REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS

COMMUNITIES FOUNDATION OF TEXAS

June 30, 2017 and 2016

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Finance and Audit Committee
Communities Foundation of Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Communities Foundation of Texas (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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 audit. We conducted our audit 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 consolidated 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 entity'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 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 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 Communities Foundation of Texas as of June 30, 2017, and the results of their change in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Prior Period Financial Statements

The consolidated financial statements of Communities Foundation of Texas for the year ended June 30, 2016, were audited by other auditors who expressed an unmodified opinion of those statements on December 15, 2016.

Moss Adams LLP

Dallas, Texas
December 15, 2017

Communities Foundation of Texas
Consolidated Statements of Financial Position
June 30, 2017 and 2016
Presented in 000's

	2017	2016
ASSETS		
Cash and cash equivalents	$ 23,485	$ 28,710
Interest, dividends, and other receivables	1,395	1,664
Contributions receivable	9,681	11,348
Investments	978,762	898,805
Beneficial interest in charitable remainder trusts	6,733	6,329
Real estate held for investment	11,137	13,208
Real estate held for sale	4,058	4,064
Other investments	15,449	15,832
Property and equipment, net	46,172	46,528
Other assets	1,304	1,229
Total assets	$ 1,098,176	$ 1,027,717
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 2,213	$ 1,209
Grants payable	28,459	37,140
Funds held for others	35,274	32,312
Deferred revenue	307	332
Liabilities associated with split-interest agreements	3,474	3,339
Total liabilities	69,727	74,332
Net Assets		
Unrestricted	809,432	758,528
Unrestricted, board-designated endowments	23,484	22,117
Total unrestricted	832,916	780,645
Temporarily restricted	191,151	168,358
Permanently restricted	4,382	4,382
Total net assets	1,028,449	953,385
Total liabilities and net assets	$ 1,098,176	$ 1,027,717

See accompanying notes.

Communities Foundation of Texas
Consolidated Statement of Activities
Year Ended June 30, 2017
Presented in 000's

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND GAINS				
Contributions	$ 49,989	$ 12,834	$ -	$ 62,823
Investment income, net	5,553	740	-	6,293
Net realized gains on sales on investments	9,956	2,910	-	12,866
Net unrealized gains on investments	64,836	13,909	-	78,745
Gain on sale of property	11,692	-	-	11,692
Change in value of split-interest agreements	(87)	534	-	447
Other income	9,816	242	-	10,058
Reclassifications - donor directed	(2,955)	2,955	-	-
Net assets released from restrictions	11,331	(11,331)	-	-
Total revenues and gains	160,131	22,793	-	182,924
GRANTS AND EXPENSES				
Programs:				
Grants	81,297	-	-	81,297
Other	9,151	-	-	9,151
Supporting activities:				
General and administrative expenses:				
Communities Foundation of Texas	11,515	-	-	11,515
Supporting organizations	3,688	-	-	3,688
Development	2,209	-	-	2,209
Total grants and expenses	107,860	-	-	107,860
CHANGE IN NET ASSETS	52,271	22,793	-	75,064
NET ASSETS				
Beginning of year	780,645	168,358	4,382	953,385
End of year	$ 832,916	$ 191,151	$ 4,382	$1,028,449

See accompanying notes.

Presented in 000's

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND GAINS				
Contributions	$ 48,761	$ 18,245	$ -	$ 67,006
Investment income, net	8,555	1,323	-	9,878
Net realized gains on sales on investments	17,046	3,357	-	20,403
Net unrealized losses on investments	(25,614)	(6,563)	-	(32,177)
Gain on sale of property	454	-	-	454
Change in value of split-interest agreements	(78)	176	-	98
Other income	10,788	-	-	10,788
Reclassifications - donor directed	(10,426)	10,700	(274)	-
Net assets released from restrictions	15,316	(15,316)	-	-
Total revenues and gains	64,802	11,922	(274)	76,450
GRANTS AND EXPENSES				
Programs:				
Grants	96,425	-	-	96,425
Other	7,734	-	-	7,734
Supporting activities:				
General and administrative expenses:				
Communities Foundation of Texas	8,942	-	-	8,942
Supporting organizations	4,467	-	-	4,467
Development	1,865	-	-	1,865
Total grants and expenses	119,433	-	-	119,433
CHANGE IN NET ASSETS	(54,631)	11,922	(274)	(42,983)
NET ASSETS				
Beginning of year	835,276	156,436	4,656	996,368
End of year	$ 780,645	$ 168,358	$ 4,382	$ 953,385

See accompanying notes.

Communities Foundation of Texas
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016
Presented in 000's

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ 75,064	$ (42,983)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,911	1,693
Amortization of discount on grants payable	(144)	(5)
Net unrealized (gain) loss on investments	(78,745)	32,177
Net realized gain on sales of investments	(12,866)	(20,403)
Change in value of split interest agreements	(447)	(98)
Gain on partnership	(278)	-
Change in cash surrender value of life insurance policies	(2)	14
Gain on sale of property and equipment	(11,692)	(454)
Noncash contributions	(15,380)	(15,931)
Proceeds from sales of noncash contributions	9,870	16,183
Changes in operating assets and liabilities:		
Contributions, interest, dividends, and other receivables	1,936	(8,781)
Other assets	(64)	(218)
Accounts payable and accrued liabilities	1,004	(1,032)
Grants payable	(8,537)	10,168
Funds held for others	(597)	(1,022)
Liabilities associated with split-interest agreements	172	(416)
Net cash used in operating activities	(38,795)	(31,108)
INVESTING ACTIVITIES		
Purchases of investments	(260,667)	(390,388)
Proceeds from the sales of investments	290,507	417,894
Purchases of property and equipment	(1,556)	(367)
Proceeds from sales of property and equipment	5,002	6,613
Proceeds from sales of other investments	-	1,524
Net cash provided by investing activities	33,286	35,276
FINANCING ACTIVITIES		
Distribution from beneficial interest in charitable remainder trusts	284	2,092
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,225)	6,260
CASH AND CASH EQUIVALENTS		
Beginning of year	28,710	22,450
End of year	$ 23,485	$ 28,710

See accompanying notes.

