

EQUITY FOUNDATION, INC.

Audited Financial Statements

For the Year Ended June 30, 2016



MCDONALD JACOBS

Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Equity Foundation, Inc.

We have audited the accompanying financial statements of Equity Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equity Foundation as of June 30, 2016, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in the notes to the financial statements, Note 17, Going Concern, the Foundation plans to cease operations by December 31, 2016. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Equity Foundation, Inc. 's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 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.

McDonald Jacobson, P.C.

Portland, Oregon
October 24, 2016

EQUITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 289,252	\$ 311,622
Contributions receivable, net	60,572	61,587
Prepaid expenses	3,407	6,497
Charitable remainder annuity trust	301,078	321,402
Investments	1,477,723	1,271,414
Land held for sale	157,800	157,800
Furniture and equipment, net of accumulated depreciation of \$39,186 in 2016 and \$37,402 in 2015	800	2,583
 TOTAL ASSETS	 \$ 2,290,632	 \$ 2,132,905
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,126	\$ 16,048
Designated contributions payable	104,050	103,548
Grants payable	9,250	20,350
Charitable remainder annuity trust payable	263,977	287,313
Total liabilities	381,403	427,259
Net assets (deficit):		
Unrestricted:		
Undesignated	98,412	(44,349)
Board-designated	900,293	858,408
Total unrestricted	998,705	814,059
Temporarily restricted	325,797	327,512
Permanently restricted	584,727	564,075
Total net assets	1,909,229	1,705,646
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,290,632	 \$ 2,132,905

See notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Total workplace giving campaign results	\$ 22,507	\$ 164,343	\$ -	\$ 186,850	\$ 192,122
Less uncollectible, current campaign	-	(11,736)	-	(11,736)	(11,558)
Less net amounts designated for other organizations	-	(104,050)	-	(104,050)	(103,548)
Net workplace giving campaign	22,507	48,557	-	71,064	77,016
Contributions	501,690	-	20,600	522,290	394,339
Special events, net of expenses of \$29,607 for 2015	-	-	-	-	26,735
Donated land held for sale	-	-	-	-	157,800
Investment income, net of fees	3,410	4,009	52	7,471	21,211
Other income	6,533	-	-	6,533	43
Net assets released from restrictions:					
Satisfaction of purpose restrictions	54,281	(54,281)	-	-	-
Total support and revenue	588,421	(1,715)	20,652	607,358	677,144
Expenses:					
Program services:					
Community outreach	11,799	-	-	11,799	57,233
Granting	232,812	-	-	232,812	324,300
Total program services	244,611	-	-	244,611	381,533
Management and general	132,739	-	-	132,739	120,529
Fundraising	26,425	-	-	26,425	90,463
Total expenses	403,775	-	-	403,775	592,525
Change in net assets	184,646	(1,715)	20,652	203,583	84,619
Net assets:					
Beginning of year	814,059	327,512	564,075	1,705,646	1,621,027
End of year	\$ 998,705	\$ 325,797	\$ 584,727	\$ 1,909,229	\$ 1,705,646

See notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016					2015 Total
	Community Outreach	Granting	Management and General	Fund- Raising	Total	
Salaries and related expenses	\$ 8,332	\$ 20,890	\$ 38,374	\$ 15,916	\$ 83,512	\$ 155,449
Grants	-	189,456	-	-	189,456	290,055
Professional services	-	-	69,876	2,200	72,076	75,813
Rent	1,224	4,155	9,583	2,603	17,565	14,715
Insurance	156	535	2,937	331	3,959	3,874
Office expense	4	630	1,994	84	2,712	4,697
Printing and design	184	679	608	1,471	2,942	7,755
Travel and parking	3	374	215	161	753	3,418
Advertising	250	-	-	1,648	1,898	8,542
Depreciation	-	-	-	1,783	1,783	2,367
Other expenses	1,646	16,093	9,152	228	27,119	25,840
Total expenses	<u>\$ 11,799</u>	<u>\$ 232,812</u>	<u>\$ 132,739</u>	<u>\$ 26,425</u>	<u>\$ 403,775</u>	<u>\$ 592,525</u>

See notes to financial statements.

EQUITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from contributors	\$ 577,792	\$ 473,343
Cash received from interest and dividends	37,526	22,451
Cash paid to grantees	(200,556)	(277,700)
Cash paid to employees and vendors	<u>(232,844)</u>	<u>(291,407)</u>
Net cash provided by (used in) operating activities	<u>181,918</u>	<u>(73,313)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(1,385)
Proceeds from sale of investments	184,299	1,772,300
Additions to investments	<u>(409,187)</u>	<u>(1,578,713)</u>
Net cash provided by (used in) investing activities	<u>(224,888)</u>	<u>192,202</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	<u>20,600</u>	<u>31,033</u>
Net cash provided by financing activities	<u>20,600</u>	<u>31,033</u>
Net increase (decrease) in cash and cash equivalents	(22,370)	149,922
Cash and cash equivalents:		
Beginning of year	<u>311,622</u>	<u>161,700</u>
End of year	<u>\$ 289,252</u>	<u>\$ 311,622</u>
Reconciliation of change in net assets to cash used in operating activities:		
Change in net assets	\$ 203,583	\$ 84,619
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,783	2,367
Allowance for uncollectible pledges	178	(86)
Donated land held for sale	-	(157,800)
Contributions restricted for long-term investment	(20,600)	(31,033)
Net realized and unrealized loss on investments	18,579	1,240
(Increase) decrease in:		
Contributions receivable	837	259
Prepaid expenses	3,090	(3,050)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,922)	11,746
Designated contributions payable	502	9,466
Grants payable	(11,100)	12,355
Charitable remainder annuity trust payable, net	<u>(3,012)</u>	<u>(3,396)</u>
Net cash provided by (used in) operating activities	<u>\$ 181,918</u>	<u>\$ (73,313)</u>

See notes to financial statements.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. NATURE OF ACTIVITIES

Equity Foundation, Inc. (the Foundation) builds communities that embrace the dignity and worth of all people. Founded in 1989, the Foundation works to promote philanthropy and positive interaction through grants and outreach to gay, lesbian, bisexual, transgender, and questioning (GLBTQ) and other organizations. General cycle grants are provided to Oregon-focused projects and programs in the areas of health and social services, youth and family services, arts and culture, and human dignity. The Safe Schools Initiative has explicitly targeted funding to schools to end bullying and harassment, particularly as targeted at students who are gay, lesbian, bisexual, transgender or perceived to be. Donor-advised and workplace giving contributions are distributed in these and other areas. All grantees must sign a non-discrimination agreement that includes gender identity and sexual orientation in addition to other civil rights act protections, as a condition of receiving the funds. In addition, the Foundation raises funds to build a permanent endowment through gifts, donations, and bequests. Support is received primarily through contributions from individuals and businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Receivable

Campaigns are conducted in workplaces each fall to raise support for the Foundation's programs for the following calendar year. Pledges received through these campaigns are recognized when the Foundation is notified of the contributions, and are recorded as "Contributions Receivable," which represent unsecured, unconditional promises to give. Based on an assessment of the credit history of those having outstanding balances and on current relationships with them, management records an allowance for uncollectible balances which is reflected in the financial statements. Other contributions, which may include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Foundation has an established right to the bequest and the proceeds are measurable.

Investments

Investments consist of marketable securities and are carried at fair value.

Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$300 are capitalized. Furniture and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

Contributions Payable - Donor Designated Contributions

Individuals contributing through workplace giving campaigns may designate their donation for a specific organization they wish to support. Designated contributions, less an allowance for administrative charges, are distributed to the organizations so designated. The gross amounts received and to be remitted to others are included in "total workplace giving campaign results" in the statements of activities. Amounts remaining to be paid at year end are shown on the statements of financial position as "designated contributions payable." The Foundation secured pledges approximating \$104,000 during 2016 and \$103,000 during 2015 that were designated to other organizations.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions Payable - Donor Designated Contributions, Continued

Workplace giving contributions that are designated for specific organizations are not recorded as contributions to the Foundation or as grants paid by the Foundation. The Foundation provides support for collection and dissemination of these funds, including obtaining non-discrimination agreements from all recipient organizations. Total pass-through grants payable for the years ended June 30, 2016 and 2015 were approximately \$104,000 and \$103,000, respectively.

Restricted and Unrestricted Revenue and Support

Contributions are recognized in the period pledged and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Donor Advised Funds

Contributions to donor-advised funds are recorded as unrestricted contributions since the Foundation has variance power over the funds; that is, the ultimate discretion for the use of these funds lies with the Foundation's Board of Directors.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Foundation recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, a number of volunteers have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in the accompanying financial statements since the recognition criterion has not been met.

Investment Income

Endowment and other investment funds are pooled to maximize the return on investments. Investment income is allocated monthly in proportion to the balance in each fund at the end of the prior month.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

The Foundation is a nonprofit corporation and is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Foundation has no activities subject to unrelated business income tax. The Foundation is not a private foundation.

