

**COMMUNITY FOUNDATION
OF
ELMIRA-CORNING AND THE
FINGER LAKES, INC.**

FINANCIAL REPORT

JUNE 30, 2016 AND 2015



***COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.***

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JUNE 30, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of
Elmira-Corning and the Finger Lakes, Inc.
Horseheads, New York

We have audited the accompanying financial statements of the Community Foundation of Elmira-Corning and the Finger Lakes, Inc. (the Foundation) which comprise the Statement of Financial Position as of June 30, 2016 and the related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 the Community Foundation of Elmira-Corning and the Finger Lakes, Inc. as of June 30, 2016, and the changes in its net assets and its 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 Community Foundation of Elmira-Corning and the Finger Lakes, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prior Period Financial Statements

The financial statements as of June 30, 2015, were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP, who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated October 6, 2015, expressed an unmodified opinion on those statements

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Unrestricted Board Endowment Net Assets - Schedule of Activity and the Operating Revenues and Expenses Compared to Budget on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

The 2015 Summarized Unrestricted Board Endowment Net Assets - Schedule of Activity and the Operating Revenues and Expenses Compared to Budget on pages 20 and 21 were subjected to the auditing procedures applied in the 2015 audit of the financial statements by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP, who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated October 6, 2015 on such information stated that it was fairly stated, in all material respects in relation to the 2015 financial statements, as a whole

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 24, 2016

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30,**

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 781,627	\$ 1,392,980
Prepaid expenses	2,342	449
Total Current Assets	<u>783,969</u>	<u>1,393,429</u>
Invested Assets:		
Cash and cash equivalents - invested	1,313,919	792,994
Investments	23,538,208	24,909,420
Accrued interest and dividends	23,062	26,655
Cash surrender value of life insurance	139,090	147,914
Total Invested Assets	<u>25,014,279</u>	<u>25,876,983</u>
Beneficial interest in trusts	16,166,501	16,987,140
Property and equipment, net	396,692	416,235
Total Assets	<u>\$ 42,361,441</u>	<u>\$ 44,673,787</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued payroll	\$ 28,721	\$ 30,344
Grants and scholarships payable	356,052	392,953
Total Current Liabilities	<u>384,773</u>	<u>423,297</u>
Grants and scholarships payable	159,400	290,800
Agency endowment funds	932,508	985,767
Total Liabilities	<u>1,476,681</u>	<u>1,699,864</u>
Net Assets:		
Unrestricted:		
Operating	177,433	257,704
Capital	442,910	440,434
Board endowment	1,990,304	2,100,085
Total Unrestricted Net Assets	<u>2,610,647</u>	<u>2,798,223</u>
Temporarily Restricted	<u>7,366,923</u>	<u>8,529,295</u>
Permanently Restricted:		
Donor gifts	14,740,689	14,659,265
Beneficial interest in trusts	16,166,501	16,987,140
Total Permanently Restricted Net Assets	<u>30,907,190</u>	<u>31,646,405</u>
Total Net Assets	<u>40,884,760</u>	<u>42,973,923</u>
Total Liabilities and Net Assets	<u>\$ 42,361,441</u>	<u>\$ 44,673,787</u>

