

Jackson Community Foundation

Financial Statements

December 31, 2016 and 2015

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Independent Auditors' Report

Management and the Board of Trustees
Jackson Community Foundation

We have audited the accompanying financial statements of Jackson Community Foundation which comprise the statement of financial position as of December 31, 2016, and 2015 and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Jackson Community Foundation as of December 31, 2016, and 2015, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Jackson Community Foundation as of December 31, 2015, were audited by other auditors whose report dated March 8, 2016, expressed an unmodified opinion on these statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is 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.

Yeo & Yeo, P.C.

Ann Arbor, MI
March 14, 2017

Jackson Community Foundation
Statement of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 238,686	\$ 367,257
Contributions receivable	10,428	11,743
Prepaid expenses	<u>2,653</u>	<u>2,647</u>
Total current assets	251,767	381,647
Investments	23,709,124	21,441,297
Property and equipment, net	22,151	35,336
Beneficial interests in trust	<u>1,242,593</u>	<u>1,000,436</u>
Total assets	<u>\$ 25,225,635</u>	<u>\$ 22,858,716</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,503	\$ 34,507
Grants payable	9,000	12,300
Accrued payroll	<u>5,277</u>	<u>-</u>
Total current liabilities	17,780	46,807
Assets held for others (agency)	<u>1,563,893</u>	<u>1,515,047</u>
Total liabilities	<u>1,581,673</u>	<u>1,561,854</u>
Net assets		
Unrestricted	21,180,733	19,203,940
Temporarily restricted	<u>2,463,229</u>	<u>2,092,922</u>
Total net assets	<u>23,643,962</u>	<u>21,296,862</u>
Total liabilities and net assets	<u>\$ 25,225,635</u>	<u>\$ 22,858,716</u>

See Accompanying Notes to the Financial Statements

Jackson Community Foundation
Statement of Activities
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support						
Contributions	\$ 2,292,872	\$ 330,224	\$ 2,623,096	\$ 1,877,211	\$ 176,449	\$ 2,053,660
Change in value of beneficial interest	-	242,157	242,157	-	136,742	136,742
Interest and dividends	350,401	17,742	368,143	777,685	42,923	820,608
Net realized and unrealized gain (loss) on investments	566,654	29,804	596,458	(1,469,835)	(82,179)	(1,552,014)
Miscellaneous income	121,030	-	121,030	100,631	-	100,631
Total revenues, gains, and other support	3,330,957	619,927	3,950,884	1,285,692	273,935	1,559,627
Net assets released from restrictions						
Restrictions satisfied by payments and time	249,620	(249,620)	-	526,224	(526,224)	-
Expenses						
Program services						
Grants	878,212	-	878,212	699,770	-	699,770
Other program services	394,888	-	394,888	333,906	-	333,906
Management and general	208,028	-	208,028	204,799	-	204,799
Fundraising	122,656	-	122,656	104,288	-	104,288
Total expenses	1,603,784	-	1,603,784	1,342,763	-	1,342,763
Change in net assets	1,976,793	370,307	2,347,100	469,153	(252,289)	216,864
Net assets - beginning of year	19,203,940	2,092,922	21,296,862	18,734,787	2,345,211	21,079,998
Net assets - end of year	\$ 21,180,733	\$ 2,463,229	\$ 23,643,962	\$ 19,203,940	\$ 2,092,922	\$ 21,296,862