Communities Foundation of Texas
Consolidated Statements of Cash Flows (continued)
June 30, 2017 and 2016
Presented in 000's

	2017	2016
Interest paid	$ -	$ 52
Taxes paid	$ 2,961	$ -
Net realized and unrealized gains (losses) on agency funds	$ 3,559	$ (648)
Transfer of property and equipment to real estate held for sale	$ -	$ 4,064
Debt financed property and equipment construction in progress	$ -	$ 481
Repayment of notes payable with noncash proceeds from sale of property and equipment	$ -	$ 3,937
Collection of contributions receivable through property and equipment	$ -	$ 1,353
Noncash contributions of investments	$ 14,639	$ 13,517
Noncash contributions of property and equipment	$ -	$ 328
Noncash contributions of other investments	$ 429	$ 1,886
Noncash contributions of other assets	$ 9	$ 200
Noncash contributions of beneficial interest in charitable remainder trust	$ 303	$ -

Note 1 – Summary of Significant Accounting Policies

General Purpose and Activities

Communities Foundation of Texas (the Community Foundation) is a nonprofit Texas corporation with no capital stock and is classified by the Internal Revenue Service as tax- exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. The Community Foundation administers more than 1,000 funds comprised of donor advised, non-donor advised, trusts and endowment funds established with an instrument of gift.

The Community Foundation is committed to serving charitable needs both domestically and abroad through charitable grants and services at the discretion of the Board of Trustees.

In addition, the Community Foundation administers the Educate Texas program, a significant program that provides grants and support to Texas schools as well as North Texas Giving Day, the nation's largest on-line giving day.

Reporting Entity

The consolidated financial statements include the Community Foundation and the W.W. Caruth, Jr. Foundation, The Nancy Ann Hunt Foundation, The Ruth Foundation, and The Robert and Nancy Dedman Foundation (the Supporting Organizations). The Supporting Organizations are consolidated with the Community Foundation in the accompanying financial statements because the Community Foundation has an economic interest in the organizations and controls the affiliated organizations' boards of directors and/or by virtue of common trustees. The consolidated financial statements also include the accounts and activities of Flora Street, LLC (and its wholly owned entities Flora Street Retail, LLC and Flora Street Retail 1-2, LLC), Expressway Central Control Company, Inc., Florida Central Control, Inc., Suncoast Central Control, LLC, Texas Central Control, LLC, Citrus Condos (dissolved in February 2016), Caruth Building Services, Inc., Medallion Center Partners, LP, and Medallion Center Partners GP, LLC. The primary purpose of these entities is to hold and manage real estate properties and other investments on behalf of the Community Foundation and certain Supporting Organizations. The Community Foundation, the Supporting Organizations, and all other consolidated entities are collectively referred to as the Foundation throughout these financial statements. All significant inter-organization transactions have been eliminated.

Basis of Presentation

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative guidance for accounting principles general accepted in the United States of America (U.S. GAAP) for nongovernmental entities. The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting and to ensure the observance of limitations and restrictions placed on the use of available resources, the Foundation maintains its accounts in accordance with the principles and practices of fund accounting. The accompanying consolidated financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Significant Estimates

Estimates that are particularly susceptible to significant change include the fair value of investments, beneficial interest in charitable remainder trusts, and contributions receivable and related allowance for doubtful accounts. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of the investments and beneficial interest will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. Significant fluctuations in fair values could occur from year to year, and the amounts the Foundation will ultimately realize could differ materially. Management's estimate of contributions receivable and the related allowance for uncollectible amounts is based on consideration of all relevant available information and an analysis of the collectability of individual contributions at the financial statement date.

Net Asset Classification

As a community foundation, in accordance with United States Treasury Regulations, the Foundation possesses variance power. Variance power is the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. The Foundation interprets this variance power to apply to endowment restrictions as well as purpose restrictions. This power is exercisable only in narrowly defined circumstances. Since this variance power is incorporated by reference in most gift instruments, the Foundation views its variance power as an explicit expression of donor intent.

The Board of Trustees, on the advice of legal counsel, has determined that the majority of the Foundation's endowment funds meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) enacted by the State of Texas effective September 1, 2007 (TUPMIFA). Most of the Foundation's endowment contributions are received subject to the terms of a standard fund agreement. Under the terms of the standard fund agreement, the Board of Trustees has the ability to distribute as much of the corpus of any gift, devise, bequest or fund as the Board of Trustees, in its sole discretion, shall determine. As a result of the ability to distribute corpus, the Board of Trustees has determined that all endowment contributions received subject to the standard fund agreement, and subject to TUPMIFA, are classified as temporarily restricted until appropriated, at which time the appropriation is reclassified to unrestricted net assets. Generally, if the corpus of a contribution may at some future time become available for spending, it is recorded as temporarily restricted. If the corpus never becomes available for spending (i.e., variance power is not specifically incorporated in the gift instrument), it will be reported as permanently restricted.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Note 1 – Summary of Significant Accounting Policies (continued)

In addition to donor-imposed endowment restrictions, all contributions received with donor imposed time restrictions are classified as temporarily restricted until the payments are received unless the respective gift is specifically designated for use in the current period by the donor. Contributions received under split-interest agreements, except for charitable gift annuities, are also classified as temporarily restricted due to the implied time restriction on the use of such assets.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowments that attempt to provide a predictable stream of funding to programs supported by its endowments. The Foundation's investment and spending policies work together to achieve this objective. The current long-term return objective is compared to a similarly weighted benchmark representing appropriate market-based indices. The performance is also compared to the general inflation rate as measured by the Consumer Price Index. 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 parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds. The spending policy is to distribute an amount not greater than 4.5 and 5.0 percent of the average preceding 16 quarters net asset balance in the fund at June 30, 2017 and 2016, respectively.