See Independent Auditor's Report and Notes to Financial Statements

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

	2016				
	Unrestricted				
	Operating Fund	Capital Fund	Fund Operations	Board Endowment	Total
Revenue:					
Gifts and contributions	\$ 38,830	\$ 30,621	\$ -	\$ 40,097	\$ 109,548
Distributions from trusts					-
	<u>38,830</u>	<u>30,621</u>	<u>-</u>	<u>40,097</u>	<u>109,548</u>
Investment Income:					
Investment earnings	7,121			49,725	56,846
(Loss) gain on investments	(10,897)			(83,030)	(93,927)
Change in value of beneficial interest in trusts					-
Change in cash surrender value of life insurance					-
Total Investment (Loss)	<u>(3,776)</u>	<u>-</u>	<u>-</u>	<u>(33,305)</u>	<u>(37,081)</u>
Management fee income	418,814				418,814
Interfund grants	93,603				93,603
Net assets released from restrictions			2,256,375		2,256,375
Total Revenue (Loss)	<u>547,471</u>	<u>30,621</u>	<u>2,256,375</u>	<u>6,792</u>	<u>2,841,259</u>
Program Expenses:					
Grants and scholarships	20,115		1,696,967	92,485	1,809,567
Total Program Expenses	<u>20,115</u>	<u>-</u>	<u>1,696,967</u>	<u>92,485</u>	<u>1,809,567</u>
Operating Expenses:					
Community Foundation management fees			389,688	19,896	409,584
Wages, benefits, and taxes	446,701		807		447,508
Development, marketing, and other services	58,439		90,685	102	149,226
Investment management fees	1,808		52,945	4,090	58,843
Office supplies, postage, and services	30,790	8,602	19,085		58,477
Publications and printing	22,761				22,761
Occupancy expenses	8,083		4,643		12,726
Legal and audit	12,445		1,000		13,445
Meetings, travel, and conferences	8,625		555		9,180
Telephone	5,852				5,852
Insurance	9,188				9,188
Membership and dues	2,935				2,935
Depreciation expense		19,543			19,543
Total Operating Expenses	<u>607,627</u>	<u>28,145</u>	<u>559,408</u>	<u>24,088</u>	<u>1,219,268</u>
Total Program and Operating Expenses	<u>627,742</u>	<u>28,145</u>	<u>2,256,375</u>	<u>116,573</u>	<u>3,028,835</u>
Decrease (Increase) in Net Assets	(80,271)	2,476	-	(109,781)	(187,576)
Net Assets, July 1	257,704	440,434	-	2,100,085	2,798,223
Net Assets, June 30,	<u>\$ 177,433</u>	<u>\$ 442,910</u>	<u>\$ -</u>	<u>\$ 1,990,304</u>	<u>\$ 2,610,647</u>

See Independent Auditor's Report and Notes to Financial Statements

2016					2015
Temporarily Restricted	Permanently Restricted		Interfund Eliminations	Total	Total
	Donor Gifts	Beneficial Interest in Trusts			
\$ 622,698	\$ 81,424	\$ -	\$ -	\$ 813,670	\$ 1,726,124
703,200				703,200	671,200
<u>1,325,898</u>	<u>81,424</u>	<u>-</u>	<u>-</u>	<u>1,516,870</u>	<u>2,397,324</u>
645,835				702,681	884,966
(1,109,392)				(1,203,319)	(1,322,071)
		(820,639)		(820,639)	(862,389)
(8,824)				(8,824)	34,413
<u>(472,381)</u>	<u>-</u>	<u>(820,639)</u>	<u>-</u>	<u>(1,330,101)</u>	<u>(1,265,081)</u>
			(409,584)	9,230	10,041
240,486			(334,089)	-	-
<u>(2,256,375)</u>				-	-
<u>(1,162,372)</u>	<u>81,424</u>	<u>(820,639)</u>	<u>(743,673)</u>	<u>195,999</u>	<u>1,142,284</u>
			(334,089)	1,475,478	1,324,968
<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,089)</u>	<u>1,475,478</u>	<u>1,324,968</u>
			(409,584)	-	-
				447,508	379,903
				149,226	176,934
				58,843	63,424
				58,477	32,352
				22,761	22,609
				12,726	11,113
				13,445	11,255
				9,180	6,529
				5,852	5,970
				9,188	8,796
				2,935	4,400
				19,543	20,148
<u>-</u>	<u>-</u>	<u>-</u>	<u>(409,584)</u>	<u>809,684</u>	<u>743,433</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(743,673)</u>	<u>2,285,162</u>	<u>2,068,401</u>
(1,162,372)	81,424	(820,639)	-	(2,089,163)	(926,117)
<u>8,529,295</u>	<u>14,659,265</u>	<u>16,987,140</u>	<u>-</u>	<u>42,973,923</u>	<u>43,900,040</u>
<u>\$ 7,366,923</u>	<u>\$ 14,740,689</u>	<u>\$ 16,166,501</u>	<u>\$ -</u>	<u>\$ 40,884,760</u>	<u>\$ 42,973,923</u>

