Fair Value May 31, 2014 | Fair Value Measurements on a Recurring Basis at Reporting Date Using | | |
|--|----------------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Total investments | 238,840,458 | 216,988,537 | 3,574,290 | 18,277,631 |
| Bequests receivable | 3,547,497 | 3,547,497 | | |
| Estimated reinsurance receivable | 735,084 | | | 735,084 |
| Charitable remainder trust assets held as trustee | 1,301,099 | 1,301,099 | | |
| Charitable remainder trusts receivable | 7,090,582 | | | 7,090,582 |
| Beneficial interest in trusts | 1,565,725 | 1,565,725 | | |
| Total Assets at Fair Value | \$ 253,080,445 | \$ 223,402,858 | \$ 3,574,290 | \$ 26,103,297 |
| <u>Liabilities at Fair Value</u> | | | | |
| Split-interest agreements | | | | |
| Payable | \$ 5,454,258 | \$ | \$ | \$ 5,454,258 |
| Funds held as agency Endowments | 24,541,589 | 24,541,589 | | |
| Total Liabilities at Fair Value | \$ 29,995,847 | \$ 24,541,589 | \$ - | \$ 5,454,258 |

The total cost of investments as of May 31, 2014 is \$202,303,017. For the year ended May 31, 2014, the Foundation had realized gains and unrealized gains on investments of \$6,725,285 and \$15,019,639, respectively. This includes realized gains and unrealized gains on agency endowments totaling \$653,080 and \$1,534,894, respectively.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Foundation in estimating the fair value of its level 2 and level 3 financial instruments:

Large cap U.S., Core U.S. fixed income, Private equity, Hedge funds, Global real estate and Other alternative - the Foundation's investments in private equity, several hedge funds, global real estate, other alternative, and one investment in both equity and fixed income investments, are not actively traded and are valued at fair value by the general partner/managing member based on such factors as the underlying partnerships' net assets, liquidity, nature of the portfolio and market conditions. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market for these investments existed. The Foundation believes that the carrying amounts of these investments as disclosed above are reasonable estimates of fair value as of May 31, 2015 and 2014.

Charitable remainder trusts - represents assets held by the Foundation under charitable remainder trusts. Fair value is measured based on the underlying securities held within the trust assets, which have been determined to be level 1 securities for the years ended May 31, 2015 and 2014.

Contributions receivable from split-interest agreements and split-interest agreements payable - The fair value of these assets and liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables.

Limited Partnership - the limited partnership investment was donated and fair value was based on an independent appraisal performed January 25, 2015 (Level 3).

Bequests receivable - the fair value is estimated by management based on expected future cash flows. Collectability of these receivables is based on the Foundation's assumptions based on the best information available in the circumstances.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended May 31, 2015 and 2014:

| | Estimated Reinsurance Receivable | Charitable Remainder Trusts Receivable | Split-Interest Agreements Payable | Private Equity Fund | Global Real Estate | Limited Partnership | Other Alternative |
|---|--|---|---|---------------------------|-----------------------|------------------------|----------------------|
| Balance - May 31, 2013 | \$ 583,654 | \$ 7,073,167 | \$ (5,949,512) | \$ 1,840,633 | \$ 487,786 | \$ - | \$ 10,989,005 |
| Contributions | | | | | | | |
| Reinsurance premium | 279,774 | | | | | | |
| Purchases | | | | 714,430 | | | 4,000,000 |
| Sales, withdrawals, distributions | | | | (876,001) | (428,098) | | |
| Realized & unrealized gains | | | | 236,787 | (12,541) | | 1,325,630 |
| Changes in value of split interest agreements | (128,344) | 462,656 | 157,108 | | | | |
| New agreements | | | (417,020) | | | | |
| Maturities | | (445,241) | 755,166 | | | | |
| Balance - May 31, 2014 | 735,084 | 7,090,582 | (5,454,258) | 1,915,849 | 47,147 | - | 16,314,635 |
| Contributions | | | | | | 546,700 | |
| Reinsurance premium | 289,334 | | | | | | |
| Purchases | | | | 613,145 | | | |
| Sales, withdrawals, distributions | (99,328) | | | (460,555) | (47,147) | | |
| Realized & unrealized gains (losses) | | | | 255,779 | | | 1,709,987 |
| Changes in value of split interest agreements | 23,499 | 186,551 | 128,784 | | | | |
| New agreements | | | (341,849) | | | | |
| Maturities | | | 127,682 | | | | |
| Balance - May 31, 2015 | \$ <u>948,589</u> | \$ <u>7,277,133</u> | \$ <u>(5,539,641)</u> | \$ <u>2,324,218</u> | \$ <u>-</u> | \$ <u>546,700</u> | \$ <u>18,024,622</u> |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