Contribution Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Bequests are recognized as contribution revenue at the date the will is declared valid by the probate court and the amount to be received by the Foundation can be estimated. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value on the gift date. Contributions to be received after one year are recorded at the present value of their estimated future cash flows using a discount rate that is commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in the same net asset class and fund as the original contribution.

The Foundation reports gifts of cash and other assets as restricted support when they are received under gift instruments with donor stipulations that limit their use (i.e. gifts without variance power) and/or time restrictions (including implied time restrictions). When a restriction expires, that is, when a stipulated time restriction ends or donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction.

Net Assets Released from Restrictions

Net assets released from restrictions are net asset reclassifications that result from fulfillment of the purposes for which the net assets were restricted and/or restrictions which expired with the passage of time.

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassifications-Donor Directed

Donor-directed reclassifications are net asset reclassifications that occur when a donor withdraws or court action removes previously imposed restrictions, when a donor imposes restrictions on otherwise unrestricted net assets, when a donor changes or modifies their existing restriction, and/or when an existing donor restriction requires certain amounts to be reclassified.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less when purchased, excluding cash equivalent funds held in the Foundation's investment portfolio.

Beneficial Interest in Charitable Remainder Trusts

Beneficial interest in charitable remainder trusts represents the amount held for the benefit of the Foundation under irrevocable trust agreements between donors and third-party trustees and are carried at fair value in the consolidated statements of financial position (see Note 5). The Foundation estimates the fair value of the interest annually and recognizes any changes in the fair value as a change in value of split-interest agreements in the consolidated statements of activities.

Investments

The Foundation reports investments at fair value. The Foundation has elected to report the fair value of its nonmarketable securities using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by Foundation management. All unrealized gains and losses related to the investment portfolio are included in the change in net assets in the consolidated statements of activities. Realized gains and losses are computed on the average cost basis.

Cash Surrender Value of Life Insurance Policies

Cash surrender value of life insurance is recorded at the amount that can be realized at the date of the consolidated statements of financial position and are included in other assets in the consolidated statements of financial position.

Property and Equipment

Property and equipment are recorded at estimated fair value at the date of donation or at cost, if purchased. The Foundation capitalizes all contributions or purchases of equipment with an original cost basis of $2,500 or more. Depreciation is recorded using the straight-line method based on expected useful lives ranging from three to 40 years. The Foundation records impairments of its property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over the estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances at the time of the determination. No property or equipment impairments were recorded for the years ended June 30, 2017 and 2016.

Note 1 – Summary of Significant Accounting Policies (continued)

Real Estate Held for Investment
Real estate investments are stated at the lower of historical cost, if purchased, or fair value at the date of donation. The Foundation's investments in real estate consist of properties held for leasing and/or other investment purposes. Periodic fair value appraisals are made as deemed necessary based on economic conditions and management discretion.

Real Estate Held for Sale
The Foundation measures assets held for sale at the lower of its carrying amount or fair value less cost to sell. Gains or losses are recognized for any subsequent changes to fair value less cost to sell. Property is classified as held for sale when (1) management with the appropriate authority commits to a plan to sell the asset, (2) the asset is available for immediate sale in its present condition, (3) an active program to locate a buyer and other actions required to complete the plan have been initiated, (4) the sale of the property or asset within one year is probable and will qualify for accounting purposes as a sale, (5) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and (6) actions required to complete the plan of sale indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Assets held for sale are not depreciated.

In order to maximize the Foundation's earnings and grow the assets available for distribution over time, the Foundation determined that certain real estate assets should be sold and the proceeds used to purchase additional investments. At June 30, 2017 and 2016, parcels of land with carrying values of approximately $4,058,000 and $4,064,000, respectively, were being marketed for sale.

Other Investments
Other investments consist of equity interests in closely held corporations, limited partnerships and limited liability companies which do not have readily determinable fair values. These investments are carried under the equity method or at cost (or fair value at the time of donation) in the· consolidated financial statements. The Foundation evaluates its ownership interest and ability to exercise significant influence over an entity in determining whether to carry the investment under the equity method or at cost at the time of purchase or donation. Under the equity method, the interest's carrying amount is (1) increased for the Foundation's proportionate share of earnings or (2) decreased for the Foundation's proportionate share of losses and distributions received. Investments carried at cost are evaluated for impairment when whenever events or circumstances indicate that the carrying value may not be recoverable. See Note 13 for additional information regarding the Foundation's other investments.

Impairment of Long-Lived Assets
The Foundation reviews long-lived assets, including property and equipment, and limited partnership and limited liability company interests, for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not otherwise be recoverable. In connection with this review, the Foundation also re-evaluates applicable periods of depreciation and amortization for these assets. The Foundation assesses the recoverability by determining whether the carrying value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Foundation determines that the carrying value of the asset may not be recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value. Once impairment is recognized the asset will not be written back to cost, even if the asset or investment subsequently increases in fair value. The Foundation did not recognize any impairment of long-lived assets for the years ended June 30, 2017 and 2016.

Note 1 – Summary of Significant Accounting Policies (continued)

Split-Interest Agreements and Gift Annuities
Under charitable remainder trust and annuity agreements, the Foundation pays annual benefits from the trust's assets over the term of the trust to third-party beneficiaries, with remaining trust assets at the end of the trust's term being distributed to the Foundation and/or other charities as directed by the trust instrument. Under charitable gift annuities, assets received are available for immediate use by the Foundation, and annual benefits paid from Foundation assets are distributed to third-party beneficiaries over the term of the agreement. See Note 5 for additional information regarding the Foundation's split-interest agreements, including charitable gift annuities.