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2016	2015
Cash Flows from Operating Activities:		
(Decrease) in net assets	\$ (2,089,163)	\$ (926,117)
Reconciliation of (decrease) in net assets to net cash (used) provided by operating activities:		
Depreciation	19,543	20,148
Donated stocks	(45,629)	(439,826)
Loss on investments	1,203,319	1,322,071
Loss on investments - Agency endowment funds	47,329	54,608
Decrease in value of beneficial interest	820,639	862,389
Decrease (increase) in cash value of life insurance	8,824	(34,413)
Changes in operating assets and liabilities:		
Prepaid expenses	(1,893)	504
Accrued interest and dividends	3,593	5,761
Accounts payable and accrued payroll	(1,623)	8,830
Grants and scholarships payable	(168,301)	24,827
Agency endowment funds	(53,259)	(63,673)
Net Cash (Used) Provided by Operating Activities	(256,621)	835,109
Cash Flows from Investing Activities:		
Purchases of investments	(3,690,101)	(5,347,418)
Proceeds from sale of investments	3,856,294	4,728,223
Net withdrawal of cash and cash equivalents - invested	(520,925)	334,815
Purchase of land, buildings, and equipment	-	(1,336)
Net Cash (Used) by Investing Activities	(354,732)	(285,716)
Cash Flows from Financing Activities:	-	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(611,353)	549,393
Cash and Cash Equivalents at July 1,	1,392,980	843,587
Cash and Cash Equivalents at June 30,	\$ 781,627	\$ 1,392,980
Supplemental Information:		
Donated stocks	\$ 45,629	\$ 439,826

See Independent Auditor's Report and Notes to Financial Statements

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

***Note 1* Nature of Activities**

The Community Foundation of Elmira-Corning and the Finger Lakes, Inc. (the Foundation) is a not-for-profit organization which provides a vehicle for individuals, families, and organizations to invest in the Chemung Valley and Finger Lakes Communities and its people through gifts and bequests. Gifts and investment income provide revenue for grants, scholarships, and operating expenses.

***Note 2* Summary of Significant Accounting Policies**

Accounting Method

The financial statements of the Foundation have been prepared on the accrual basis.

Financial Statement Presentation

The Foundation complies with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- **Unrestricted Net Assets:** under discretionary control of the Board of Directors and include amounts designated by the Board of Directors for specified purposes.
- **Temporarily Restricted Net Assets:** restricted by the donor for a specific purpose or for use in a future time period. As restrictions are met or expire, net assets are released from restrictions and transferred to unrestricted net assets.
- **Permanently Restricted Net Assets:** subject to donor restrictions requiring principal remain invested in perpetuity.

Net investment income on permanently restricted net assets is classified as permanently restricted, temporarily restricted or unrestricted, depending on the gift agreement.

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

***Note 2* Summary of Significant Accounting Policies - Continued**

Contributions

The Foundation accounts for contributions in accordance with FASB ASC 958 "Not-for-Profit Entities." Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents primarily include amounts held for grants and other disbursements and amounts received from contributions which are held pending investment. Cash and cash equivalents include cash on hand, cash in checking and money market accounts and short-term investments with an original investment term of three months or less.

Investments

Investments are carried at fair value.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000 and with a useful life of greater than one year. Fixed assets are recorded at cost, or fair market value if donated, and depreciated using the straight-line method over the estimated useful life of the asset ranging from three to 40 years.

Beneficial Interest in Trusts

The Foundation is the sole beneficiary of the income of two trusts held by a third party. These trust accounts are recorded at fair value of trust assets available for distribution to the Foundation, as the Foundation has determined that fair value of trust assets generally approximates present value of expected future cash receipts. Distributions the Foundation receives from the trusts are recorded as investment income in the Statements of Activities.

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

***Note 2* Summary of Significant Accounting Policies - Continued**

Funds Held as Agency Endowment Funds

Statement of Financial Accounting Standards (SFAS) No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others," establishes accounting and reporting standards for transactions in which a donor transfers assets to a not-for-profit organization that accepts assets from the donor and agrees to transfer those assets, return on investment, or both, to the donor or another entity specified by the donor. Pursuant to SFAS No. 136, certain agency endowment funds received by the Foundation are considered liabilities (Agency Endowment Funds), rather than net assets of the Foundation.