The fair value of the funds listed below have been estimated based on net asset value per share as reported by the investee. Those funds which are redeemable at the reported net asset value per share at or near the reporting date have been considered to be valued based upon level 2 inputs. Funds which are not redeemable at or near the reporting date have been considered to be valued based upon level 3 inputs. Fair value of the private equity funds, global real estate fund and other alternative investments is estimated based upon the net asset value per share as reported by the investee, however, these funds are not redeemable and represent partnership interests. While the Foundation does receive distributions from these funds, it cannot determine or estimate the period of time over which the underlying investment may be liquidated by the investees.

| | Fair Value May 31, 2015 | Redemption Frequency | Redemption Notice Period |
|---|----------------------------|-------------------------|-----------------------------|
| Equity and Fixed Income Funds | | | |
| CommonFund Multi-Strategy Equity Investors, LLC (a) | \$ 1,027,937 | Monthly | 5 days |
| CommonFund Multi-Strategy Bond Investors, LLC (b) | \$ 2,206,946 | Monthly | 5 days |
| Private Equity Funds | | | |
| Morgan Stanley Credit Partners Offshore Feeder L.P. (c) | \$ 568,278 | n/a | n/a |
| Northern Trust Private Equity Fund (QP) IV (d) | \$ 1,755,940 | n/a | n/a |
| Global Real Estate | | | |
| BACAP Diversified Real Estate Fund Limited Partnership (e) | \$ - | n/a | n/a |
| Other Alternative | | | |
| Makena Capital Associations, L.P. (f) | \$ 18,024,622 | Annually | 1 year |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

- (a) The Fund allocates assets across a broad spectrum of equity strategies (not including private equity and venture capital) in proportions considered optimal for a fully diversified equity portfolio. The majority of the Fund's assets generally are invested directly or indirectly in a portfolio of common stocks, and securities convertible into common stocks, of U.S. companies. Additionally, the fund seeks to diversify its portfolio by allocating assets to common stocks and other equity securities of foreign companies in both developed and emerging markets. The Fund's allocation of the U.S. equity market includes exposure to companies in the S&P 500 Composite Index, the benchmark for the fund, as well as companies not included in the index. Under normal circumstances, at least 80 percent of the net assets of the Fund are invested directly or indirectly in equity securities. Redemptions from the fund are not permitted for amounts less than \$100,000 and are subject to the discretion of the Investment Manager.
- (b) The Fund allocates assets across a broad spectrum of fixed income sectors in proportions considered optimal for a fully diversified fixed income portfolio. The majority of the Fund's assets generally are invested directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. The Fund seeks to diversify its portfolio by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation indexed bonds, high yield bonds, emerging markets debt and opportunistic fixed income strategies. Under normal circumstances, at least 80 percent of the net assets of the Fund are invested directly or indirectly in fixed income securities or cash. The benchmark for the Fund is the Barclays Capital U.S. Aggregate Bond Index. Redemptions from the fund are not permitted for amounts less than \$100,000 and are subject to the discretion of the Investment Manager.
- (c) The Fund invests substantially all of its assets in Morgan Stanley Credit Partners L.P. (the "Main Fund") and has the same investment objectives. The primary business objective of the Fund is to achieve attractive risk-adjusted returns by investing in privately negotiated mezzanine debt securities. The Fund also invests in common and preferred equity and warrants related to such debt securities purchased in both the secondary and primary markets and in leveraged loans, high yield bonds and related instruments purchased in the secondary markets. The original commitment to the fund was \$2,000,000. As of May 31, 2015, the total advanced to the limited partnership is \$1,727,608 and the total recallable distributions received totaled \$1,559,751, leaving a remaining commitment to the fund of \$272,392.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 4 - Fair Value of Financial Assets and Liabilities (Continued)