Funds Held for Others
The Foundation accounts for assets that are received from a not-for-profit organization for the benefit of that not-for-profit organization, or one of its affiliated organizations, as a liability to the specified beneficiary concurrent with its recognition of the assets received. The Foundation maintains variance power and legal ownership over these funds. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions and are not reflected in the consolidated statements of activities. In the consolidated statements of financial position, the assets held on behalf of the agency are included in cash and investments, and the related liability is classified as funds held for others. Assets and liabilities related to such funds totaled approximately $35,274,000 and $32,312,000 at June 30, 2017 and 2016, respectively.

Rental Revenue
The Foundation, as a lessor, retains substantially all of the risks and benefits of ownership of the investment properties and accounts for all related leases as operating leases. Minimum rents are accrued on a straight-line basis over the terms of their respective leases, and the resulting deferred lease asset is included in other assets on the consolidated statements of financial position. Certain retail tenants are also required to pay overage rents based on sales over a stated base amount during the lease year.

Certain leases require the tenant to reimburse the Foundation for a substantial portion of the operating expenses, including common area maintenance, real estate taxes and insurance. Operating expenses typically include utilities, insurance, security, janitorial, landscaping, and other administrative expenses. The reimbursable portions of these tenant expenses are recognized as revenue (and receivable) in the period the applicable expenditures are incurred, and are included in other income in the consolidated statements of activities.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Costs are allocated between development, general and administrative, or grants and other program expenses based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Note 1 – Summary of Significant Accounting Policies (continued)

Program Expenses
Grants represent amounts awarded to various not-for-profit organizations to assist with funding of general operations or special programs. Other program expenses are primarily related to operation of Educate Texas and other Foundation initiatives. Grants are recorded as an expense when they are approved by the Foundation officers for payment and all conditions of the grant have been substantially met by the grantee. The Board of Trustees ratifies grants at their quarterly meetings. Grants payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations. Grants to be paid after one year are discounted to net present value.

Income Tax Matters
The Community Foundation and the Supporting Organizations are exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC), as organizations described in IRC Section 501(c)(3), and have been determined not to be private foundations under Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made related to the Foundation; however, should the Foundation engage in activities unrelated to the purpose for which it was created, taxable income could result. For the year ended June 30, 2017, the Foundation incurred approximately $2,961,000 in taxes as the result of gains on the sale of property by a taxable corporation that was previously donated. This amount is reflected in general and administrative expenses in the consolidated statements of activities. No taxes were incurred for the year ended June 30, 2016.

Accounting for Uncertain Tax Positions
The ASC provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more likely than not of being sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions.

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Value Measurements
The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to 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 - Unobservable and significant to the fair value measurement.

The 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. All transfers between fair value hierarchy levels are recognized by the Foundation at the end of each reporting period.

Financial assets and liabilities carried at fair value on recurring basis include investments, beneficial interest in charitable remainder trust, deferred revenue and liabilities associated with split-interest agreements. The Foundation has no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2017 or 2016.

Recent Accounting Pronouncements
On August 26, 2016, FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provide cash flow statement classification guidance for the following eight categories: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. ASU No. 2016-15 is effective for the Foundation's year ending June 30, 2020. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-15 will have on its financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

On August 18, 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update change presentation and disclosure requirements for not-for profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU No. 2016-14 is effective for the Foundation's year ending June 30, 2019. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-14 will have on its financial statements.

On February 25, 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this update affect any entity that enters into a lease transaction. The primary change from this guidance is that the lessee should recognize the assets and liabilities that arise from all leases over 12 months in length. If the lease is 12 months or less in length, a lessee is permitted to make an accounting policy election by class of the underlying asset not to recognize lease assets and liabilities. If this election is made, the lessee should recognize the lease expense on a straight line basis over the lease term. ASU No. 2016-02 is effective for the Foundation's year ending June 30, 2021. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-02 will have on its financial statements.

On January 5, 2016, FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, the final standard on the recognition and measurement of financial instruments. The ASU applies to all entities that hold financial assets or owe financial liabilities and represent the finalization of just one component of the FASB's broader financial instruments project. ASU No. 2016-01 is effective for the Foundation's year ending June 30, 2020. Earlier application is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2016-01 will have on its financial statements.

On May 28, 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for the Foundation's year ending June 30, 2020. Early adoption, subsequent to the Foundation's year ending June 30, 2017, is permitted. The Foundation is currently evaluating the effect implementation of ASU No. 2014-09 will have on its financial statements.

The June 30, 2017 consolidated financial statements reflect adoption of FASB ASU No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 defines management’s responsibility to evaluate whether there is a substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. The Foundation adopted this ASU and concluded there was not a substantial doubt of its continued operations.

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassifications
Certain balances in the June 30, 2016 consolidated financial statements, have been reclassified to be consistent with the current year presentation. These reclassifications had no impact on net assets or changes in net assets.

Subsequent Events
Management has evaluated subsequent events through December 15, 2017, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Note 2 – Investment Income

Investment income consists of the following for the years ended June 30 (in thousands):

	2017	2016
Interest and dividends	$ 9,879	$ 11,982
Consulting, management, and administration fees	(3,586)	(2,104)
Total	$ 6,293	$ 9,878

Note 3 – Property and Equipment

Property and equipment are summarized as follows at June 30 (in thousands):

	2017	2016
Land	$ 22,774	$ 22,774
Building	41,451	41,541
Furniture	884	1,565
Office equipment	113	325
Computer equipment and software	1,289	2,232
Construction in progress	966	-
Total	67,477	68,437
Less: accumulated depreciation	(21,305)	(21,909)
Total property and equipment	$ 46,172	$ 46,528

Depreciation expense related to the property and equipment totaled approximately $1,911,000 and $1,693,000 in 2017 and 2016, respectively.

