Greater Williamsburg Community Trust dba Williamsburg Community Foundation

Financial Statements

Years Ended January 31, 2016 and 2015

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Trustees
Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Williamsburg, Virginia

We have audited the accompanying financial statements of Greater Williamsburg Community Trust dba Williamsburg Community Foundation (a nonprofit organization), which comprise the statements of financial position as of January 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Williamsburg Community Trust dba Williamsburg Community Foundation as of January 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Newport News, Virginia
September 22, 2016

Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Statements of Financial Position
January 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	**$ 1,559,289**	$ 1,732,366
Pledges receivable	**1,849**	8,761
Investments	**3,680,872**	3,930,630
Property and equipment, net	**299,937**	314,292
	$ 5,541,947	$ 5,986,049
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	**$ 2,023**	$ 1,146
Grants payable	**-**	750
Agency funds held for others	**10,455**	-
Total liabilities	**12,478**	1,896
Net assets:		
Unrestricted	**3,595,649**	3,755,235
Temporarily restricted	**42,249**	42,474
Permanently restricted	**1,891,571**	2,186,444
Total net assets	**5,529,469**	5,984,153
	$ 5,541,947	$ 5,986,049

Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Statements of Activities
Years Ended January 31, 2016 and 2015

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, support and other changes:				
Contributions	$ 620,442	$ 273	$ -	$ 620,715
Investment loss	(184,775)	(498)	-	(185,273)
Special events, net	11,392	-	-	11,392
Miscellaneous	12,000	-	-	12,000
Net asset reclassification	294,873	-	(294,873)	-
	753,932	(225)	(294,873)	458,834
Expenses:				
Program services	712,748	-	-	712,748
Fundraising	35,384	-	-	35,384
Management and general	165,386	-	-	165,386
	913,518	-	-	913,518
Change in net assets	(159,586)	(225)	(294,873)	(454,684)
Net assets, beginning of year	3,755,235	42,474	2,186,444	5,984,153
Net assets, end of year	$ 3,595,649	$ 42,249	$ 1,891,571	$ 5,529,469
2015				
Revenue, support and other changes:				
Contributions	$ 1,606,542	$ 3,000	$ -	$ 1,609,542
Investment income	91,155	465	60,245	151,865
Special events, net	82,526	-	-	82,526
Miscellaenous	5,000	-	-	5,000
Net assets released from restrictions	77,116	-	(77,116)	-
	1,862,339	3,465	(16,871)	1,848,933
Expenses:				
Program services	520,097	-	-	520,097
Fundraising	29,637	-	-	29,637
Management and general	151,736	-	-	151,736
	701,470	-	-	701,470
Change in net assets	1,160,869	3,465	(16,871)	1,147,463
Net assets, beginning of year	2,594,366	39,009	2,203,315	4,836,690
Net assets, end of year	$ 3,755,235	$ 42,474	$ 2,186,444	$ 5,984,153

See accompanying notes.

Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Statements of Functional Expenses
Years Ended January 31, 2016 and 2015

2016	Program Services	Fundraising	Management and General	Total
Allocations/awards	**$ 686,549**	**$ -**	**$ -**	**$ 686,549**
Accounting	**-**	**-**	**21,550**	**21,550**
Advertising	**-**	**4,378**	**-**	**4,378**
Conference, convention and meeting	**-**	**-**	**9,253**	**9,253**
Depreciation	**-**	**-**	**14,355**	**14,355**
Dues and subscriptions	**500**	**-**	**370**	**870**
Insurance	**-**	**-**	**2,845**	**2,845**
Investment fees	**-**	**-**	**16,554**	**16,554**
Miscellaneous	**-**	**-**	**13,877**	**13,877**
Occupancy	**2,757**	**3,130**	**7,401**	**13,288**
Postage and shipping	**-**	**-**	**4,352**	**4,352**
Printing and publications	**-**	**2,175**	**10,298**	**12,473**
Program related expenses	**305**	**-**	**-**	**305**
Salaries and payroll taxes	**21,770**	**24,717**	**58,425**	**104,912**
Supplies	**-**	**-**	**2,944**	**2,944**
Travel	**-**	**-**	**838**	**838**
Utilities	**867**	**984**	**2,324**	**4,175**
	$ 712,748	**$ 35,384**	**$ 165,386**	**$ 913,518**

