

**COMMUNITY FOUNDATION OF COLLIER COUNTY, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FROM THE YEAR ENDED JUNE 30, 2016)**

**COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community Foundation of Collier County, Inc.
and Subsidiaries
Naples, Florida

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated 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.

Auditors' 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 evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated financial position of the Organization as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedule of program and supporting services on page 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Naples, Florida
November 27, 2017

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 17,222,275	\$ 488,574
Cash and Cash Equivalents Held for Investment	16,179,482	13,201,535
Accrued Interest Receivable	136,111	114,467
Investments	117,443,378	103,778,876
Other Receivables	31,433	4,809
Pledges Receivable	228,661	805,885
Split-Interest Agreements	2,165,388	1,752,467
Beneficial Interest Agreement	34,725	34,347
Property and Equipment, Net	3,911,816	2,260,997
Other Assets	109,269	61,872
	<u>157,462,538</u>	<u>122,503,829</u>
Total Assets	<u>\$ 157,462,538</u>	<u>\$ 122,503,829</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable	\$ 57,507	\$ 231,691
Accrued Expenses	172,494	55,479
Funds Held For Agencies	51,495,876	40,320,435
Annuity Obligations	446,657	547,866
Line of Credit	90,543	406,950
Total Liabilities	<u>52,263,077</u>	<u>41,562,421</u>
NET ASSETS		
Unrestricted:		
Board-Designated Endowment	42,382,939	38,013,814
Donor Advised	50,217,845	37,473,708
Supporting Organization and LLC	5,077,556	-
Operating and Unrestricted Reserve	979,834	466,248
Property and Equipment	3,911,816	2,260,997
Total Unrestricted Net Assets	<u>102,569,990</u>	<u>78,214,767</u>
Temporarily Restricted:		
Campaigns and Projects	429,358	939,827
Split-Interest Agreements	2,165,388	1,752,467
Beneficial Interest Agreement	34,725	34,347
Total Temporarily Restricted Net Assets	<u>2,629,471</u>	<u>2,726,641</u>
Total Net Assets	<u>105,199,461</u>	<u>80,941,408</u>
Total Liabilities and Net Assets	<u>\$ 157,462,538</u>	<u>\$ 122,503,829</u>

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
SUPPORT AND REVENUES				
Contributions	\$ 13,207,938	\$ 170,334	\$ 13,378,272	\$ 14,850,344
Investment Return	12,219,233	-	12,219,233	(2,580,018)
Special Events, Net	180,074	-	180,074	489,659
Administrative Fees - Agency Funds	117,733	-	117,733	72,703
Miscellaneous Income	21,650	-	21,650	20,690
Total Support and Revenues	25,746,628	170,334	25,916,962	12,853,378
Net Assets Released from Restrictions	702,305	(702,305)	-	-
Total Support, Revenues, and Reclassifications	26,448,933	(531,971)	25,916,962	12,853,378
EXPENSES				
Program Services:				
Grants	7,523,135	-	7,523,135	9,993,302
Women's Foundation of Collier County	88,040	-	88,040	64,034
Donor Services Program	306,354	-	306,354	364,433
Unrestricted Grants Program	355,425	-	355,425	296,957
Total Program Services	8,272,954	-	8,272,954	10,718,726
Supporting Services:				
Development	226,368	-	226,368	292,614
Management and General	488,500	-	488,500	455,033
Total Supporting Services	714,868	-	714,868	747,647
Total Expenses	8,987,822	-	8,987,822	11,466,373
Change in Value of Beneficial Interest Agreement	-	378	378	(2,939)
Change in Value of Split-Interest Agreements and Annuity Obligations	42,414	434,423	476,837	(270,245)
CHANGE IN NET ASSETS BEFORE SUPPORTING ORGANIZATION AND LLC ACTIVITY	17,503,525	(97,170)	17,406,355	1,113,821
SUPPORTING ORGANIZATION AND LLC ACTIVITY				
Contributions	6,749,940	-	6,749,940	-
Investment Return	55,191	-	55,191	-
LLC Net Profit	60,567	-	60,567	-
Expenses	(14,000)	-	(14,000)	-
TOTAL CHANGE IN NET ASSETS	24,355,223	(97,170)	24,258,053	1,113,821
Net Assets - Beginning of Year	78,214,767	2,726,641	80,941,408	79,827,587
NET ASSETS - END OF YEAR	<u>\$ 102,569,990</u>	<u>\$ 2,629,471</u>	<u>\$ 105,199,461</u>	<u>\$ 80,941,408</u>