- (d) The Fund is a limited partnership that was organized for the principal purpose of making investments in venture capital, buyout, and other private equity-oriented portfolio funds. The Partnership allocates its investable assets in several direct funds that seek capital appreciation by making equity and equity-related investments in conjunction with privately negotiated transactions. The Partnership shall terminate and be dissolved on the later of the twelfth anniversary of the Effective Date (December 17, 2009) or 120 days after the date on which the Partnership's last investment has been liquidated; provided that the Partnership may be terminated and dissolved at such earlier time as determined by the General Partner in its sole discretion. The original commitment to the fund was \$2,500,000. As of May 31, 2015, the total advanced to the limited partnership is \$1,670,000, leaving a remaining commitment to the fund of \$830,000.
- (e) The Bacap Diversified Real Estate Fund Limited Partnership is designed specifically to provide investors with access to a diversified real estate portfolio. The Partnership seeks core plus returns by investing through affiliated and unaffiliated funds and real estate investment managers, including qualified local investors, across a wide spectrum of the real estate market. As of March 25, 2009, the Partnership commenced an orderly liquidation. The Investment Manager requested that the Subadvisor place full withdrawal requests on behalf of the Partnership for its underlying fund investments. As of March 31, 2014, the Partnership sold all assets in its portfolio, and the settlement of funds occurred during Community Foundation of Sarasota's fiscal year 2015.
- (f) This limited partnership is referred to as a "feeder fund" as it is part of a "master-feeder" structure whereby the limited partnership invests substantially all of its assets in several "master funds." The investment objectives of the master funds are to achieve capital appreciation in a wide range of asset classes through proprietary asset allocation and careful selection of third-party investment managers. Withdrawals of partnership interests are not permitted prior to an initial two calendar year holding period.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 5 - Property and Equipment

Property and equipment consists of the following at May 31:

| | 2015 | 2014 |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 690,315 | \$ 690,315 |
| Land improvements | 891,348 | 771,010 |
| Buildings and improvements | 2,981,843 | 3,146,064 |
| Furniture and equipment | 596,265 | 603,332 |
| Construction in progress - MCF | 27,015 | |
| | <u>5,186,786</u> | <u>5,210,721</u> |
| Less accumulated depreciation | 1,587,825 | 1,587,941 |
| Total Property and Equipment, net | <u>\$ 3,598,961</u> | <u>\$ 3,622,780</u> |

Depreciation expense for the years ended May 31, 2015 and 2014 was \$162,882 and \$155,518, respectively.

Note 6 - Agency Endowment Activity

The Foundation holds agency endowment funds on behalf of other not-for-profit organizations. The following is a summary of the activity for the years ended May 31, 2015 and 2014:

| | 2015 | 2014 |
|--|--------------|--------------|
| Revenues, gains and other support | \$ 3,174,556 | \$ 2,981,875 |
| Investment income | \$ 722,934 | \$ 533,593 |
| Realized and unrealized gain (loss) on investments | \$ 843,544 | \$ 2,187,976 |
| Grants expense | \$ (964,421) | \$ (798,874) |
| Investment and administrative fees | \$ (133,092) | \$ (113,353) |
| Transfers | \$ (12,267) | \$ 91,746 |

The amounts reflected in the combined statements of activities for the years ended May 31, 2015 and 2014 are presented net of the activity summarized above related to agency endowments.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 7 - Net Asset Classifications

The Foundation's temporarily restricted net assets have been classified into the following categories as of May 31:

| | 2015 | 2014 |
|---|---------------|---------------|
| Amounts related to split-interest agreements | \$ 5,990,254 | \$ 6,398,510 |
| Funds designated for specific organizations or purposes | 2,822,550 | 3,108,085 |
| Other irrevocable trusts | 1,538,845 | 1,565,725 |
| Bequests receivable | 6,288,911 | 3,547,497 |
| Total Temporarily Restricted Net Assets | \$ 16,640,560 | \$ 14,619,817 |

The Foundation's permanently restricted net assets have been classified into the following categories as of May 31:

| | 2015 | 2014 |
|--|---------------|---------------|
| Amounts related to split-interest agreements | \$ 1,368,342 | \$ 1,247,252 |
| Endowment funds, the income from which are to be used to support the Foundation or organizations or purposes specified by the donors | 14,013,966 | 12,482,709 |
| Total Permanently Restricted Net Assets | \$ 15,382,308 | \$ 13,729,961 |

Note 8 - Net Assets Released from Restrictions

During the years ended May 31, 2015 and 2014, the Foundation released temporarily restricted net assets of \$4,242,617 and \$1,535,787, respectively.