2015	Program Services	Fundraising	Management and General	Total
Allocations/awards	$ 484,807	$ -	$ -	$ 484,807
Accounting	-	-	21,010	21,010
Advertising	-	-	25	25
Conference, convention and meeting	-	-	6,488	6,488
Depreciation	-	-	7,513	7,513
Dues and subscriptions	500	-	330	830
Insurance	-	-	2,632	2,632
Investment fees	-	-	17,251	17,251
Miscellaneous	-	1,263	5,491	6,754
Occupancy	2,044	2,336	5,354	9,734
Postage and shipping	-	-	3,368	3,368
Printing and publications	-	1,712	10,170	11,882
Program related expenses	11,461	-	-	11,461
Salaries and payroll taxes	20,269	23,165	53,085	96,519
Supplies	-	-	15,401	15,401
Travel	-	-	958	958
Utilities	1,016	1,161	2,660	4,837
	$ 520,097	$ 29,637	$ 151,736	$ 701,470

See accompanying notes.

Greater Williamsburg Community Trust
dba Williamsburg Community Foundation
Statements of Cash Flows
Years Ended January 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (454,684)**	$ 1,147,463
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash contributions of property	**-**	(300,000)
Bad debt	**-**	1,000
Depreciation	**14,355**	7,513
Net realized gains on investments	**(26,131)**	(47,398)
Net unrealized losses on investments	**398,917**	73,003
Change in assets and liabilities:		
Pledges receivable	**6,912**	2,639
Prepaid expenses	**-**	6,013
Deposits	**-**	1,005
Accrued expenses	**877**	
Deferred revenue	**-**	(11,600)
Grants payable	**(750)**	(19,250)
Agency funds held for others	**10,455**	-
Net cash provided (used) by operating activities	**(50,049)**	860,388
Cash flows used by investing activities:		
Purchase of property and equipment	**-**	(20,035)
Sales and maturities of investments	**1,126,240**	712,544
Purchase of investments	**(1,249,268)**	(884,783)
Net cash used by investing activities	**(123,028)**	(192,274)
Net increase (decrease) in cash and cash equivalents	**(173,077)**	668,114
Cash and cash equivalents, beginning of year	**1,732,366**	1,064,252
Cash and cash equivalents, end of year	**$ 1,559,289**	$ 1,732,366

Notes to Financial Statements

1. Organization and Nature of Activities

Greater Williamsburg Community Trust dba Williamsburg Community Foundation (Foundation) is a not-for-profit organization founded in 1999 in Williamsburg, Virginia. The Foundation is a community foundation which provides grants to nonprofit organizations, scholarships to students and promotes philanthropy in the greater Williamsburg community. Revenue is derived primarily through donor contributions and return on investments.

2. Summary of Significant Accounting Policies

Basis of presentation

Under applicable accounting standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

> ***Unrestricted net assets*** - Unrestricted net assets result from unrestricted contributions, grants, special events, fees, and interest, less expenses incurred in program, fundraising, and administrative functions. Virtually all contributions, including those with donor-advised provisions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Foundation the ability to modify donor recommendations that are incapable of fulfillment or are no longer consistent with the charitable needs of the community. As a result of the variance power, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.
>
> ***Temporarily restricted net assets*** - Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. At January 31, 2016 and 2015, the Foundation has temporarily restricted net assets of $42,249 and $42,474, respectively.
>
> ***Permanently restricted net assets*** - Permanently restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation. At January 31, 2016 and 2015, the Foundation has permanently restricted net assets of $1,891,571 and $2,186,444, respectively.