Contributions and Bequests

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of securities are recorded at fair value at the date of the gift. Policies concerning donated services are described below.

Donated Services

No amounts have been reflected in the accompanying statements for donated services, however, many individuals volunteer their time and perform a variety of tasks which assist the Foundation with specific programs and with various committee assignments.

Tax Exemption

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation other than a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Comparative Financial 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 Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 3 Property and Equipment

Property and equipment consisted of the following at June 30,:

	2016		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 20,000	\$ -	\$ 20,000
Buildings and improvements	411,297	48,449	362,848
Furniture and equipment	65,242	51,398	13,844
Totals	\$ 496,539	\$ 99,847	\$ 396,692
	2015		
	Cost	Accumulated Depreciation	Book Value
Land	\$ 20,000	\$ -	\$ 20,000
Buildings and improvements	411,297	37,273	374,024
Furniture and equipment	65,242	43,031	22,211
Totals	\$ 496,539	\$ 80,304	\$ 416,235

Depreciation expense for the years ended June 30, 2016 and 2015 amounted to \$19,543 and \$20,148, respectively.

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 4 Investments

The Foundation's investments consisted of the following as of June 30,:

<u>By Investment Type</u>	2016		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of Deposit	\$ 266,254	\$ 266,254	-
U.S. Treasury securities	649,571	676,882	27,311
Corporate bonds	2,318,396	2,382,288	63,892
Common stock	1,204,694	1,322,733	118,039
Mutual funds	16,115,091	17,352,275	1,237,184
Hedge fund	976,897	1,537,776	560,879
Total	\$ 21,530,903	\$ 23,538,208	\$ 2,007,305

<u>By Investment Type</u>	2015		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of Deposit	\$ 265,311	\$ 265,311	-
U.S. Treasury securities	900,462	901,884	1,422
Federal Agency securities	500,551	496,701	(3,850)
Corporate bonds	2,308,652	2,285,845	(22,807)
Common stock	1,293,370	1,646,197	352,827
Mutual funds	15,228,673	17,656,943	2,428,270
Hedge fund	976,897	1,656,539	679,642
Total	\$ 21,473,916	\$ 24,909,420	\$ 3,435,504

Market Risk

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Future changes in market prices may make a financial instrument less valuable. Ownership interest is subject to risk of loss from a decrease in value due to interest rate fluctuations which may result in a decline that is other than temporary.

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

Note 5 **Fair Value Measurements**

FASB ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes 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 FASB ASC 820 are as follows:

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

Level 2 Inputs to the valuation methodology include:

- 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 derived principally from or corroborated observable market data by correlation or other means.

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

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

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

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

Note 5 Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30,:

	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents - invested	\$ 1,313,919	\$	\$	\$ 1,313,919
Certificates of Deposit		266,254		266,254
Fixed Income Securities:				
U.S. Treasury securities	676,882			676,882
Corporate bonds		2,382,288		2,382,288
Total Fixed Income Securities	\$ 676,882	\$ 2,382,288	\$ -	\$ 3,059,170
Common Stock:				
Consumer discretionary	136,620			136,620
Consumer staples	190,857			190,857
Energy	113,005			113,005
Financial	192,566			192,566
Health care	189,423			189,423
Industrials	143,782			143,782
Information Technology	294,888			294,888
Materials	29,484			29,484
Telecommunication services	32,108			32,108
Total Common Stock	1,322,733	-	-	1,322,733
Mutual Funds:				
Stock funds - foreign	4,417,039			4,417,039
- domestic	7,569,710			7,569,710
- emerging markets	977,428			977,428
Bond funds - foreign	824,863			824,863
- domestic	2,281,923			2,281,923
Alternative funds	1,281,312			1,281,312
Total Mutual Funds	17,352,275	-	-	17,352,275
Fund of Fund - Hedge fund			1,537,776	1,537,776
Accrued interest and dividends	23,062			23,062
Cash value of life insurance		139,090		139,090
Total	\$ 20,688,871	\$ 2,787,632	\$ 1,537,776	\$ 25,014,279