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 18,308,633	\$ 5,353,473
Cash Received from Interest and Dividends	2,967,106	2,018,200
Cash Received from Agency Transactions	5,750,792	4,826,612
Cash Paid for Grants	(7,649,056)	(10,082,234)
Cash Paid for Other Expenses	(1,234,494)	(1,452,952)
Other Cash Receipts	352,832	616,702
Net Cash Provided by Operating Activities	18,495,813	1,279,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	56,601,123	33,791,594
Purchase of Investments	(55,187,510)	(38,588,665)
Purchase of Property and Equipment	(16,470)	(797,721)
Net Cash Provided (Used) by Investing Activities	1,397,143	(5,594,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of Contributions Restricted for Property and Equipment	204,482	566,000
Proceeds from Line of Credit	-	434,000
Payments on Line of Credit	(316,407)	(772,050)
Payments to Beneficiaries of Annuity Obligations	(90,884)	(114,649)
Proceeds from Split-Interest Agreements	21,501	323,829
Net Cash Provided (Used) by Financing Activities	(181,308)	437,130
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,711,648	(3,877,861)
Cash and Cash Equivalents - Beginning of Year	13,690,109	17,567,970
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 33,401,757	\$ 13,690,109
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 17,222,275	\$ 488,574
Cash and Cash Equivalents Held for Investment	16,179,482	13,201,535
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 33,401,757	\$ 13,690,109
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Property Contributed	\$ 1,750,000	\$ -

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 24,258,053	\$ 1,113,821
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Gain) Loss on Sale of Investments	(3,692,649)	564,023
Net (Appreciation) Depreciation in Fair Value of Investments	(10,587,677)	4,498,193
Present Value Discount of Pledges Receivable	(358)	877
Loss on Disposal of Assets	1,285	
Depreciation	114,366	49,717
Change in Value of Split-Interest Agreements and Annuity Obligations	(476,837)	270,245
Change in Value of Beneficial Interest Agreement	(378)	2,939
Contributed Securities	(797,789)	(19,778,161)
Contributed Property	(1,750,000)	-
(Increase) Decrease in Assets:		
Accrued Interest Receivable	(21,644)	59,641
Other Receivables	(26,624)	2,230
Pledges Receivable	373,100	(436,422)
Other Assets	(47,397)	(12,825)
Increase (Decrease) in Liabilities:		
Grants Payable	(174,184)	(430,140)
Accrued Expenses	117,015	(17,650)
Funds Held For Agencies	11,175,441	15,359,663
Annuity Obligations	32,090	33,650
Net Cash Provided by Operating Activities	\$ 18,495,813	\$ 1,279,801

See accompanying Notes to Consolidated Financial Statements.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community Foundation of Collier County, Inc. and Subsidiaries (Organization) is comprised of Community Foundation of Collier County, Inc. (Foundation), and its subsidiaries: The Kapnick Fund, Inc. and JFN 4444, LLC.

The Foundation was incorporated in 1983 and began its operations in 1985 as a Florida nonprofit corporation. The express purpose of the Foundation is to support and fund charitable, educational, and cultural endeavors and social services primarily in Collier County, Florida by providing a permanent source of capital and endowment funds to meet the changing needs of Collier County in perpetuity. Grants provided are in accordance with the terms of the Foundation's guidelines and are subject to the approval of the board of trustees (the Board).

The Kapnick Fund, Inc., a Florida nonprofit corporation, was organized in 2017 for the purpose to operate exclusively for charitable educational, and scientific purposes and specifically within those purposes to operate as a supporting organization of the Foundation.