Note 4 – Grants Payable

Grants approved and committed for future payment are as follows at June 30, 2017 (in thousands):

Grants payable in years ending June 30:		
2018	$	17,369
2019		5,651
2020		3,326
2021		919
2022		312
Thereafter		1,313
		28,890
Less unamortized discount (0.95%-3.16%)		(431)
Total grants payable	$	28,459

Conditional grants totaled approximately $11,023,000 and $8,218,000 at June 30, 2017 and 2016, respectively, and are not recorded as expense until the conditions are substantially met by the grantee. Substantially all conditional grants are contingent upon the grantee raising matching funds or achievement of milestones specified in the terms of the respective grant.

Note 5 – Split-Interest Agreements

At June 30, 2017 and 2016, the Foundation had recorded approximately $7,703,000 and $7,206,000, respectively, in fair value of charitable gift annuities and charitable remainder trusts in which the Foundation serves as the trustee, as an asset in its consolidated statements of financial position. Assets received under these agreements are recorded at fair value and in the appropriate net asset category. Related contributions per the agreements are recognized as contribution revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. The Foundation received contribution revenue related to these agreements of approximately $142,000 and $119,000 during the years ended June 30, 2017 and 2016, respectively. Liabilities have been established for split-interest agreements in which the Foundation is the trustee or for which the Foundation is obligated to an annuitant under a charitable gift annuity and these liabilities totaled approximately $3,141,000 and $3,029,000 at June 30, 2017 and 2016, respectively. For split-interest agreements in which the Foundation is the trustee but is not the charitable beneficiary (or not the only charitable beneficiary), the Foundation has established liabilities to the other not-for-profit organizations, and this obligation totaled approximately $333,000 and $310,000 at June 30, 2017 and 2016, respectively.

Some of the Foundation's charitable remainder trusts (included in assets above) are income trusts. Under these agreements, payments to lead beneficiaries (i.e., the individual designated by the donor) are limited to the income earned by the trust and as such a liability to the lead beneficiary is not recorded. Gifts of income trusts are recorded at fair value on the gift date. The fair value of the contribution is the fair value of the assets to be received in the future, discounted for the life expectancy of the lead beneficiary. The difference between the fair value of the assets when received and the fair value of the contribution is recognized as deferred revenue in the statements of financial position and totaled approximately $307,000 and $332,000 at June 30, 2017 and 2016, respectively. The discount will be amortized over the term of the trusts as a decrease in deferred revenue and an increase in change in value of split-interest agreements in the consolidated statements of activities.

Note 5 – Split-Interest Agreements (continued)

During the term of the agreements, changes in the value of the split-interest agreements are recognized in the consolidated statements of activities based on accretion of the discounted amount of the contribution, and reevaluations of the expected future benefits (payments) to be received (paid) by the Foundation (beneficiaries), based on changes in life expectancy from mortality tables using annual Internal Revenue Service discount rates and other assumptions. Discount rates ranging from 1.4 percent to 6.92 percent were used in these calculations at the dates of the contributions.

The Foundation is the beneficiary of irrevocable charitable remainder trusts held by financial institutions. The beneficial interest is carried at fair value, which is based on the present value of the future distributions expected to be received over the term of the agreements. The Foundation recognized contribution revenue related to these agreements of approximately $303,000 in 2017 and $0 in 2016. The estimated fair value of the Foundation's beneficial interests total approximately $6,733,000 and $6,329,000 at June 30, 2017 and 2016, respectively. Changes in fair value of the beneficial interests are reflected as a change in value of split-interest agreements in the consolidated statements of activities.

Note 6 – Total Net Asset Composition

Total net asset composition (in thousands):

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 23,484	$ 160,275	$ 4,382	$ 188,141
Non-endowment funds:				
Donor advised	219,060	-	-	219,060
Donor purpose restricted	-	12,636	-	12,636
Non-donor advised	97,978	-	-	97,978
Headquarters and equipment	23,368	-	-	23,368
Total non-endowment funds	340,406	12,636	-	353,042
Split-interest agreements	476	9,776	-	10,252
Total Community Foundation net assets	364,366	182,687	4,382	551,435
Supporting organizations	468,550	8,464	-	477,014
Total net assets	$ 832,916	$ 191,151	$ 4,382	$1,028,449

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	$ 22,117	$ 143,283	$ 4,382	$ 169,782
Non-endowment funds:				
Donor advised	199,930	2,627	-	202,557
Donor purpose restricted	-	4,842	-	4,842
Non-donor advised	93,920	-	-	93,920
Headquarters and equipment	23,350	-	-	23,350
Total non-endowment funds	317,200	7,469	-	324,669
Split-interest agreements	263	9,604	-	9,867
Total Community Foundation net assets	339,580	160,356	4,382	504,318
Supporting organizations	441,065	8,002	-	449,067
Total net assets	$ 780,645	$ 168,358	$ 4,382	$ 953,385

Temporarily restricted net assets include contributions received with endowment restrictions, time restrictions, and those received under split-interest agreements with an implied time restriction. In addition, the Foundation continues to classify contributions (and related net assets) received under gift instruments (generally grants), which specifically do not reference variance power and require the return of assets if not used for the donor-specified purpose until such funds are expended in accordance with the donor-restricted purpose as temporarily restricted.

Note 6 – Total Net Asset Composition (continued)

Permanently restricted net assets include donor-restricted endowment funds in which variance power is not referenced in the gift instrument and based on the Foundation's legal opinion are not spendable through action of the Board of Trustees.