Cash equivalents

The Foundation considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash on deposit with financial institutions, pledges receivable, and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At January 31, 2016 and 2015, there were no amounts on deposit in excess of the FDIC limit. The Foundation's investments do not represent significant concentrations of market risk in as much as the Foundation's investment portfolio is adequately diversified.

The Foundation's potential credit risk in regard to pledges receivable is limited due to the nature of the Foundation's pledges receivable as well as the Foundation's collection history.

Pledges receivable

Pledges are recognized when the donor makes an unconditional promise to give. All donations are considered to be available for unrestricted use unless specifically restricted by the donor. At January 31, 2016 and 2015, management has determined that an allowance for doubtful pledges is not necessary. Uncollectible pledges receivable, if any, are written off in the period in which they are identified.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. When restrictions are met in the same fiscal year restricted support is received, the gift is classified as unrestricted support.

Property and equipment

Acquisitions of property and equipment are recorded at cost and at fair value for contributed property. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building	39 years
Furniture	3 - 5 years
Software	3 years

The Foundation's policy is to capitalize all items with a useful life greater than one year.

Support revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same period are reported as unrestricted support.

Advertising costs

Advertising costs are expensed as incurred.

Income taxes

The Foundation is exempt from federal and state income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia, accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Donated services

The Foundation receives donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under applicable accounting standards have not been satisfied.

Donated property

The Foundation received a donation of office space from a related party during the fiscal year ended January 31, 2015. The building was recorded at fair value and is included in property and equipment on the statements of financial position. Further discussion of this donation is included at Notes 5 and 9.

Joint costs

The Foundation allocates joint costs based on an estimate of time spent by management and staff on fundraising activities. The statements of functional expenses reflect management's estimate of the allocation of salaries and payroll taxes, occupancy, and other applicable expenses to program services, fundraising and management and general expense.

Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Event

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2016, the date the financial statements were available to be issued.

3. Investments and Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under applicable accounting standards are described as follows:

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

Level 2 — Inputs to the valuation methodology include:

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

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

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

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Pledges Receivable: Reported at net realizable value if, at the time the promise is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

Fixed Income Securities: Valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated fair value at year end.

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

Building: Reported at fair value as determined based on an appraisal of the property rights donated with the condominium interest, considering the highest and best use of the office condominium, as improved, based on its existing use as an office condominium.

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

The following sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

	Assets at Fair Value as of January 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements:				
Pledges receivable	**$ -**	**$ -**	**$ 1,849**	**$ 1,849**
Fixed income:				
Corporate bonds	**$ -**	**$ 433,023**	**$ -**	**$ 433,023**
Government bonds	**-**	**284,906**	**-**	**284,906**
Government asset backed securities	**-**	**68,175**	**-**	**68,175**
Corporate asset backed securities	**-**	**57,667**	**-**	**57,667**
Mutual funds	**2,837,101**	**-**	**-**	**2,837,101**
	$ 2,837,101	**$ 843,771**	**$ -**	**$ 3,680,872**

	Assets at Fair Value as of January 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements:				
Pledges receivable	$ -	$ -	$ 8,761	$ 8,761
Fixed income:				
Corporate bonds	$ -	$ 430,685	$ -	$ 430,685
Government bonds	-	282,139	-	282,139
Government asset backed securities	-	62,357	-	62,357
Corporate asset backed securities	-	79,795	-	79,795
Mutual funds	3,075,654	-	-	3,075,654
	$ 3,075,654	$ 854,976	$ -	$ 3,930,630
Nonrecurring fair value measurement:				
Building	$ -	$ -	$ 300,000	$ 300,000

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements within the Foundation using significant unobservable inputs (Level 3):