JFN 4444, LLC, a for-profit Florida limited liability company, owns commercial rental property in Naples, Florida.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Community Foundation of Collier County, Inc., The Kapnick Fund, Inc., and JFN 4444, LLC (together, the Organization), after elimination of intercompany accounts and transactions.

Basis of Accounting

The accounts of the Organization are maintained, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are defined as assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions, as discussed below. Temporarily restricted net assets are net assets whose use has been limited by donor-imposed time or purpose restrictions. Permanently restricted net assets are defined as net assets required by the donor restrictions or law to be maintained by the Organization in perpetuity. The Organization had no permanently restricted net assets at June 30, 2017. The Organization reflects restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board has that ability (i.e., variance power); however, it would only exercise this authority if circumstances rendered the donor's requests unnecessary, undesirable, impracticable, impossible, or incapable of fulfillment. Accordingly, the Organization's consolidated financial statements classify substantially all amounts as unrestricted.

Liquidity

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of these consolidated financial statements, the Organization considers all unrestricted bank accounts, money market funds, and short-term investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains bank accounts with balances which, at times, may exceed federally insured limits.

Investments

Investments in securities, mutual funds, corporate bonds, and government bonds are carried at fair value determined by quoted prices on the last business day of the year. Investments in alternative investment funds that are not readily tradable are carried at an estimated fair value at the end of the period, as determined by management based upon consolidated financial statements, third-party pricing services, and other financial information reported by the administrator of the underlying investment funds.

Donated investments are recorded at fair value at the date of receipt. Investment income may be either unrestricted or temporarily restricted resources when earned, determined according to donor-imposed restrictions. The Organization follows a total return concept with regard to investments; as such, unrealized appreciation or depreciation on temporarily restricted net assets is considered to be unrestricted.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of charitable remainder trusts and charitable lead trusts. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the consolidated statement of activities.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest Agreement

The Foundation's beneficial interest agreement consists of a charitable gift annuity where the annuity is the obligation of a different charity. Upon the charity's satisfaction of its obligation, the entire residuum will be distributed to the Foundation. This designation is irrevocable. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of beneficial interest agreement in the consolidated statement of activities.

Property and Equipment, Net

Property and equipment are capitalized at cost, if purchased or at fair value at the time of contribution, on items valued at more than \$2,500 with a life greater than one year. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets ranging from 5-35 years.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Funds Held For Agencies

The Foundation has adopted accounting standards for transactions in which a community foundation accepts a contribution from a nonprofit organization and agrees to transfer those assets, the return on investment of those assets, or both, back to the nonprofit organization. The standards specifically require that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation refers to such funds as agency funds. As of June 30, 2017, the Foundation held 131 agency funds.

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

Annuity Obligations

The Foundation is obligated under charitable gift annuity agreements. The obligations were calculated based on actuarial assumptions and the fair values at the dates of receipt. The Foundation has recorded a gift annuity obligation equal to the present value of the total anticipated future payments to the beneficiaries. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of annuity obligations in the consolidated statement of activities.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Foundation accounts for all contributions in accordance with the donor's original intent as provided for in the gift instruments in classifications of contributions listed below. The items are reflected as unrestricted due to the Board's variance power in accordance with accounting principles generally accepted in the United States of America.

Field of Interest Funds – Represents funds where the donor has designated that the annual grants are used to benefit a particular charitable area (or field of interest).

Designated Funds for Specific Nonprofits (including Administrative and Program Endowment) – Represents funds where the donor has designated that the annual grants are used to benefit a particular charity or charities.

Discretionary Grantmaking Funds – Represents funds where the donor has designated the Board provide annual grants, through its community grant program, to nonprofits serving Collier County.

Scholarship Funds – Represents funds that are used to provide nondiscriminatory scholarships to eligible applicants in order to further their education.

Donor Advised Funds – Represents funds for which the donor wishes to be actively involved in choosing the organizations that receive grants from the fund. However, ultimate responsibility and discretion for making such distributions remains with the Board.