The Foundation manages approximately 600 donor-advised funds. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion of the use of these funds lies with the Board of Trustees. Non-donor advised funds represent amounts held by the Foundation designated for specific purposes by donors and/or the Foundation.

Note 7 – Endowment Funds

Endowment net asset composition (in thousands):

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 160,275	$ 4,382	$ 164,657
Board-designated endowment funds	23,484	-	-	23,484
Total endowment funds	$ 23,484	$ 160,275	$ 4,382	$ 188,141

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 143,283	$ 4,382	$ 147,665
Board-designated endowment funds	22,117	-	-	22,117
Total endowment funds	$ 22,117	$ 143,283	$ 4,382	$ 169,782

Note 7 – Endowment Funds (continued)

Changes in endowment net assets are summarized as follows (in thousands):

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2016	$ 22,117	$ 143,283	$ 4,382	$ 169,782
Investment return:				
Investment income	58	701	-	759
Realized gains	291	2,721	-	3,012
Unrealized gains	2,180	13,267	-	15,447
Total investment return	2,529	16,689	-	19,218
Contributions	-	2,152	-	2,152
Other income	-	125	-	125
Donor-directed reclassifications	-	2,646	-	2,646
Appropriation of endowment assets	(1,162)	(4,620)	-	(5,782)
Endowment net assets at June 30, 2017	$ 23,484	$ 160,275	$ 4,382	$ 188,141

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2015	$ 23,594	$ 132,418	$ 4,656	$ 160,668
Investment return:				
Investment income	129	1,306	-	1,435
Realized gains	549	3,278	-	3,827
Unrealized losses	(1,029)	(6,004)	-	(7,033)
Total investment return	(351)	(1,420)	-	(1,771)
Contributions	-	7,238	-	7,238
Other income	-	4	-	4
Donor-directed reclassifications	-	10,700	(274)	10,426
Appropriation of endowment assets	(1,126)	(5,657)	-	(6,783)
Endowment net assets at June 30, 2016	$ 22,117	$ 143,283	$ 4,382	$ 169,782

Note 8 – Employee Benefit Plans

Defined Contribution Plan

The Foundation has a defined contribution plan that covers all full-time employees of the Foundation who have completed six-months of service and attained the age of twenty- one. Participating employees can contribute on a voluntary basis up to 82 percent of eligible earnings, not to exceed the amount allowed by law. The Foundation makes matching contributions on a discretionary basis, as determined by the Board of Trustees. In addition, all full-time employees with more than six- months of service receive a safe harbor contribution of at least 3 percent of their annual salary. Costs associated with the defined contribution plan, including contributions, were approximately $565,000 and $478,000 for the years ended June 30, 2017 and 2016, respectively.

Deferred Compensation Plan

In 2017, the Foundation initiated a deferred compensation plan under Section 457(b) of the Internal Revenue Code for certain senior executives. Eligible employees may elect to make contributions to the plan under a salary reduction agreement. No employer contributions are made to the plan. The plan liability is an unsecured obligation of the Foundation.

Note 9 – Concentrations and Credit Risk

At June 30, 2017 and 2016, the Foundation maintained uninsured balances of cash and cash equivalents of approximately $24,056,000 and $26,399,000, respectively, in depository accounts with financial institutions. The Foundation monitors financial institution concentrations and does not anticipate any losses from these concentrations.

Net contributions receivable of 63 percent were due from two donors and 81 percent were due from seven donors at June 30, 2017 and 2016, respectively.

Note 10 – Contributions Receivable

Unconditional contributions receivable, including amounts due under pledge agreements, are expected to be collected as follows at June 30 (in thousands):

Contributions receivable in:	2017	2016
Less than one year	$ 9,041	$ 9,293
One year to five years	640	2,055
Total	$ 9,681	$ 11,348

The Foundation believes all contributions receivable will be fully collected, no discount has been calculated by the Foundation.

At June 30, 2017 and 2016, conditional promises to give totaled approximately $1,561,000 and $1,014,000, respectively. These conditional contributions will be recorded as revenue when the related conditions have been substantially met.

Note 11 – Fair Value Measurements

The Foundation's Investment Committee, appointed by the Board of Trustees, is responsible for the overall management of the Foundation's investments, including the hiring and termination of investment managers, investment consultant(s), custodian banks and securities lending agents. The Foundation's investment department is responsible for sourcing, evaluating, and selecting investments for recommendation to the Foundation's Investment Committee. They are also responsible for the day-to-day operations involving due diligence and other testing procedures in regards to reviewing the reasonableness of fair value for all investments, which includes evaluating the accuracy and adequacy of information provided by custodians, brokers and managers. The valuation process for investments is the responsibility of the Foundation's investment department and all other fair value measurements are the responsibility of the Foundation's accounting department. Fair value measurements for beneficial interests in charitable remainder trusts, deferred revenue and liabilities associated with split-interest agreements are prepared by the Foundation's accounting department and approved by the Board of Trustees during their review and approval of the Foundation's periodic internal financial statements.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

Cash and Cash Equivalents
The asset's carrying amount approximates fair value due to its short maturity.

Interest, Dividends, and Other Receivables
The asset is carried at cost, which approximates fair value due to the short maturity of such amounts.

Contributions Receivable
The asset is carried at cost net of a discount to present value using a rate which is commensurate with the risks involved on the gift date and an allowance for uncollectible accounts at the financial reporting date. Risks associated with individual gifts are assessed annually through the Foundation's review of the status of each gift. Fair value is the price a market participant would pay to acquire the right to receive the cash flows inherent in the promise to pay and due to inclusion of a discount to net present value and allowance for uncollectible accounts the carrying value approximates fair value.