See Accompanying Notes to the Financial Statements

Jackson Community Foundation
Statement of Cash Flows
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 2,347,100	\$ 216,864
Items not requiring cash		
Depreciation	13,185	11,554
Net (gain) loss on investments	(596,458)	1,552,014
Changes in operating assets and liabilities		
Contributions receivable	1,315	2,062
Bequest receivable	-	332,591
Prepaid expenses	(6)	-
Beneficial interests in trust	(242,157)	(136,742)
Accounts payable	(31,004)	11,691
Grants payable	(3,300)	4,201
Accrued payroll	5,277	-
Assets held for others (agency)	48,846	(138,403)
Net cash flows provided by operating activities	<u>1,542,798</u>	<u>1,855,832</u>
Cash flows from investing activities		
Purchase of long-term investments	(51,349,169)	(10,241,022)
Proceeds from maturity or sales of long-term investments	49,677,800	8,504,544
Purchases of property and equipment	-	(23,806)
Net cash flows used by investing activities	<u>(1,671,369)</u>	<u>(1,760,284)</u>
Change in cash and cash equivalents	(128,571)	95,548
Cash and cash equivalents - beginning of year	<u>367,257</u>	<u>271,709</u>
Cash and cash equivalents - end of year	<u>\$ 238,686</u>	<u>\$ 367,257</u>

See Accompanying Notes to the Financial Statements

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Jackson Community Foundation (the "Foundation") is a public foundation under Internal Revenue Code Section 501(c)(3) that receives and administers gifts and bequests which are used to support a variety of programs for the benefit of local area residents. The Foundation currently has six focus areas for community needs priorities for its grantmaking that include: Financial Stability, Culture of Education, Healthy People, Environmental Quality, Economic Prosperity, and Art, Culture & Recreation.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets of the Foundation and changes therein, are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted restricted net assets are available for the following purposes at December 31:

	2016	2015
Advised	\$ 3,607,621	\$ 1,751,761
Discretionary	3,475,536	3,522,834
Designated	2,756,795	2,567,219
Field of interest	1,314,627	1,304,485
Named	4,897,136	4,969,959
Agency - Third party	1,173,083	1,216,042
Scholarship	3,955,935	3,871,640
	<u>\$ 21,180,733</u>	<u>\$ 19,203,940</u>

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Temporarily restricted net assets are available for the following purposes at December 31:

	2016	2015
Special project funds	\$ 183,801	\$ 58,821
Beneficial interest in trusts	1,242,593	1,000,436
Youth advisory council	945,618	953,528
Scholarship funds	91,217	80,137
	<u>\$ 2,463,229</u>	<u>\$ 2,092,922</u>

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. As of December 31, 2016 and 2015, the Foundation did not have any permanently restricted net assets.

Revenues without donor-imposed restrictions and revenues with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents except for temporary investment funds considered to be part of the investment portfolio. As of December 31, 2016 \$66,812 of cash and cash equivalents was in excess of the amount insured by the FDIC.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions include the lines described on the statement of activities as contributions. All amounts stated are expected to be collected within one year.

Investments

Investments are stated at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of securities sold. Unrealized gains and losses on investments represent the net change for the reported year in unrealized appreciation between the balance at the beginning and the end of the year. Donated investments are reflected as contributions at their fair values at date of receipt.

Property and Equipment

The Foundation follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Furniture and equipment are stated at cost or fair market value at the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Foundation evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Beneficial Interest in Charitable Lead Annuity Trust

The Foundation is party to a split-interest agreement that began in 2012 and a second that began in 2014 upon the donors' deaths. The agreements create trusts in which the Foundation has a remainderman interest. The trustees are required to pay a specified amount each year to the designated beneficiaries until their death. For the 2012 split-interest agreement, the beneficiaries will each receive \$50,000 per year. For the 2014 split-interest agreement, the beneficiary will receive the earnings of the trust each year (6 and 4 percent at December 31, 2016 and 2015, respectively). Upon the death of the beneficiaries, the remaining funds become the property of the Foundation.

The Foundation is not the trustee for these agreements and therefore, the present value of the Foundation's interest is determined by taking the market value of the trust assets at December 31 less the present value of future distributions to the beneficiaries. The present value of future distributions is computed based on the normal life expectancy of the beneficiaries, based on the U.S. Department of Social Security life expectancy tables, using an average of the rates of return for 2016, 2015, 2014 for each trust.