Operating Funds – Represents operating funds and operating reserves, as well as amounts required by Florida state law for the Charitable Gift Annuity Program.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the schedule of program and supporting services. Accordingly, pass-through funds and grants have been allocated directly to program services and the remaining costs have been allocated both directly and indirectly to either program or supporting services based on time studies performed by management.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization categorizes its assets and liabilities, measured at fair value, into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs which are quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset or inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity funds, venture capital funds, hedge funds, and real estate investment funds.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in educational services, committee assignments, and fund-raising. During the year ended June 30, 2017, the Organization has not recognized donated services in the statement of activities.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service (IRS) has determined the Foundation to be exempt from income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). In addition, the Foundation has been determined by the IRS to be other than a private foundation within the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in these consolidated financial statements.

The IRS has determined The Kapnick Fund, Inc. to be exempt from income taxes under the provisions of IRC Section 501(c)(3). In addition, The Kapnick Fund, Inc. has been determined by the IRS to be other than a private foundation within the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes has been made in these consolidated financial statements.

JFN 4444, LLC, a for-profit Florida limited liability company, is a disregarded entity for tax purposes with its income reported by the Foundation. There is no debt associated with the underlying assets of this entity. Therefore, its rental activities are not subject to income taxes.

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. This standard has had no impact on the consolidated financial statements.

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 27, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments at June 30, 2017, are composed of the following:

	<u>Cost</u>	<u>Market Value</u>
Domestic Equities	\$ 42,816,375	\$ 52,722,279
International Equities	26,962,945	29,631,742
Fixed Income	21,077,489	21,105,497
Hedge Funds	4,206,254	5,675,390
Private Equity	7,192,923	6,214,094
Real Estate Investment Funds	1,475,000	1,908,643
Commodity Funds	208,488	185,733
Total	<u>\$ 103,939,474</u>	<u>\$ 117,443,378</u>

Several of the alternative investment funds may engage in the speculative trading of commodity interests, including commodity and financial futures, forward contracts, options on futures, and other financial instruments. Risks to these investment companies arise from the possible adverse changes in the market value of such interests and the potential inability of counterparties to perform under the terms of the contracts. In addition, the funds from time-to-time may utilize leveraging in the underlying investments. However, the risk to the Organization is limited to the amount of the Organization's investments in each of these funds. There are no investment funds in which Organization investments are more than 5% of its net assets as of June 30, 2017.

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statement of financial position.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 2 INVESTMENTS (CONTINUED)

The following tabulation summarizes unrealized and realized gains and losses for the year ended June 30, 2017:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance - June 30, 2016	\$ 100,862,649	\$ 103,778,876	\$ 2,916,227
Balance - June 30, 2017	103,939,474	117,443,378	13,503,904
Increase in Unrealized Appreciation			10,587,677
Net Realized Gain on Investments			3,692,649
Total			<u>\$ 14,280,326</u>

Net change in fair value of investments is recorded as an increase (decrease) in the unrestricted net assets.

The following is a detailed summary of investment return:

Dividend and Interest Income	\$ 3,603,144
Gain on Sale of Investments	3,692,649
Investment Fees	(614,394)
Net Change in Fair Value of Investments	10,587,677
Less: Investment Gain Allocated to Agency Funds	(4,994,652)
Net Investment Gain	<u>\$ 12,274,424</u>

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2017 consist of and are expected to be collected as follows:

Promises to Give	\$ 233,198
Less: Discount to Net Present Value	(4,537)
Total	<u>\$ 228,661</u>
Less than One Year	\$ 219,146
One to Five Years	9,515
Total	<u>\$ 228,661</u>

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 4 SPLIT- INTEREST AGREEMENTS

The Foundation is an irrevocable beneficiary of one charitable lead trust and three charitable remainder trusts. The Foundation is not the trustee for any of the trusts and does not exercise control over any of the assets. The beneficial interest in these assets of \$2,165,388 has been recorded, as of June 30, 2017 at the present value of the estimated future benefits to be received once the assets are distributed, using a discount rate of 2.4% and a remainder factor based on the life expectancy of the donor.