Note 9 - Affiliated Organizations' Net Assets

At May 31, 2015 and 2014, the organizations included in the combined financial statements had net assets as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| The Community Foundation of Sarasota County, Inc. | \$ 199,755,696 | \$ 184,063,634 |
| Community Foundation Trust of Sarasota County | 21,193,766 | 21,363,843 |
| Wetherington Foundation, Inc. | 1,713,283 | 1,719,080 |
| Manatee Community Foundation, Inc. | 30,513,948 | 28,302,824 |
| CFSC Asset Company, LLC | 2,814,060 | 2,346,312 |
| Total | \$ 255,990,753 | \$ 237,795,693 |

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 10 - Functional Allocation of Costs

For the years ended May 31, 2015 and 2014, the Foundation conducted activities that included salaries and wages, various building, rent and occupancy costs, requests for contributions, as well as management and general components. Activities were carried out through direct appeals and events. The costs of conducting those activities for the years ended May 31, 2015 and 2014 included a total of \$4,459,626 and \$3,958,600, respectively, which are not specifically attributable to particular components of the activities. These costs were allocated as follows:

| | 2015 | 2014 |
|------------------------|---------------------|---------------------|
| Program services | \$ 1,377,519 | \$ 1,214,078 |
| Management and general | 1,722,327 | 1,496,274 |
| Development expenses | 1,359,780 | 1,248,248 |
| Total | <u>\$ 4,459,626</u> | <u>\$ 3,958,600</u> |

Note 11 - Advertising Expense

Advertising costs are expensed as incurred or expensed the first time the advertising takes place. Advertising expense for the years ended May 31, 2015 and 2014 totaled \$186,335 and \$125,433, respectively.

Note 12 - Retirement Plans

Effective September 1, 2008, the Foundation adopted a 401(k) Profit Sharing Plan into which employees may make tax-deferred elective contributions. The Plan provides for 401(k) Safe Harbor Contributions and Employer Nonelective Profit Sharing Contributions by the Foundation, as well as rollover contributions. For the years ended May 31, 2015 and 2014, employer contributions of \$92,011 and \$121,775 were recognized for the 401(k) profit sharing plan.

Additionally, Manatee Community Foundation, Inc. has established a 403(b) retirement plan into which employees may make tax-deferred elective contributions. The Plan provides for non-elective matching contributions by the Foundation, as well as rollover contributions. For the years ended May 31, 2015 and 2014, employer contributions of \$10,524 and \$11,856 were recognized for the 403(b) retirement plan.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 13 - Endowments

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

Interpretation of Relevant Law

The Board of Directors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, and, (b) the original value of subsequent gifts to the permanent endowment. Any portion of the endowment, including investment income, which is not classified as permanently restricted net assets, is to be classified as temporarily restricted net assets until it is appropriated for expenditure.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that will support its spending policy and maintain or grow the real value of the portfolio.

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 a percentage of its endowment funds' average fair value over the period of 12 quarters through the fiscal year end proceeding the fiscal year in which the distribution is planned. For the years ended May 31, 2015 and 2014, the authorized distribution rate was 5%. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide for additional real growth through new gifts and investment return.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 13 - Endowments (Continued)

Manatee Community Foundation follows the same policy above. For the years ended May 31, 2015 and 2014, the authorized distribution rate was 4.5%.

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 intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of May 31, 2015, endowment net assets consisted of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------|
| Donor-restricted endowment funds | \$ (281,902) | \$ 1,255,602 | \$ 14,013,966 | \$ 14,987,666 |

Changes in endowment net assets for the year ended May 31, 2015 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------|
| Endowment net assets, May 31, 2014 | \$ (281,902) | \$ 1,223,169 | \$ 12,482,709 | \$ 13,423,976 |
| Endowment investment return | | | | |
| Investment income | | 386,500 | | 386,500 |
| Realized and unrealized gains | | 461,618 | | 461,618 |
| Total endowment investment return | - | 848,118 | - | 848,118 |
| Contributions | | | 1,531,257 | 1,531,257 |
| Administrative and investment fees | | (182,592) | | (182,592) |
| Net assets released from restrictions | 633,093 | (633,093) | | - |
| Appropriation of endowment for expenditures | (633,093) | | | (633,093) |
| Net transfers in (out) of endowment | | | | |
| Total endowment activity | - | 32,433 | 1,531,257 | 1,563,690 |
| Endowment Net Assets, May 31, 2015 | \$ (281,902) | \$ 1,255,602 | \$ 14,013,966 | \$ 14,987,666 |

