The Community Foundation
for South Central New York

FINANCIAL STATEMENTS

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DECEMBER 31, 2015

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Independent Auditor's Report

May 17, 2016

To the Board of Directors of
The Community Foundation for South Central New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Community Foundation for South Central New York, Inc., which comprise the statement of financial position as of December 31, 2015, 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 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 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 entity'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 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 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 for South Central New York, Inc. as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the entity changed their basis of accounting from modified cash basis to accrual basis. Our opinion is not modified with respect to this matter.

Dannible + McKee, LLP

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

Assets

Cash and cash equivalents (Note 1)	$ 648,252
Contribution receivable (Note 1)	7,250
Interest and dividends receivable	8,837
Prepaid expenses	17,973
Investments (Notes 1, 2, 3 and 6)	22,571,873
Property and equipment, net (Notes 1 and 4)	6,892
	$ 23,261,077

Liabilities and Net Assets

Accounts payable	$ 1,199
Accrued liabilities	7,557
Grants payable (Note 1)	383,572
Total liabilities	392,328
Net assets (Notes 1, 5 and 6):	
Unrestricted	22,868,749
	$ 23,261,077

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

Revenue:	
Contributions (Note 1)	$ 3,056,562
Interest and dividends	508,824
Net realized and unrealized loss on investments (Notes 1, 2 and 3)	(780,545)
Other income	9,683
Total revenue	2,794,524
Expenses:	
Program services:-	
Grant making:	
Grants made	1,231,338
Grant administrative expense	100,802
	1,332,140
Community education and involvement	61,609
Total program services	1,393,749
Support services:	
Management and general	459,245
Fundraising	36,177
Total support services	495,422
Total expenses	1,889,171
Change in net assets	905,353
Net assets, beginning of year, as previously reported	22,314,395
Prior period adjustment (Note 1)	(350,999)
Net assets, beginning of year, as restated	21,963,396
Net assets, end of year	$ 22,868,749

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities:	
Cash received from donors	$ 3,071,495
Cash paid to suppliers and employees	(564,994)
Cash paid for grant making	(1,317,017)
Interest and dividends	507,121
Net cash provided by operating activities	1,696,605
Cash flows from investing activities:	
Purchase of investments	(16,212,786)
Proceeds from sale of investments	14,469,342
Net cash used for investing activities	(1,743,444)
Net decrease in cash and cash equivalents	(46,839)
Cash and cash equivalents, beginning of year	695,091
Cash and cash equivalents, end of year	$ 648,252

- CONTINUED -

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

(- CONTINUED -)

Reconciliation of change in net assets to net cash provided by operating activities

Change in net assets	$ 905,353
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	780,545
Depreciation	3,938
Decrease in contribution receivable	5,250
Increase in interest and dividends receivable	(1,703)
Increase in prepaid expenses	(12,168)
Decrease in accounts payable	(109)
Increase in accrued liabilities	376
Increase in grants payable	15,123
Net cash provided by operating activities	$ 1,696,605

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

Nature of activities - The Community Foundation for South Central New York, Inc. (the "Community Foundation") was established in 1996 as a tax-exempt, public, charitable, community foundation benefiting residents of Broome, Chenango, Delaware, Otsego and Tioga Counties in New York State. Revenue is provided primarily from public contributions and income from investments.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Basis of presentation - The accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board's (FASB) authoritative guidance on financial statements of not-for-profit organizations. Under this guidance, the Community Foundation is required to report information regarding its assets, liabilities, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets - Unrestricted net assets consist of the net assets of the Community Foundation that are neither temporarily restricted nor permanently restricted by donor-imposed stipulations. These amounts are available for the support of operations. The Community Foundation has no temporarily or permanently restricted net assets.

Cash and cash equivalents - The Community Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contribution receivable - Unconditional promises to give are recognized as contribution revenue in the period received. Contribution receivable is stated at the amount management expects to collect from outstanding balances. No provision has been made for uncollectible accounts as the Community Foundation considers all accounts to be collectible. At December 31, 2015, contribution receivable due in less than one year is $3,050 and from one to five years is $4,200. Multi-year pledges should be discounted to their present value using the prime interest rate. Management has determined that the discount is not material, therefore, it has not been recorded.