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 5 Fair Value Measurements - Continued

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 792,994	\$	\$	\$ 792,994
Certificates of Deposit		265,311		265,311
Fixed Income Securities:				
U.S. Treasury securities	901,884			901,884
Federal Agency securities		496,701		496,701
Corporate bonds		2,285,845		2,285,845
Total Fixed Income Securities	\$ 901,884	\$ 2,782,546	\$ -	\$ 3,684,430
Common Stock:				
Basic materials	128,215			128,215
Capital goods	185,221			185,221
Consumer discretionary	272,453			272,453
Consumer staples	142,713			142,713
Energy	67,920			67,920
Financial	279,989			279,989
Health care	162,992			162,992
Technology	406,694			406,694
Total Common Stock	\$ 1,646,197	\$ -	\$ -	\$ 1,646,197
Mutual Funds:				
Stock funds - foreign	4,678,422			4,678,422
- domestic	9,194,171			9,194,171
- emerging markets	1,063,399			1,063,399
Bond funds - foreign	804,158			804,158
- domestic	588,265			588,265
Alternative funds	1,328,528			1,328,528
Total Mutual Funds	17,656,943	-	-	17,656,943
Fund of Fund - Hedge fund			1,656,539	1,656,539
Accrued interest and dividends	26,655			26,655
Cash value of life insurance		147,914		147,914
Total	\$ 21,024,673	\$ 3,195,771	\$ 1,656,539	\$ 25,876,983

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

Note 5 Fair Value Measurements - Continued

The following provides further detail of the Level 3 fair value measurements for the years ending June 30:

	2016	2015
	Hedge Fund	Hedge Fund
Beginning Balance	\$ 1,656,539	\$ 1,656,162
Total gains and losses (realized and unrealized) included in changes in net assets available for benefits	<u>(118,763)</u>	<u>377</u>
Ending Balance	<u>\$ 1,537,776</u>	<u>\$ 1,656,539</u>

Note 6 Beneficial Interest in Trusts

The Foundation has been named as the sole beneficiary of income from two Trusts, Helen Schuyler Trust and Alice E. Campbell Trust, both of which are maintained by Chemung Canal Trust Company. Beneficial interests from these Trusts are reported in the financial statements of the Foundation at fair market value and carried as permanently restricted net assets. Payments to the Foundation are shown as the Foundation's investment earnings.

Trusts were valued as follows as of June 30,:

	2016	2015
Helen Schuyler Trust	\$ 15,711,186	\$ 16,519,381
Alice E. Campbell Trust	<u>455,315</u>	<u>467,759</u>
Total	<u>\$ 16,166,501</u>	<u>\$ 16,987,140</u>

Distributions made to the Foundation during fiscal years ended June 30,:

	2016	2015
Helen Schuyler Trust	\$ 682,000	\$ 610,000
Alice E. Campbell Trust	<u>21,200</u>	<u>21,200</u>
Total	<u>\$ 703,200</u>	<u>\$ 671,200</u>

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 7 Grants and Scholarships Payable

Grants and scholarships authorized but unpaid at year-end are reported as liabilities in accordance with FASB ASC 958. The following is a summary of grants and scholarships authorized and payable as of June 30,:

	2016	2015
To be paid in less than one year	\$ 356,052	\$ 392,953
To be paid in more than one year	159,400	290,800
Total Grants and Scholarships Payable	\$ 515,452	\$ 683,753

Note 8 Agency Endowment Funds

Agency Endowment Funds are funds established at the Foundation by other not-for-profit organizations which specify themselves as beneficiaries of their fund. These funds are reflected as liabilities in the Foundation's financial statements and are credited and charged with their appropriate share of earnings/additions and expenses/withdrawals, respectively. Currently, seven not-for-profit organizations have Agency Endowment Funds with the Foundation which totaled \$932,508 and \$985,767 as of June 30, 2016 and 2015, respectively.

Note 9 Retirement Plan

The Foundation maintains a 403(b) retirement program (Plan) to which it contributes 12% of eligible employees' wages. In addition, the Plan allows for discretionary employee wage deferrals. The Foundation's retirement expense for the fiscal years ending June 30, 2016 and 2015 was \$36,620 and \$32,457, respectively.