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

The fair market value of the trusts at December 31, 2016 and 2015 was \$4,480,401 and \$4,306,776, respectively. The present value of future distributions calculated to \$3,237,808 and \$3,306,340, and the beneficial interest in trusts is \$1,242,593 and \$1,000,436 at December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, the change in beneficial interest was \$242,157 and \$136,742, respectively, and is recorded on the statement of activities. The beneficial interests in trusts are recorded as an asset and temporarily restricted net assets for the years ended December 31, 2016 and 2015.

Assets Held for Others

Donor designations for specific organizations made by the beneficiary organizations are recognized as a liability to the specified organization.

Functional Expenses

Total expenses consisted of expenses relating to program services, management and general, and fundraising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods.

Income Tax Status

The Foundation is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Foundation files information returns in the U.S. Federal and Michigan jurisdiction.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 14, 2017, which is the date the financial statements were available to be issued.

Note 2 - Investments

The fair value of the investment account consisted of the following at December 31:

	Fair Value	
	2016	2015
Mutual funds	\$ 20,741,070	\$ 20,360,521
Mixed assets	2,478	-
U.S. Government obligations	<u>8,502</u>	<u>-</u>
Total investments	<u>\$ 20,752,050</u>	<u>\$ 20,360,521</u>

The investment account also includes cash and money market funds of \$2,957,074 and \$1,080,776 as of December 31, 2016 and 2015, respectively.

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Investment income (loss) (net of agency fund investment activity) is composed of the following at December 31:

	2016	2015
Dividends and interest	\$ 368,143	\$ 820,608
Realized gain on investments carried at other than fair value	167,308	112,046
Net gain (loss) on investments carried at fair value	<u>429,150</u>	<u>(1,664,060)</u>
	<u>\$ 964,601</u>	<u>\$ (731,406)</u>

Note 3 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	2016	2015	Estimate Useful Life
Furniture and fixtures	\$ 119,894	\$ 119,894	5 - 10 years
Less: accumulated depreciation	<u>(97,743)</u>	<u>(84,558)</u>	
	<u>\$ 22,151</u>	<u>\$ 35,336</u>	

Note 4 - Funds Held for Others

The Foundation has adopted guidance to record transfers of assets to a not-for-profit organization that holds contributions for others. Accounting standards specifically require transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to the donor or another entity that is specified by the donor.

The standard specifically requires that if a not-for-profit organization (NPO) 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.

In accordance with accounting standards, a liability has been established for a portion of the fair value of the funds, which is generally equivalent to the present value of future payments which may be made to NPOs.

The following table summarizes activity in such funds as of December 31:

	2016	2015
Funds held as agency - beginning of year	\$ 1,515,047	\$ 1,653,450
Gifts, memorials, and bequests	16,872	36,993
Interest and dividends	26,865	62,922
Net realized and unrealized gain (loss) on investments	48,825	(119,441)
Grants and administrative expenses	(79,046)	(85,901)
Transfer (to)/from nonagency fund	<u>35,330</u>	<u>(32,976)</u>
Funds held as agency - end of year	<u>\$ 1,563,893</u>	<u>\$ 1,515,047</u>

Note 5 - Donor Restricted and Board Designated Endowments

The Foundation's endowment consists entirely of donor-restricted endowment funds and is classified based on those donor-imposed restrictions.

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the designated endowment funds absent explicit donor stipulations to the contrary. As a result of this law and variance provision rights, the Foundation classifies within unrestricted net assets (a) the original value of gifts donated to the designated endowment, (b) the original value of subsequent gifts to the designated endowment, and (c) accumulations to the designated endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization exercises the standard of ordinary business care and prudence when determining the amount of earnings and gains to appropriate for expenditure of to accumulate within the endowment fund. The Foundation considers the following factors in exercising this standard of care: (1) The long-term and short-term needs of the organization in carrying out its charitable purpose; (2) The present and anticipated financial requirements of the organization; (3) The expected total return on investments (4) Price level trends; and (5) General economic conditions.

The endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>
Board-designated	<u>\$ 17,705,198</u>

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Unrestricted</u>
Beginning of year	\$ 15,681,106
Contributions	2,181,143
Distributions	(925,727)
Investment income	287,601
Unrealized gain (loss)	<u>481,075</u>
End of year	<u>\$ 17,705,198</u>

The endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>
Board-designated	<u>\$ 15,681,106</u>

The changes in unrestricted endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>
Beginning of year	\$ 15,285,870
Contributions	1,768,772
Distributions	(877,466)
Investment income	644,737
Unrealized gain (loss)	<u>(1,140,807)</u>
End of year	<u>\$ 15,681,106</u>

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the board of trustees, the primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the Foundation's board designated endowment assets are invested in a manner to produce an average rate of return of the Consumer Price Index (CPI) plus 5 percent annually.

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 that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Each year, the Foundation has a policy of appropriating for distribution, 5.5 percent of its endowment fund's average fair value over the 16 quarters through October 31 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 6 - Fair Value Measurements

The following tables represent information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015, and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31, 2016:

	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Assets				
Mutual funds	\$ 7,569,087	\$ 7,569,087	\$ -	\$ -
Equities	11,954,255	11,954,255	-	-
Fixed income	1,217,728	1,217,728	-	-
Mixed assets	2,478	2,478	-	-
U.S. Government obligations	8,502	8,502	-	-
Beneficial interests in trust	1,242,593	-	-	1,242,593
	<u>\$ 21,994,643</u>	<u>\$ 20,752,050</u>	<u>\$ -</u>	<u>\$ 1,242,593</u>
Liabilities				
Assets held for others	<u>\$ 1,563,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,563,893</u>

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31, 2015:

	Balance at December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Assets				
Mutual funds	\$ 20,360,521	\$ 20,360,521	\$ -	\$ -
Beneficial interests in trust	1,000,436	-	-	1,000,436
	<u>\$ 21,360,957</u>	<u>\$ 20,360,521</u>	<u>\$ -</u>	<u>\$ 1,000,436</u>
Liabilities				
Assets held for others	<u>\$ 1,515,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,515,047</u>

Changes in level 3 assets and liabilities measured at fair value on a recurring basis are:

	Beneficial Interests in Trust	Assets Held for Others
December 31, 2014	\$ 863,694	\$ 1,653,450
Agency activity (see Note 4)	-	(138,403)
Net unrealized gain	<u>136,742</u>	<u>-</u>
December 31, 2015	1,000,436	1,515,047
Agency activity (see Note 4)	-	48,846
Net unrealized gain	<u>242,157</u>	<u>-</u>
December 31, 2016	<u>\$ 1,242,593</u>	<u>\$ 1,563,893</u>

Jackson Community Foundation
Notes to the Financial Statements
December 31, 2016 and 2015

Beneficial interests in trust categorized as Level 3 assets consist of two beneficial interests in a charitable remainder trust. The Foundation estimates the fair value of these assets based upon the fair value of the assets in the trust. Qualitative information is as follows:

	Fair Value at year end	Valuation Techniques	Unobservable Input	Range (Weighted Average)
			Average of the rates of return for 2016, 2015, 2014 for each trust	1.00% - 1.63%
Beneficial interests in trust	\$4,480,401	Discounted cash flow	Life expectancy of beneficiaries	6.7 - 19.1 years

Assets held for others characterized as a Level 3 liability consists of agency endowment funds established by not-for-profit organizations with their own funds, for which the Foundation reports a liability for the market value. The Foundation estimates the fair value of these assets held for others at the fair value of the underlying assets unless the facts and circumstances indicate the fair value would be different.

Note 7 - Retirement Plan

The Foundation sponsors a SIMPLE IRA plan for substantially all employees. The plan provides for the Foundation to make a required matching contribution. The contributions to the plan amount to \$2,189 and \$2,012 for the year ended December 31, 2016 and 2015, respectively.

Note 8 - Operating Lease

The Foundation leases its office space. The current lease expires December, 31, 2019. The Foundation also leases a copier under an operating lease agreement. Future lease payments consist of the following:

2017	\$ 32,713
2018	32,713
2019	<u>32,713</u>
	<u>\$ 98,139</u>

Lease expense for 2016 and 2015 was \$31,832 and \$31,768, respectively which consisted solely of minimum rentals and no contingent rentals or sublease rental income.