	2016	**2015**
Recurring fair value measurements:		
Balance, beginning of year	**$ 8,761**	$ 12,400
New pledges made	**1,000**	-
Pledge payments received	**(7,912)**	(2,639)
Pledges written off to bad debt expense	**-**	(1,000)
Balance, end of year	**$ 1,849**	$ 8,761
Nonrecurring fair value measurements:		
Balance, beginning of year		$ -
In-kind contribution		300,000
Balance, end of year		$ 300,000

Unrealized gains (losses) on investments were as follows:

	2016		
	Cost	**Fair Value**	**Unrealized Loss**
Fixed income	**$ 846,350**	**$ 843,771**	**$ (2,579)**
Mutual funds	**3,057,915**	**2,837,101**	**(220,814)**
	$ 3,904,265	**$ 3,680,872**	**$ (223,393)**

	2015		
	Cost	**Fair Value**	**Unrealized Gain**
Fixed income	$ 850,504	$ 854,976	$ 4,472
Mutual funds	2,905,621	3,075,654	170,033
	$ 3,756,125	$ 3,930,630	$ 174,505

At January 31, 2016 and 2015, cash of $153,618 and $70,351, respectively, was held at Wells Fargo in money market accounts and is included in cash and cash equivalents on the statements of financial position.

4. Pledges Receivable

Pledges receivable are recorded at fair value at the time the pledge is made. Unrestricted pledges receivable were as follows:

	2016	**2015**
Receivable in less than one year	**$ 1,849**	$ 8,761

5. Property and Equipment

Major classes of property and equipment consisted of the following:

	2016	**2015**
Building	**$ 300,000**	$ 300,000
Furniture	**17,883**	17,883
Software	**22,942**	22,942
	340,825	340,825
Accumulated depreciation	**(40,888)**	(26,533)
Property and equipment, net	**$ 299,937**	$ 314,292

During 2015, office space (building) valued at $300,000 was donated to the Foundation by a related party. As such, $300,000 in-kind contribution revenue is included in contributions on the statements of activities for the year ended January 31, 2015.

6. Administrative Fees

The Foundation assesses an administrative fee of up to 1% of the average balance of endowed fund balances. The fee reduces investment income allocated to each named fund, and is transferred to provide support for the overall operations of the Foundation. The total fees assessed to endowed funds in 2016 and 2015 were $49,140 and $47,115, respectively.

7. Operating Lease

The Foundation entered into a lease agreement for use of office space in May 2011. The original lease was amended in April 2014 and, effective May 1, 2014, the lease was on a month-to month basis at $1,067 per month until the Foundation received the in-kind donation of office space discussed at Note 5 and Note 9. Rent expense for 2016 and 2015 was $0 and $9,734, respectively, and is included in occupancy on the statements of functional expenses. Beginning in 2016, occupancy includes condominium fees and real estate taxes on the donated office space. There are no future commitments under operating leases at January 31, 2016.

8. Special Events Income

Fundraising income is presented net of expenses as follows:

	2016	2015
Gala		
Income	$ -	$ 145,230
Expenses	-	(63,456)
	-	81,774
8K Race		
Income	**11,440**	5,403
Expenses	**(4,488)**	(4,651)
	6,952	752
Other Special Events		
Income	**8,878**	-
Expenses	**(4,438)**	-
	4,440	-
	$ 11,392	$ 82,526

9. Related Party Transactions

During 2016 and 2015, the Foundation had banking and insurance relationships with companies in which Board members serve in a management or principal capacity. A checking account with a cash balance of $210,867 and $86,428 at January 31, 2016 and 2015, respectively, is held with the related bank. During 2016, the related party's term on the Foundation's Board expired. Insurance expense paid to a related party was $2,845 and $2,632 for 2016 and 2015. No amounts were due to or from related parties at January 31, 2016 and 2015.