Investments - Investments are reported at fair value in accordance with the FASB's authoritative guidance on accounting for certain investments held by not-for-profit organizations. The Community Foundation's investment strategy seeks to achieve a predictable, reliable and continuous source of funds to support the grants from the Community Foundation. Funds are invested in a well-diversified asset mix, which includes primarily debt and equity securities, that is intended to result in a consistent inflation protected rate of return. Purchases and sales of securities are recorded on a trade-date basis. All interest and dividend income from investments is recognized when earned.

Fair value and financial instruments - The fair value of financial instruments is based upon quoted market prices where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value and may include amounts based upon unobservable parameters. Any such valuation adjustments are applied consistently over time. The FASB's authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements (See Note 3).

Property and equipment - Property and equipment are recorded at cost or, for donated assets, at the estimated fair market value at the date of acquisition. Depreciation for financial statement purposes is computed on the straight-line method over the assets' estimated useful lives, which range from five - seven years. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets.

Contributions and net asset classification - Under New York State law and the Community Foundation's governing instruments, the Board of Directors of the Community Foundation has the power to vary the use of gifts from the original donor-prescribed purpose. Accordingly, assets held as advised by donors or for a specified purpose are segregated in unrestricted net assets until such time (if ever) as the Board of Directors deems it prudent and appropriate under the variance power to redirect some part of the principal or appreciation. Accordingly, the Community Foundation classifies all net assets as unrestricted, but segregates the portion for which contributions are designated for special grant making purposes from the funds that are designated for general grants or administration.

Contributions received by the Community Foundation are recorded as unrestricted revenue and net assets at their fair value in the period received. Unrestricted net assets are those over which the Board of Directors of the Community Foundation retains full control for use in achieving the institutional mission. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted.

Revenue is reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

Contributed securities - Contributed securities are recorded at fair value and are liquidated promptly and invested along with cash contributions in investments.

Spending policy - On September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This legislation influences the spending policy and provides discretion to the Community Foundation with respect to the accumulation or expenditure of amounts in the endowment funds, including portions of the original dollar value of the donor's gift. NYPMIFA also requires improved documentation of investment policies, as well as investment and spending decisions.

The Community Foundation's spending policy for endowed funds in connection with grant making and fees states that annual spending, including fees, is not to exceed 5.75% of the average value of endowed investments for the past twelve quarters as of each year-end.

Grants payable - Grants are recorded as an expense if they are unconditional and approved for payment. The Foundation's board awards grants to qualifying organizations and scholarships to qualifying individuals in Broome, Chenango, Delaware, Otsego and Tioga Counties. At December 31, 2015, grants payable in less than one year is $73,093 and from one to two years is $310,479. Multi-year grants should be discounted to their present value using the prime interest rate. Management has determined that the discount is not material, therefore, it has not been recorded.

Employee benefit plan - The Community Foundation has a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Matching contributions are made to eligible employees who have completed one year of service. The Community Foundation's contribution is 100% of the participant's elective contribution up to 10% of the participant's compensation. Employee benefit plan expense was $20,153 in 2015.

Financial instruments, concentration and credit risks - The Community Foundation maintains cash balances at various financial institutions. Cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC insurance limits are subject to normal credit risk. The Community Foundation's investments are exposed to various risks, such as interest, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Community Foundation.

Income taxes - Pursuant to the FASB's guidance related to not-for-profit entities, the Community Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been determined not to be a private foundation under Section 509(a) of the IRC.

The Community Foundation has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Community Foundation will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Community Foundation is no longer subject to Federal or state examinations by tax authorities for the closed tax years before 2012.

Advertising expense - The Community Foundation expenses advertising costs when incurred. Advertising expenses amounted to $4,111 in 2015.

Expense allocation - The costs of program and support services have been summarized on a functional basis in the statement of activities. The costs are functionalized on a direct basis where possible. Indirect costs are allocated based on an estimate of the time spent by the Community Foundation's management and staff in each functional area.