Jackson Community Foundation
Schedule of Functional Expenses
Years Ended December 31, 2016 and 2015

	2016				2015				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total	Change
Grants	<u>\$ 878,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 878,212</u>	<u>\$ 699,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,770</u>	<u>\$ 178,442</u>
Other program services									
Program expense	95,823	-	-	95,823	69,576	-	-	69,576	26,247
Investment services	98,245	-	-	98,245	99,055	-	-	99,055	(810)
Youth Advisory Committee	2,420	-	-	2,420	2,497	-	-	2,497	(77)
Total other program services	<u>196,488</u>	<u>-</u>	<u>-</u>	<u>196,488</u>	<u>171,128</u>	<u>-</u>	<u>-</u>	<u>171,128</u>	<u>25,360</u>
Payroll and contracted services									
Salaries and wages	126,101	125,102	50,229	301,432	109,510	119,183	43,470	272,163	29,269
Employee benefits	12,047	11,717	2,641	26,405	9,241	9,891	1,692	20,824	5,581
Payroll taxes	10,929	10,630	2,395	23,954	9,936	10,636	1,819	22,391	1,563
Computer support	-	10,808	-	10,808	-	18,213	-	18,213	(7,405)
Contracted services	18,146	5,082	4,340	27,568	6,909	4,571	4,116	15,596	11,972
Total payroll and contracted services	<u>167,223</u>	<u>163,339</u>	<u>59,605</u>	<u>390,167</u>	<u>135,596</u>	<u>162,494</u>	<u>51,097</u>	<u>349,187</u>	<u>40,980</u>
Office-related expenses									
Rent	14,961	7,958	8,913	31,832	14,931	7,942	8,895	31,768	64
Depreciation	-	13,185	-	13,185	-	11,554	-	11,554	1,631
Insurance	-	5,850	-	5,850	-	5,760	-	5,760	90
Equipment rental	-	6,076	-	6,076	-	5,003	-	5,003	1,073
Telephone	3,683	1,959	2,194	7,836	2,443	1,300	1,455	5,198	2,638
Office expenses	2,267	1,206	1,351	4,824	2,543	1,353	1,515	5,411	(587)
Postage and shipping	1,030	548	614	2,192	1,248	664	744	2,656	(464)
Total office-related expenses	<u>21,941</u>	<u>36,782</u>	<u>13,072</u>	<u>71,795</u>	<u>21,165</u>	<u>33,576</u>	<u>12,609</u>	<u>67,350</u>	<u>4,445</u>
Other expenses									
Program materials	678	-	6,100	6,778	776	-	6,982	7,758	(980)
Special events	2,674	-	24,070	26,744	2,328	-	20,947	23,275	3,469
Trustee/staff development	2,344	2,344	233	4,921	1,494	-	381	1,875	3,046
Outside printing	1,139	759	5,695	7,593	998	665	4,996	6,659	934
Conferences and meetings	1,148	3,445	1,148	5,741	-	3,643	-	3,643	2,098
Professional dues	-	1,359	12,235	13,594	-	809	7,276	8,085	5,509
Travel	498	-	498	996	-	3,612	-	3,612	(2,616)
Franklin-Myer scholarship expense	755	-	-	755	421	-	-	421	334
Total other expenses	<u>9,236</u>	<u>7,907</u>	<u>49,979</u>	<u>67,122</u>	<u>6,017</u>	<u>8,729</u>	<u>40,582</u>	<u>55,328</u>	<u>11,794</u>
Total expenses	<u>\$ 1,273,100</u>	<u>\$ 208,028</u>	<u>\$ 122,656</u>	<u>\$ 1,603,784</u>	<u>\$ 1,033,676</u>	<u>\$ 204,799</u>	<u>\$ 104,288</u>	<u>\$ 1,342,763</u>	<u>\$ 261,021</u>