Note 10 Administrative Fees

During the years ended June 30, 2016 and 2015, the Foundation charged administrative fees totaling \$409,584 and \$427,856, respectively. These amounts are revenues to the Foundation and expenses to the various Board designated funds and are presented on the Statements of Activities as interfund eliminations.

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

***Note 11* Endowment**

In August 2008 FASB Staff Position FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the UPMIFA (Uniform Prudent Management of Institutional Funds Act of 2006), and Enhance Disclosures for All Endowment Funds” was issued and adopted by the Foundation.

The Foundation has approximately 205 individual endowment funds. The net assets associated with these funds have been classified as follows:

- Permanently Restricted - the original value of gifts donated to the permanent endowment by explicit donor stipulation.
- Temporarily Restricted - the accumulated unspent earnings associated with the endowment gifts, in accordance with the direction of the applicable donor gift instrument.
- Unrestricted - the deficit amount of any endowment assets in underwater situations due to cumulative investing and spending decisions.

Interpretation of Relevant Law

New York State adopted UPMIFA on September 17, 2010 and enacted its own version, NYPMIFA (New York Prudent Management of Institutional Funds Act). The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the funds
- Purposes of Foundation and donor-restricted endowment funds
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and appreciation of investments
- Other resources of the Foundation
- Investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies at June 30, 2016 and 2015.

COMMUNITY FOUNDATION OF ELMIRA-CORNING AND THE FINGER LAKES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 and 2015

***Note 11* Endowment - Continued**

Return Objectives and Risk Parameters

The Foundation's Board of Directors has adopted an investment and spending policy for endowment assets which has as its objective to provide on-going program support, while protecting the endowment against inflation. The objective of the Foundation is to maximize total return (interest and dividend income, plus capital appreciation, minus investment fees), by utilizing a diversified portfolio to minimize overall risk. Annually, a portion of the total investment return will be spent, and the remainder reinvested with the goal of preserving and growing the endowment over time. It is the Investment Committee's responsibility to establish relative performance benchmarks and monitor endowment performance. Performance comparisons with the benchmarks and peer endowment funds will be made over various time periods.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy to forecast spending annually at 5% of a four year average of the endowment's total asset value (with 1% representing management fees), with the understanding that this spending rate plus inflation will not normally exceed total real return (return net of inflation) from investments. This four year period shall be set back one quarter or three months from the time of the current-year calculations for the purpose of spending.

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 11 Endowment - Continued

The following sets forth the Foundation's endowment net asset composition as of June 30,:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1	\$ 2,100,085	\$ 8,529,295	\$ 14,659,265	\$ 25,288,645
Gifts received	40,097	1,325,898	81,424	1,447,419
Investment (loss)	(33,305)	(472,380)		(505,685)
Interfund grants		240,486		240,486
Amounts appropriated for expenditures	(92,587)	(1,813,731)		(1,906,318)
Foundation management fees charged	(19,896)	(389,688)		(409,584)
Investment management fees charged	(4,090)	(52,957)		(57,047)
Endowment Net Assets, June 30	\$ 1,990,304	\$ 7,366,923	\$ 14,740,689	\$ 24,097,916

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1	\$ 2,194,067	\$ 9,599,812	\$ 13,591,575	\$ 25,385,454
Gifts received	90,754	1,197,819	1,067,690	2,356,263
Investment income	(31,069)	(368,843)		(399,912)
Interfund grants		256,600		256,600
Amounts appropriated for expenditures	(127,966)	(1,692,565)		(1,820,531)
Foundation management fees charged	(21,198)	(406,691)		(427,889)
Investment management fees charged	(4,503)	(56,837)		(61,340)
Endowment Net Assets, June 30	\$ 2,100,085	\$ 8,529,295	\$ 14,659,265	\$ 25,288,645

***COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.***

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**

Note 12 **Concentration of Credit Risk**

The Foundation maintains deposits with one financial institution. These amounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Foundation may have cash balances in this financial institution in excess of this limit.

Note 13 **Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through October 24, 2016, the date the financial statements were available to be issued, and determined no significant subsequent events have occurred which would require adjustments to the financial statements or disclosures.