Total permanently restricted net assets of \$15,382,308 as reported on the combined statement of financial position includes permanently restricted endowment net assets per above of \$14,013,966 plus the value of permanently restricted split interest agreements of \$1,368,342.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 13 - Endowments (Continued)

As of May 31, 2014, endowment net assets consisted of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------|
| Donor-restricted endowment funds | \$ (281,902) | \$ 1,223,169 | \$ 12,482,709 | \$ 13,423,976 |

Changes in endowment net assets for the year ended May 31, 2014 are as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------|
| Endowment net assets, May 31, 2013 | \$ (345,078) | \$ 678,260 | \$ 12,329,637 | \$ 12,662,819 |
| Endowment investment return | | | | |
| Investment income | 12,188 | 292,512 | | 304,700 |
| Realized and unrealized gains | 50,988 | 1,223,872 | | 1,274,860 |
| Total endowment investment return | 63,176 | 1,516,384 | - | 1,579,560 |
| Administrative and investment fees | | (170,461) | | (170,461) |
| Net assets released from restrictions | 801,014 | (801,014) | | - |
| Appropriation of endowment for expenditures | (801,014) | | | (801,014) |
| Net transfers in (out) of endowment | | | 153,072 | 153,072 |
| Total endowment activity | 63,176 | 544,909 | 153,072 | 761,157 |
| Endowment Net Assets, May 31, 2014 | \$ (281,902) | \$ 1,223,169 | \$ 12,482,709 | \$ 13,423,976 |

Total permanently restricted net assets of \$13,729,961 as reported on the combined statement of financial position includes permanently restricted endowment net assets per above of \$12,482,709 plus the value of permanently restricted split interest agreements of \$1,247,252.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 14 - Mortgage Payable

During the year ended May 31, 2015, the Manatee Community Foundation entered into a mortgage note payable with two individuals with interest at 5%. During the year ended May 31, 2015, the Foundation paid \$8,271 in interest.

Future maturities of mortgage note payable for the next five years are as follows:

| | | |
|------------|----|----------------|
| 2016 | \$ | 18,761 |
| 2017 | | 19,721 |
| 2018 | | 20,730 |
| 2019 | | 21,791 |
| Thereafter | | 311,452 |
| | \$ | <u>392,455</u> |

Note 15 - Concentrations of Credit and Economic Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The Foundation places its cash and cash equivalents with high credit quality financial institutions. During the year, the Foundation may have deposits with financial institutions which exceed the FDIC insured limit.

The Foundation invests in a variety of investment vehicles, as described in Note 4. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the combined financial statements.

Note 16 - Related Party Transactions

Certain directors of the Foundation hold key positions at financial institutions with which the Foundation holds significant cash and investments. These directors are not the account managers of the Foundation's funds at these institutions. Certain board members and staff are also on nonprofit boards that receive grants from the Foundation.

A member of the board provides group health insurance broker services to the Foundation. For the years ended May 31, 2015 and 2014, the Foundation paid approximately \$125,156 and \$112,191, respectively, in related insurance premiums. A second member of the board provides 401(k) plan broker services to the Foundation. The Foundation does not pay a fee directly to the plan broker.

THE COMMUNITY FOUNDATION OF SARASOTA COUNTY, INC.
AND ITS SUBSIDIARIES AND SUPPORT ORGANIZATIONS

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

MAY 31, 2015 AND 2014

Note 16 - Related Party Transactions (Continued)

A third member of the board provides advertising and public relations consulting support to the Foundation. The Foundation paid approximately \$0 and \$1,000 in related fees for the years ended May 31, 2015 and 2014, respectively. A fourth member of the board provides local advertising opportunities to the Foundation. The Foundation paid approximately \$23,773 and \$31,497 in related fees for the years ended May 31, 2015 and 2014, respectively. Also, one member of the MCF board provides investment management services to the Foundation. The Foundation paid approximately \$1,861 and \$0 in related fees for the years ended May 31, 2015 and 2014, respectively.

From time to time, the directors make pledges and contributions to the Foundation.