As discussed at Note 5, during 2015, a related party donated office space valued at $300,000 to the Foundation. In connection with this contribution, and in accordance with terms of a separate lease agreement, the Foundation leases a portion of the donated office space back to the related party. The lease agreement calls for monthly payments of $1,000 to the Foundation through June 2024. Related party rental income was $12,000 and $5,000 for 2016 and 2015, respectively, and is included in miscellaneous revenues on the statements of activities.

10. Endowment Funds

The Foundation's endowment consists of 107 individual funds established for a variety of charitable and educational purposes to support the objectives of the Foundation. As required by accounting standards, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Commonwealth of Virginia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets as those amounts are available for grant, subject to the spending policy and variance power of the Foundation, in a manner consistent with the standard of prudence prescribed by the state UPMIFA law. In accordance with state UPMIFA law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation

In addition to the donor-restricted endowments, the Foundation has donor–advised funds established by the Foundation's governing documents. As discussed in Note 2, the Foundation has variance power which, in the Foundation's opinion, results in the funds being unrestricted, board designated.

The endowment net asset composition by type of fund was as follows:

	January 31, 2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowments unrestricted as to earnings and permanently restricted as to principal	**$ 83,970**	**$ -**	**$ 1,891,571**	**$ 1,975,541**
Endowments temporarily restricted as to principal	**-**	**14,080**	**-**	**14,080**
Endowments restricted by board designation	**1,864,266**	**-**	**-**	**1,864,266**
	$ 1,948,236	**$ 14,080**	**$ 1,891,571**	**$ 3,853,887**

	January 31, 2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowments unrestricted as to earnings and permanently restricted as to principal	$ -	$ -	$ 2,186,444	$ 2,186,444
Endowments temporarily restricted as to principal	-	14,928	-	14,928
Endowments restricted by board designation	1,808,301	-	-	1,808,301
	$ 1,808,301	$ 14,928	$ 2,186,444	$ 4,009,673

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to maintain or increase the real value of the endowment principal and its distributions over the long term while funding current needs at an appropriate level. Accordingly, the investment objective for the fund is to earn, over time, the highest possible total return (e.g., capital appreciation and current yield) consistent with the following considerations (1) the fund is a perpetual fund, and is subject to the Foundation's Spending Policy; (2) there is no current income requirement, outside of the Spending Policy, as the level of distributions will be based upon the total return anticipated for the fund, although it is anticipated that a material part of the annual distributions will be covered by cash income and appreciation earned on the endowment; (3) a moderate level of risk or variability is acceptable to achieve the return objectives, although this should be tempered by diversification of the fund within and across asset classes.

Spending Policy. The Finance and Investment Committee reviews the spending level annually. It recommends a level of spending to the Board of Trustees for the ensuing year, based upon historic and anticipated returns for the endowment and any other factors appropriate to the objective of maximizing spending, consistent with balancing current and future needs and maintaining relative stability of spending, year to year. The rate of spending is based upon an average for the current market value of the portfolio and the market value for all prior quarterly periods, beginning April 30, 2010, building to a maximum of twelve quarters. This average is adjusted for significant contributions or distributions during the period. Currently, the rate is three and one-half percent (3.5%) of the average adjusted market value. It is expected that over time the rate will be in the range of 3.5% to 5.0%. Amounts released from restriction and appropriated for expenditure include grants requested by donors and approved by the Board of Trustees and administrative fees of up to 1% of the average of the endowed fund balance.

11. Net Assets

Endowed assets consist of funds which are invested principally in long-term assets from which a specified distribution is made annually. Non-endowed assets are invested principally in short-term investments and are distributed throughout the year to support donor-advised and Foundation grants, operations, and specific purposes. All donor-advised funds have been established by donor contributions of amounts, the distribution of which the donors may advise, subject to the distribution policies of the Foundation and the approval of the Board of Trustees. Field of interest funds are established to support specific activities within the community specified by the donors of these funds, with distributions made by the Board to those activities (e.g., musical performing arts and local history). Designated funds are established to allow the donor to select one or more specific charities to receive gifts from the fund when the fund is established. Scholarship funds are established to fund scholarships to students within the community. Scholarship funds have been established by donor contributions and are subject to the distribution policies of the Foundation and the approval of the Board of Trustees.