For purposes of categorizing expenditures, the Community Foundation identifies two types of program services related to its exempt charitable purpose and two activities as support services of the Community Foundation. The primary program service is to make charitable and scholarship grants and to pay grant related expenses necessary to approve and administer grants. A second program involves activities designed to educate the community or the Community Foundation's staff about significant issues facing the region, or to educate the public about the charitable purpose and programs of the Community Foundation.

Support services include management and general expenditures for operation of the Community Foundation, compliance with laws, and stewardship of assets. Fundraising expenditures to foster donor development and receive contributions from the community are also a support service.

Donated services - A number of volunteers have donated their time to develop the Community Foundation's programs. No amount has been recognized in the financial statements for these services since they do not meet the criteria for recognition under the FASB's authoritative guidance on accounting for contributions received and contributions made.

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

Prior period adjustment - A restatement of the beginning of year net assets has been recorded to account for the change in basis of accounting from modified cash basis to accrual basis. These adjustments relate to the recording of $12,500 of contribution receivable, $7,135 in interest and dividends receivable, $5,805 in prepaid expenses, $809 of accounts payable, $7,181 of accrued liabilities and $368,449 of grants payable for a total decrease in beginning net assets of $350,999.

Subsequent events - Management has evaluated subsequent events through May 17, 2016, the date which the financial statements were available for issue.

Note 2 - Investments

Investments are presented in the financial statements at fair value and are subject to normal market fluctuations. Investments consist of the following:

	December 31, 2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and cash equivalents	$ 4,569,535	$ 4,569,535	$ -
Fixed income mutual funds	5,398,506	5,229,253	(169,253)
Equity securities	10,937,089	10,580,541	(356,548)
Real estate investment trust	157,686	162,214	4,528
Hedge funds	2,125,000	2,030,330	(94,670)
	$ 23,187,816	$ 22,571,873	$ (615,943)

Investment income is recorded gross of related transaction, custody and management fees, except those embedded in funds. The total of such separately paid fees was $186,447 for the year ended December 31, 2015.

Note 3 - Fair value measurements

The FASB's authoritative guidance on fair value measurements provides a framework for measuring fair value under generally accepted accounting principles. The guidance applies to all financial instruments that are being measured and disclosed on a fair value basis.

As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, various assumptions are utilized, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Community Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability or represent inputs used to determine the value of similar assets and liabilities. Financial assets measured at fair value on a recurring basis include investments.

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

Money market funds - Fair value is equal to the reported net asset value of the fund.

Fixed income mutual funds - Fair value based on quoted market prices using net asset value.

Equity securities - Fair value based on quoted market prices.

Real estate investment trust - Fair value based on quoted market prices.

Hedge funds - Fair value based on the underlying investments within each fund as determined by the manager and the Foundation's percentage of ownership or shares owned of the fund.

The fair value for assets measured on a recurring basis is as follows:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,569,535	$ -	$ -	$ 4,569,535
Fixed income mutual funds	5,229,253	-	-	5,229,253
Equity securities	10,580,541	-	-	10,580,541
Real estate investment trust	162,214	-	-	162,214
Hedge funds	-	-	2,030,330	2,030,330
	$20,541,543	$ -	$ 2,030,330	$22,571,873

The following summarizes the changes in fair value at December 31, 2015, for Level 3 investments:

Balance, beginning of year	$ 2,918,895
Net realized gain on investments	1,782,832
Net unrealized loss on investments	(1,828,211)
Net purchase (sales)	(843,186)
Balance, end of year	$ 2,030,330

Hedge funds employ an absolute return strategy with diverse, primarily short-term, investments and commodity trading strategies. Participating members are permitted to redeem their shares on December 31 of each year with 100 day notice after an initial one-year waiting period from the date of purchase. There were no unfunded commitments.

Note 4 - Property and equipment

Property and equipment consisted of the following at December 31, 2015:

Property and equipment	$ 29,125
Less - Accumulated depreciation	(22,233)
	$ 6,892

Depreciation expense of $3,938 for the year ended December 31, 2015, has been included in expenses in the accompanying statement of activities.