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2017, consists of the following:

Land	\$ 1,267,310
Building	2,587,300
Office Equipment	218,412
Subtotal	4,073,022
Less: Accumulated Depreciation	(161,206)
Total	\$ 3,911,816

Depreciation expense of \$88,507 and \$25,859 was charged to management and general expense and JFN 4444, LLC operations, respectively.

NOTE 6 GRANTS PAYABLE

Grants are recorded as expenses when authorized and committed to a specified recipient and all material conditions have been satisfied by the recipient. As of June 30, 2017, grants payable in one year or less amount to \$57,507.

NOTE 7 ANNUITY OBLIGATIONS

The Foundation receives funds for gift annuities. The annuity agreements provide that the Foundation will pay annuitants an amount each year based on the established life expectancy of the donor. The recorded annuity obligation at June 30, 2017, of \$446,657, represents the present value of future cash flows expected to be paid to the donors. During the year ended June 30, 2017, the Foundation entered into an annuity agreement obligation of \$32,090. Payments to beneficiaries for the year ended June 30, 2017 totaled \$90,884.

State statutes require that assets equal to the sum of the outstanding annuity agreements, and a surplus of 10% of that amount, be maintained as a reserve in a separate fund. As of June 30, 2017, the Foundation is in compliance with the state statutes.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 8 LINE OF CREDIT

Line of credit at June 30, 2017 consists of the following:

Revolving line of credit loan agreement with financial institution, with borrowings at the lesser of (a) 95% of total outstanding pledges receivable or (b) \$1,500,000. The Foundation shall make sufficient principal payments so that the principal balance shall never exceed the lesser of (a) 95% of the total outstanding pledges receivable or (b) \$750,000 at June 2, 2017 and \$325,000 at June 2, 2018. The note is secured by the Foundation's equipment, furniture and other personal property, and invested funds and cash accounts, and pledges receivable, which are solely designated for the acquisition and build out of the Foundation's new office location.

Total	<u><u>\$ 90,543</u></u>
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NOTE 9 BOARD-DESIGNATED ENDOWMENT FUNDS

Endowment as of June 30, 2017 consists of unrestricted board-designated endowment funds as follows:

Designated for Specific Nonprofits	\$ 18,642,511
Designated for Grant Making	11,996,720
Administrative and Program Endowment	1,483,021
Scholarship	5,040,095
Field of Interest	<u>5,220,592</u>
Total	<u><u>\$ 42,382,939</u></u>

The Foundation has no permanently restricted endowment due to the Foundation's variance power authority as described in Note 1. The Foundation's board-designated endowment consists of funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of board-designated or donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation classifies as board-designated endowment net assets (a) the original value of gifts designated by the Board as endowment, (b) the original value of subsequent gifts to the board-designated endowment, and (c) accumulations of investment earnings and/or losses to the board-designated endowment in accordance with Board designations. The Foundation considers all earnings and/or losses on board-designated endowment funds to accumulate in the board-designated endowment fund.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 9 BOARD-DESIGNATED ENDOWMENT FUNDS (CONTINUED)

Board-designated endowment net asset composition as of June 30, 2017 and during the year then ended is as follows:

Endowment Net Assets - June 30, 2016	\$ 38,013,814
Investment Return:	
Investment Income	2,589,306
Investment Expenses	(202,544)
Net Appreciation (Depreciation)	<u>2,162,073</u>
Total Investment Return	4,548,835
Contributions	3,731,248
Amounts Appropriated for Expenditures	<u>(3,910,958)</u>
Endowment Net Assets - June 30, 2017	<u><u>\$ 42,382,939</u></u>

Investment Policies

The Foundation has established an investment policy to determine investment or reinvestment of the assets in accordance with such guidelines, policies, and procedures that are authorized by the Board. These guidelines, policies, and procedures shall attempt to provide a predictable stream of funding to programs supported by the board-designated endowment fund.