Investments
All of the Foundation's marketable securities are valued by nationally recognized third- party pricing services. The Foundation gives highest priority to quoted prices in active markets for identical assets accessed at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis and the Foundation classifies all such assets as Level 1. The Foundation gives a Level 2 priority to valuation prices where the valuation process involves inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, using the market approach. Level 2 inputs under the market approach include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there is not sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Note 11 – Fair Value Measurements (continued)

Nonmarketable securities are carried at fair value which is based on NAV as provided by the fund manager and/or adjusted by the Foundation. The Foundation uses management agreements, analyst notes, audited financial statements, and underlying investment holdings to evaluate the fund manager's valuation methodology (i.e., in determining whether the fund manager follows ASC 820) and considers various other factors including contributions and withdrawals to the fund and monitoring unaudited interim reporting to determine if any adjustment to the NAV is necessary.

Beneficial Interests in Charitable Remainder Trusts
The beneficial interest is carried at fair value, which is based on the present value of the expected future cash inflows from the trusts. The fair value of the underlying trust assets is based on quoted market prices when available or the best estimate of fair value as determined by the third-party trustee. The Foundation's valuation technique considers the fair value of the assets held in the trust and applies a discount rate to convert such amounts to a single present value amount. The discount rate used by the Foundation reflects current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. Due to the significant unobservable inputs required to estimate the expected future cash receipts from the trust agreements under the income approach, the Foundation's beneficial interest is classified as Level 3 in the hierarchy.

Cash Surrender Value of Life Insurance Policies
The asset's carry amount is the current cash surrender values on life insurance policies for which the Foundation is the beneficiary, and as such, the carrying value approximates fair value. This asset is included in other assets in the consolidated statements of financial position.

Accounts Payable and Accrued Liabilities
The carrying amount of the liability approximates fair value due to its short maturity.

Grants Payable
The carrying amount of the liability is based on the discounted value of the expected future cash distributions, which approximates fair value.

Deferred Revenue and Liabilities Associated with Split-Interest Agreements
The fair value of the liabilities is determined by discounting the future cash flows at rates that could currently be negotiated by the Foundation for borrowings of similar amounts. The carrying value approximates the liabilities' fair value.

Note 11 – Fair Value Measurements (continued)

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows at June 30 (in thousands):

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Marketable securities:				
Cash equivalents and short-term funds	$ 29,025	$ 76,833	$ -	$ 105,858
Government securities and municipal bonds	119	1,386	-	1,505
Corporate bonds	68	-	-	68
Equities				
US equities	71,897	-	-	71,897
International equities	49,460	-	-	49,460
Emerging markets	175	-	-	175
Real estate investment trusts (REITs)	41,718	-	-	41,718
Mutual funds	104,290	-	-	104,290
Investments measured at net asset value (a)	-	-	-	603,791
Total investments	296,752	78,219	-	978,762
Beneficial interest in charitable remainder trusts	-	-	6,733	6,733
Total assets	$ 296,752	$ 78,219	$ 6,733	$ 985,495
Liabilities:				
Deferred revenue	-	307	-	307
Liabilities associated with split-interest agreements	-	3,474	-	3,474
	$ -	$ 3,781	$ -	$ 3,781

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Marketable securities:				
Cash equivalents and short-term funds	$ 14,872	$ 48,102	$ -	$ 62,974
Government securities and municipal bonds	16,598	6,520	-	23,118
Asset backed securities	285	5,484	-	5,769
Corporate bonds	4,040	12,133	-	16,173
Equities				
US equities	64,566	-	-	64,566
International equities	42,701	-	-	42,701
Real estate investment trusts (REITs)	1,453	-	-	1,453
Mutual funds	248,858	-	-	248,858
Investments measured at net asset value (a)	-	-	-	433,193
Total investments	393,373	72,239	-	898,805
Beneficial interest in charitable remainder trusts	-	-	6,329	6,329
Total assets	$ 393,373	$ 72,239	$ 6,329	$ 905,134
Liabilities:				
Deferred revenue	-	332	-	332
Liabilities associated with split-interest agreements	-	3,339	-	3,339
	$ -	$ 3,671	$ -	$ 3,671

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Note 11 – Fair Value Measurements (continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows (in thousands):

	Beneficial Interests in Charitable Remainder Trusts
Balance at July 1, 2015	$ 8,221
Sales and distributions	(2,092)
Change in value of split-interest agreements	200
Balance at June 30, 2016	6,329
Contributions	303
Sales and distributions	(284)
Change in value of split-interest agreements	385
Balance at June 30, 2017	$ 6,733

The summary of changes in fair value of Level 3 assets and liabilities has been prepared to reflect the activity in the same categories as those provided in the consolidated statements of activities.

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities that are categorized within Level 3 of the fair value hierarchy (in thousands):

	Fair Value at June 30				Range of Inputs (Weighted Average) June 30	
Investment Type	2017	2016	Valuation Techniques	Unobservable Input (b)	2017	2016
Beneficial interest in charitable remainder trusts	6,733	6,329	Discounted cash flows	Discount rate (a) Expected rate of return (c)	3.8 to 6% (4.50%)	3.8 to 6% (4.97%)

(a) Represents amounts used when the Foundation has determined that market participants would take into account these discounts when pricing the assets or liability.

(b) Significant increases or decreases in any of the above unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

(c) Represents the net fair market value of assets to be paid to the Foundation based on terms stated in the trust agreement.