The Community Foundation leased certain office space under an agreement that expired on September 30, 2015. The base annual rent was $40,144, payable in monthly installments of $3,345. The lease agreement was renewed for a five-year term through September 30, 2020. Effective October 1, 2015, the base annual rent is $44,284, payable in monthly installments of $3,690. The base annual rent is adjusted to reflect the Community Foundation's proportionate share of increases in operating expenses of the building. Rent expense for the year ended December 31, 2015, including common area maintenance costs, was approximately $46,045.

The Community Foundation also leases office equipment under an operating lease through July 31, 2018. Lease expense for the year ended December 31, 2015, was approximately $1,100.

The Foundation entered into a license agreement with an enterprise software vendor for seven years that expires December 31, 2017. The initial annual subscription fee was $13,154 in 2011 escalating to $18,065 in 2017. Subscription expense for the license agreement was $17,371 for the year ended December 31, 2015.

Future minimum non-cancelable lease payments under these agreements are as follows:

2016	$ 63,449
2017	63,449
2018	44,925
2019	44,284
2020	33,213
	$ 249,320

Note 5 - Unrestricted net assets

Unrestricted net assets are segregated into three categories: special grant making funds, The Community Fund and other. Unrestricted net assets consist of the following separately calculated groups of funds at December 31, 2015:

Scholarship funds	$ 768,926
Designated funds	9,181,966
Donor advised funds	1,990,016
Pass-through funds	450
Field of interest funds	3,837,420
Total special grant making funds	15,778,778
The Community Fund	7,005,051
Other	84,920
Total unrestricted net assets	$ 22,868,749

Special grant making fund balances represent amounts whereby the donor contributes for a specific purpose or has an advisory role in the expenditure of the contribution or the Board of Directors has created a special purpose category for giving. However, these funds are not considered temporarily or permanently restricted because of the Community Foundation's unilateral variance power over the funds.

The Community Fund includes general grant making funds, which consist of assets that have no special designated purpose that controls which grants are considered for approval. The total of The Community Fund as of December 31, 2015, was $7,005,051. The Community Fund also includes funds designated by the Board of Directors for administrative purposes in the amount of $801,729 as of December 31, 2015. The Community Fund and special grant making funds that are endowed and have met the minimum threshold are charged an administrative fee on a quarterly basis. These fees totaled $387,203 for the year ended December 31, 2015, and are designated by the Community Foundation’s Board of Directors to be used for administrative purposes.

Note 6 - Endowments

On September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a form of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Immediately preceding that date, New York State law regarding endowment funds was a version of the Uniform Management of Institutional Funds Act (UMIFA). The Board of Directors and management, on the advice of legal counsel, have determined that the Community Foundation is subject to its governing documents and current accounting standards under FASB ASC 958-205, Endowments of Not-for-profit Organizations: Net Asset Classification of Institutional Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for Endowment Funds, regarding endowments and net asset classifications. Normally, contributions to the Community Foundation are subject to the terms of the governing documents. However, certain contributions may be received subject to other gift instruments, or that are subject to specific agreements with the Community Foundation. Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine. This discretion is considered a unilateral variance power for accounting purposes. As a result of the ability to distribute corpus, all contributions not otherwise subject to temporary or permanent restrictions are classified as unrestricted net assets for financial statement purposes. At this time, no assets are held subject to specific temporary or permanent restrictions.

The Community Foundation has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, the Community Foundation's investment policy 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 Community Foundation targets a diversified asset allocation to achieve its long-term return objective of 5% plus the Consumer Price Index within prudent risk parameters.

The spending policy is used to calculate the amount of money distributable annually from the Community Foundation's various endowed funds for grant making. The current spending policy is to make up to 4% of the previous twelve-quarter rolling market value average of endowed investments available for grant distributions and 1.75% for administrative contribution fees.

Composition of endowment net assets for the year ended December 31, 2015, were as follows:

Donor unrestricted endowment funds	$ 14,381,829
Board designated endowment funds	7,005,051
	$ 21,386,880

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

Endowment net assets, beginning of year	$ 20,562,416
Contributions	2,458,199
Investment income	311,048
Net realized and unrealized depreciation	(753,119)
Amounts appropriated for expenditures (includes grants)	(1,191,664)
Endowment net assets, end of year	$ 21,386,880