Spending Policy

The Foundation has a policy to determine the endowment distribution each year. In establishing this policy, the Foundation considers the long-term expected return on its endowment net of investment fees, inflation, and administrative fees. The Foundation's goal is to provide sustainable funding to nonprofits in perpetuity.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 10 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Domestic Equities	\$ 52,722,279	\$ -	\$ -	\$ 52,722,279
International Equities	29,631,742	-	-	29,631,742
Fixed Income	15,849,944	5,255,553	-	21,105,497
Hedge Funds	-	-	5,675,390	5,675,390
Private Equity	-	-	6,214,094	6,214,094
Real Estate Investment Funds	-	-	1,908,643	1,908,643
Commodity Funds	185,733	-	-	185,733
Total Investments	<u>\$ 98,389,698</u>	<u>\$ 5,255,553</u>	<u>\$ 13,798,127</u>	<u>\$ 117,443,378</u>
Split-Interest Agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,165,388</u>	<u>\$ 2,165,388</u>
Beneficial Interest Agreement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,725</u>	<u>\$ 34,725</u>
Liabilities:				
Annuity Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,657</u>	<u>\$ 446,657</u>
Level 3 Hedge Funds:				
Balance at June 30, 2016				\$ 8,650,709
Gain on Sale of Investments				472,322
Unrealized Gain on Investments				67,651
Proceeds from Sale of Investments				(4,265,292)
Purchases of Investments				750,000
Balance at June 30, 2017				<u>\$ 5,675,390</u>
Level 3 Private Equity:				
Balance at June 30, 2016				\$ 5,444,394
Unrealized Loss on Investments				(419,060)
Proceeds from Sale of Investments				(328,444)
Purchases of Investments				1,517,204
Balance at June 30, 2017				<u>\$ 6,214,094</u>

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Real Estate:	
Balance at June 30, 2016	\$ 1,733,336
Unrealized Gain on Investments	75,307
Purchases of Investments	100,000
Balance at June 30, 2017	<u>\$ 1,908,643</u>
Level 3 Split-Interest Agreements:	
Balance at June 30, 2016	\$ 1,752,467
Change in Fair Value of Split-Interest Agreements	431,921
Split-Interest Agreement Payments	(19,000)
Balance at June 30, 2017	<u>\$ 2,165,388</u>
Level 3 Beneficial Interest Agreement:	
Balance at June 30, 2016	\$ 34,347
Change in Fair Value of Beneficial Interest Agreement	378
Balance at June 30, 2017	<u>\$ 34,725</u>
Level 3 Annuity Obligations:	
Balance at June 30, 2016	\$ 547,866
Payments Made to Beneficiaries	(90,885)
New Contracts	32,090
Matured Contracts	(98,516)
Change in Fair Value of Annuity Obligations	56,102
Balance at June 30, 2017	<u>\$ 446,657</u>

Level 2 fixed income and structured investments are measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by the investment advisors.

Level 3 hedge funds, private equities, and real estate funds are measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by the investment advisors. Split-interest agreements, beneficial interest agreements, and annuity obligations are measured at fair value with a valuation technique utilizing estimated payout percentages, life expectancies, and IRS remainder factors.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization holds investments in certain entities that calculate net asset value per share (or its equivalent). Additionally, the Organization invests in certain illiquid assets as part of its overall investment strategy. The liquidity needs of the investment pools are reviewed periodically to insure that the Organization maintains adequate liquid investments in order to meet its grantmaking obligations. The components of these funds are as follows for hedge fund investments and private equity investments:

Investments	Net Asset Value	Investment Objective	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Fund Investments:				
Hedge Funds of Funds	\$ 3,066,948	Diversified Strategies	Quarterly to Annually	45 to 95 days
Hedge Funds	549,436	Event Driven	Quarterly to Annually	60 to 70 days
Hedge Funds	1,253,833	Long/Short Equity	Quarterly	50 days
Hedge Funds	805,173	Relative Value	Quarterly to Semi-Annually	95 days
	Net Asset Value	Unfunded Commitments	Investment Objective	Term Remaining
Private Equity Investments				
Limited Partnerships:				
Private Equity Funds of Funds	\$ 309,702	\$ 411,023	Diversified Strategies	10-16 years
Private Equity Funds of Funds	618,169	528,050	Buyout / Venture Capital	6-11 years
Private Equity Funds	2,631,159	2,349,205	Leveraged Buyout	2-12 years
Private Equity Funds	780,118	785,147	Direct Real Estate	6-12 years
Private Equity Funds	1,564,466	1,930,302	Private Credit	1-12 years
Private Equity Fund	310,480	253,350	Venture Capital	7-9 years
	Net Asset Value	Investment Objective	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Investments:				
Real Estate Funds	\$ 1,908,643	Direct Real Estate	Quarterly to Semi-Annually	95 to 110 Days

There are no unfunded commitments for the hedge fund investments and the real estate investments.

NOTE 11 DEFINED CONTRIBUTION PENSION PLAN

The Foundation has a 401(k) defined contribution salary deferral plan covering substantially all employees. Employees with one-year of service may participate in the plan. The Foundation will match the employees' contributions dollar for dollar up to 5% of their annual salary. The matching contribution is subject to the financial status of the Foundation. Contributions to the plan for the year ended June 30, 2017 were \$36,063.

NOTE 12 CONCENTRATIONS

During the year ended June 30, 2017, the Organization received approximately 24% of its contribution revenue from one donor. Additionally, the Organization received approximately 33% of its agency fund receipts from three donors.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

NOTE 13 LEASE AGREEMENTS (LESSOR)

JFN 4444, LLC has lease agreements with unaffiliated lessees to occupy the JFN 4444 building. The property is leased under noncancelable operating lease agreements that expire through 2021. Most agreements include renewal options for one to five-year terms.

The following is a summary of the building property at June 30, 2017:

Land	\$ 1,267,310
Building	482,690
Subtotal	<u>1,750,000</u>
Less: Accumulated Depreciation	(25,859)
Total	<u><u>\$ 1,724,141</u></u>

As of June 30, 2017, future minimum lease receipts under noncancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 117,812
2019	79,050
2020	78,273
2021	20,000
Total	<u><u>\$ 295,135</u></u>

NOTE 14 SUBSEQUENT EVENT

Prior to June 30, 2017, the Foundation was notified by an agency fund that it would like to withdraw its funds. As a result, the Foundation sold the related investments. At June 30, 2017, \$9,959,541 is reported in cash in the accompanying 2017 consolidated statement of financial position pending remittance. The funds were returned to the agency in early July 2017.

COMMUNITY FOUNDATION OF COLLIER COUNTY, INC.
SCHEDULE OF PROGRAM AND SUPPORTING SERVICES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Programs				Supporting Services			
	Grants	Women's Foundation of Collier County	Donor Services Program	Unrestricted Grants Program	Total Programs	Development	Management and General	Total Expenses
Grants Awarded	\$ 7,523,135	\$ -	\$ -	\$ -	\$ 7,523,135	\$ -	\$ -	\$ 7,523,135
Salaries and Benefits	-	61,861	240,975	289,170	592,006	144,585	289,170	1,025,761
Rent	-	-	8,540	10,247	18,787	5,124	10,247	34,158
Professional Services	-	832	22,111	26,533	49,476	13,537	51,790	114,803
Office Expense	-	2,815	17,864	20,606	41,285	10,870	28,907	81,062
Printing and Publications	-	15,907	9,473	-	25,380	28,419	-	53,799
Advertising	-	2,500	-	-	2,500	8,389	-	10,889
Dues and Subscriptions	-	755	-	-	755	11,010	11,010	22,775
Staff Development	-	3,370	7,391	8,869	19,630	4,434	8,869	32,933
Depreciation	-	-	-	-	-	-	88,507	88,507
Total	\$ 7,523,135	\$ 88,040	\$ 306,354	\$ 355,425	\$ 8,272,954	\$ 226,368	\$ 488,500	\$ 8,987,822