The Foundation received a \$1.8 million gift from an estate in September of 2016.

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**UNRESTRICTED BOARD ENDOWMENT NET ASSETS
SCHEDULE OF ACTIVITY
FOR THE YEARS ENDED JUNE 30,**

	2016					2015	
	Chemung County	Corning	Elmira- Corning	Keuka	Admini- stration	Total	Total
Revenue:							
Gifts and Contributions	\$	\$	\$ 10,000	\$ 27,597	\$ 2,500	\$ 40,097	\$ 90,754
Investment (Loss) Income:							
Investment earnings	16,569	195	18,944	9,654	4,363	49,725	65,090
(Loss) Gain on investments	<u>(28,837)</u>	<u>(338)</u>	<u>(32,226)</u>	<u>(15,994)</u>	<u>(5,635)</u>	<u>(83,030)</u>	<u>(96,159)</u>
Total Investment (Loss) Income	<u>(12,268)</u>	<u>(143)</u>	<u>(13,282)</u>	<u>(6,340)</u>	<u>(1,272)</u>	<u>(33,305)</u>	<u>(31,069)</u>
Total (Loss) Revenue	<u>(12,268)</u>	<u>(143)</u>	<u>(3,282)</u>	<u>21,257</u>	<u>1,228</u>	<u>6,792</u>	<u>59,685</u>
Expenses:							
Grants and Scholarships	17,600		23,125	30,500	21,260	92,485	127,857
Development, marketing, other services				102		102	109
Community Foundation management fees	5,404	250	6,359	3,437	4,446	19,896	21,198
Investment management fees	1,351	16	1,558	801	364	4,090	4,503
Total Expenses (released from Board designations)	<u>24,355</u>	<u>266</u>	<u>31,042</u>	<u>34,840</u>	<u>26,070</u>	<u>116,573</u>	<u>153,667</u>
(Decrease) in Net Assets	(36,623)	(409)	(34,324)	(13,583)	(24,842)	(109,781)	(93,982)
Net Assets, July 1	<u>578,448</u>	<u>6,830</u>	<u>680,478</u>	<u>363,279</u>	<u>471,050</u>	<u>2,100,085</u>	<u>2,194,067</u>
Net Assets, June 30,	<u>\$ 541,825</u>	<u>\$ 6,421</u>	<u>\$ 646,154</u>	<u>\$ 349,696</u>	<u>\$ 446,208</u>	<u>\$ 1,990,304</u>	<u>\$ 2,100,085</u>

See Independent Auditor's Report and Notes to Financial Statements

**COMMUNITY FOUNDATION OF ELMIRA-CORNING
AND THE FINGER LAKES, INC.**

**OPERATING REVENUES AND EXPENSES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:			
Gifts, contributions, and grants	\$ 74,959	\$ 38,830	\$ (36,129)
Investment earnings	6,000	7,121	1,121
(Loss) on investments	-	(10,897)	(10,897)
Management fee income	462,578	418,814	(43,764)
Interfund transfers and carryforward	40,946	93,603	52,657
Other	1,500	-	(1,500)
Total Revenue	<u>585,983</u>	<u>547,471</u>	<u>(38,512)</u>
Operating Expenses:			
Grants	-	20,115	20,115
Wages, benefits, and taxes	426,512	446,701	20,189
Development, marketing, and other services	15,940	58,439	42,499
Investment management fees	1,300	1,808	508
Office supplies, postage, and services	41,900	30,790	(11,110)
Publications and printing	25,500	22,761	(2,739)
Occupancy expenses	11,300	8,083	(3,217)
Legal and audit	13,325	12,445	(880)
Meetings, travel, and conferences	9,100	8,625	(475)
Telephone	6,500	5,852	(648)
Insurance	9,000	9,188	188
Memberships and dues	4,525	2,935	(1,590)
Total Operating Expenses	<u>564,902</u>	<u>627,742</u>	<u>62,840</u>
Increase (Decrease) in Net Assets	<u>\$ 21,081</u>	<u>\$ (80,271)</u>	<u>\$ (101,352)</u>

See Independent Auditor's Report