Net assets are comprised of the following:

	2016	2015
Unrestricted:		
Endowed:		
Board designated	**$ 1,228,632**	$ 1,237,429
Field-of-interest	**112,791**	85,079
Scholarship	**133,554**	173,568
Designated	**107,403**	11,312
Donor-advised	**365,856**	300,913
	1,948,236	1,808,301
Non-endowed:		
Operations	**60,926**	84,446
Unrestricted	**538,698**	418,159
Field-of-interest	**6,479**	3,806
Scholarship	**482,048**	579,545
Designated	**6,000**	37,500
Donor-advised	**553,262**	823,478
	1,647,413	1,946,934
Total unrestricted	**3,595,649**	3,755,235
Temporarily restricted:		
Endowed:		
Designated	**14,080**	14,928
Non-endowed:		
Field-of-interest	**4,464**	4,464
Scholarship	**23,705**	23,082
Total temporarily restricted	**42,249**	42,474
Permanently restricted:		
Endowed:		
Donor-advised	**1,891,571**	2,186,444
	$ 5,529,469	$ 5,984,153

Endowment net asset composition and type of fund is as follows at January 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	**$ 1,228,632**	**$ -**	**$ -**	**$ 1,228,632**
Field-of-interest endowment funds	**112,791**	**-**	**-**	**112,791**
Scholarship endowment funds	**133,554**	**-**	**-**	**133,554**
Designated endowment funds	**107,403**	**14,080**	**-**	**121,483**
Donor-advised endowment funds	**365,856**	**-**	**1,891,571**	**2,257,427**
	$ 1,948,236	**$ 14,080**	**$ 1,891,571**	**$ 3,853,887**

Changes in endowment net assets were as follows for the year ended January 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	**$ 1,808,301**	**$ 14,928**	**$ 2,186,444**	**$ 4,009,673**
Contributions	**189,840**	**-**	**-**	**189,840**
Depreciation of investments	**(217,597)**	**(848)**	**-**	**(218,445)**
Amounts appropriated for expenditure	**(170,153)**	**-**	**-**	**(170,153)**
Transfers from non-endowed	**42,972**	**-**	**-**	**42,972**
Reclassification	**294,873**	**-**	**(294,873)**	**-**
Endowment net assets, end of year	**$ 1,948,236**	**$ 14,080**	**$ 1,891,571**	**$ 3,853,887**

Upon review of the fund agreements for the two permanently restricted funds during 2016, it was determined only the original gift amount is to be permanently restricted. The earnings in these funds are unrestricted as the earnings are available for grant subject to the Foundation's spending policy and the variance power of the Foundation. Therefore, during 2016, $294,873 of permanently restricted net assets were reclassified to unrestricted. Prior year financial information has not been restated.

Endowment net asset composition and type of fund is as follows at January 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Board designated endowment funds	$ 1,237,429	$ -	$ -	$ 1,237,429
Field-of-interest endowment funds	85,079	-	-	85,079
Scholarship endowment funds	173,568	-	-	173,568
Designated endowment funds	11,312	14,928	-	26,240
Donor-advised endowment funds	300,913	-	2,186,444	2,487,357
	$ 1,808,301	$ 14,928	$ 2,186,444	$ 4,009,673

Changes in endowment net assets were as follows for the year ended January 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets - beginning of year	$ 1,632,985	$ 14,463	$ 2,203,315	$ 3,850,763
Contributions	214,741	-	-	214,741
Appreciation of investments	67,436	465	60,245	128,146
Amounts appropriated for expenditure	(106,861)	-	(77,116)	(183,977)
Endowment net assets - end of year	$ 1,808,301	$ 14,928	$ 2,186,444	$ 4,009,673