Note 11 – Fair Value Measurements (continued)

The Foundation's investments in certain entities that calculate NAV and for which there is not a readily determinable fair value are summarized as follows (in thousands):

		Fair Value June 30, 2017	Unfunded Commitments June 30, 2017	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Index funds	(a)	$ 266,752	$ -	Daily	2 days
Equity fund	(b)	6,644	-	Monthly	30 days
International fund	(c)	34,591	-	Monthly	30 days
Emerging market funds	(d)	69,837	-	Daily, Monthly	2 to 90 days
Bond funds	(e)	107,919	-	Daily	15 days
Fund of funds	(f)	24,492	-	Quarterly, Annually, Semi-Annual	6 to 60 days or N/A
Hedge funds	(g)	77,269	-	Quarterly, Annually, Semi-Annual	30 to 60 days
Private-equity funds	(h)	16,287	25,704	N/A	N/A
Total		$ 603,791	$ 25,704		

(a) This class includes commingled equity index funds that invest in large, mid and small cap domestic public equities. No accounts have short positions.

(b) This class includes a commingled fund that invests only in domestic small cap value public equities. The account has no short positions.

(c) This class includes a commingled fund that invests in large and mid-cap international public equities. This account has no short positions.

(d) This class includes commingled emerging market equity index funds and at June 30, 2017, a commingled actively managed fund that invests only in emerging market public equities. This class may invest in derivatives.

(e) This class includes a commingled fund that invests in public equity and fixed income markets across the globe.

(f) Fund of funds consist of investment funds that are designed to invest in diversified holdings. Management of the fund has the ability to hold a net long or net short position. The fair value of investments in this category have been provided by the underlying hedge fund managers. One fund with an approximate value of $166,000 does not provide redemption rights and the timing of liquidity events and distributions from this fund cannot be determined.
.

Note 11 – Fair Value Measurements (continued)

(g) This class includes commingled funds that provide exposure to a diverse array of absolute return oriented strategies, some implemented by single-strategy specialist and others pursued by managers employing multiple techniques. These strategies may include but are not limited to long / short equity, event-driven investing, capital structured arbitrage and fixed income arbitrage.

(h) These funds consist of investments in private equity funds and similar investment funds that are generally designed for long-term investment strategies by investing in companies whose stock is not publically traded, bank debt, real estate, or similar investment securities. Distributions are typically based on capital transactions and other liquidity events within the underlying investment funds. The majority of the funds will terminate between 2022 and 2025; however, the ultimate outcome of liquidity events and overall duration of the funds cannot reasonably be determined.

Note 12 – Leases

The Foundation leases office, retail and restaurant space as well as certain agricultural land to independent third parties. These leases expire over the next 20 years.

Future minimum rental income under non-cancelable operating leases include the following at June 30, 2017 (in thousands):

Years ending June 30:		
2018	$	4,093
2019		3,942
2020		3,685
2021		3,473
2022		2,402
Thereafter		7,475
Total	$	25,070

This amount does not include contingent rentals that may be received under certain leases of retail space that are based on a percentage of revenues. Contingent rentals amounted to approximately $1,000 and $56,000 in 2017 and 2016, respectively. The Foundation recognized lease income, included in other income in the consolidated statements of activities of $4,752,000 and $5,132,000 for the years ending June 30, 2017 and 2016, respectively.

Note 13 – Other Investments

The Foundation's other investments are comprised of equity interests in closely held corporations, limited partnerships, and limited liability companies which do not have readily determinable fair values. Based on evaluation, the Foundation has determined that its investment in three entities should be reported under the equity method and that all other investments should be reported at cost. The Foundation's ownership in these entities were 23.3 percent, 14.3 percent; and 50.0 percent for the years ending June 30, 2017 and 2016, respectively.

The Foundation reported total investments carried under the equity method of approximately $13,369,000 at June 30, 2017 and 2016. The Foundation recognized earnings related to its investments carried under the equity method of approximately $1,116,000 and $1,158,000 for the years ended June 30, 2017 and 2016, respectively, which are included in other income in the consolidated statements of activities.

Note 13 – Other Investments (continued)

Summarized financial information for the Foundation's three investments accounted for under the equity method is as follows at June 30 (in thousands):

	2017		2016	
Current assets	$	1,803	$	4,346
Non-current assets		39,392		37,909
Total assets	$	41,195	$	42,255
Current liabilities	$	252	$	269
Non-current liabilities		139		457
Total liabilities		391		726
Equity		40,804		41,529
Total liabilities and equity	$	41,195	$	42,255
Gross revenue	$	11,833	$	11,597
Less: total expenses		7,332		7,311
Net earnings	$	4,501	$	4,286

The Foundation's other investments with a carrying value of approximately $2,080,000 and $2,463,000 at June 30, 2017 and 2016, respectively, are comprised of limited partnership and limited liability company interests reported at cost. No events or changes in circumstances occurred in 2017 or 2016 resulting in an impairment evaluation.

Note 14 – Commitments and Contingencies

A supporting organization has a funding agreement with a university which commits to annual contributions of approximately 90 percent of the lesser of net income (excluding gain on the sale or exchange of property held for investment) or net cash flow from operating activities of the supporting organization not to exceed the target contribution of $1,250,000. The funding agreement is intended to continue in perpetuity unless, over time, the supporting organization makes special contributions (i.e. contributions in excess of target contribution) aggregating $25,000,000 of which the supporting organization has funded approximately $18,575,000 at June 30, 2017. The supporting organization has met the target contribution level for all program years and funded $4,155,000 in 2017 and $3,810,000 in 2016, in contributions to the university. At June 30, 2017 and 2016, funding approved and included in grants payable totaled $4,230,000 and $4,155,000, respectively.

A supporting organization has been named a joint pledge member in the amount of $10,000,000. All joint pledge members are related parties of the supporting organization. The total amount of the pledge, paid in annual installments, is to be paid in full on or before July 1, 2019. As a joint pledge member, payments may or may not be paid using the supporting organization's funds. For each of the years ended June 30, 2017 and 2016, the supporting organization funded $1,000,000 towards the pledge. The joint pledge members have cumulatively funded $8,000,000 at June 30, 2017.