The Foundation follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Foundation's information returns for years ended June 30, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Summarized Financial Information for 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Foundation has evaluated all subsequent events through October 24, 2016, the date the financial statements were available to be issued.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 and 2015 consist of:

	2016	2015
Work Place Giving Campaign	\$ 72,308	\$ 73,144
Less allowance for uncollectible accounts	11,736	11,557
Net contributions receivable	\$ 60,572	\$ 61,587

At June 30, 2016 and 2015, all contributions receivable are expected to be collected within 12 months or less.

4. CHARITABLE REMAINDER ANNUITY TRUST

On August 6, 2004, a donor designated the Foundation as a trustee to a charitable remainder annuity trust. The Foundation is also named as beneficiary of 25% of the total assets of the trust; however, the trust agreement allows the donor the right to change the beneficiaries and remove the trustee. Accordingly, no amount is recorded as contribution revenue for the Foundation's share of the trust assets. The statements of financial position report the total fair value of the trust as an asset and as a corresponding liability. In the event the Foundation is removed as trustee and beneficiary, the Foundation will receive a fee of 1% of the corpus of the trust for each full year in which the Foundation serves as trustee. Revenue has been recognized for the amount receivable to date based on the 1% annual fee. Accumulated amounts receivable total \$37,101 and \$34,089 as of June 30, 2016 and 2015, respectively.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

5. INVESTMENTS

Investments at June 30, 2016 and 2015 consist of:

	2016	2015
Money market funds	\$ 15,465	\$ 18,412
Fixed income securities	528,393	457,411
Equity securities and funds	933,865	795,591
 Total investments	 \$ 1,477,723	 \$ 1,271,414

Investment income for the years ended June 30, 2016 and 2015 consists of:

Interest and dividend income	\$ 37,526	\$ 34,495
Net realized/unrealized loss	(18,579)	(1,240)
Investment expenses	(11,476)	(12,044)
 Investment income, net of fees	 \$ 7,471	 \$ 21,211

6. LAND HELD FOR SALE

During the year ended June 30, 2015, the Foundation received two parcels of land located in Talbot County Maryland. The donor is working with the Foundation to sell the properties and the Foundation will receive the net proceeds. In the absence of appraised value, the properties have been recorded at assessed value as reported by Talbot County for purposes of property tax assessments.

7. BOARD-DESIGNATED NET ASSETS

Board-designated net assets are as follows at June 30, 2016 and 2015:

	2016	2015
Donor-advised funds	\$ 548,967	\$ 449,073
Board-designated housing endowment (Note 14)	115,625	117,050
Board-designated endowment (Note 14)	2,855	2,841
Other designated funds	232,846	289,444
 Total Board designated net assets	 \$ 900,293	 \$ 858,408

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	2016	2015
Pledges from workplace giving campaign	\$ 72,308	\$ 73,144
Receivable from charitable remainder annuity trust	37,101	34,089
Endowment earnings (Note 14)	216,388	220,279
Total temporarily restricted net assets	\$ 325,797	\$ 327,512

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are contributions restricted by the donor to be held in perpetuity. All donors to the Foundation endowment funds have agreed that investment income from their contributions will also be permanently restricted until each permanently restricted fund reaches \$50,000. After that point, income will be available for any use consistent with the Foundation's purpose. The Foundation will consider donors' recommendations regarding grant decisions. Other investment income from permanently restricted net assets is classified as temporarily restricted. Also see Note 14.

Permanently restricted net assets are as follows at June 30, 2016 and 2015:

	2016	2015
Equity Restricted Endowment Fund	\$ 122,970	\$ 122,970
Pride of the Rose Endowment Fund	106,085	106,085
McDonald Jakovina Endowed Scholarship Fund	54,385	54,385
Jessica Dolan Memorial Endowed Scholarship Fund	91,750	71,750
Donor-advised endowment funds	209,537	208,885
Total permanently restricted net assets	\$ 584,727	\$ 564,075

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

10. LEASE COMMITMENTS

The Foundation leases office space under an operating lease agreement in effect through October 2016, with current monthly rent of \$1,504, subject to annual increases based on inflation. Rent expense approximated \$17,600 and \$14,700 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments total \$6,000 through October 2016.

12. RETIREMENT PLAN

The Foundation provides a defined contribution retirement plan and contributes 3% of compensation for each employee with full time employment. Foundation contributions to the plan were \$1,900 and \$3,609 for the years ended June 30, 2016 and 2015, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in several financial institutions located in Portland. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times balances may exceed insured limits.

In addition, the majority of contributions and balances receivable are from organizations and individuals located within the same geographic region and are unsecured.

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 statements of financial position.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

14. ENDOWMENT

The Foundation's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Equity Foundation, Inc. has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as 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 the Act.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

14. ENDOWMENT, Continued

Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that is consistent with the market while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent over rolling five-year periods. Actual returns in any given year may vary from this rate of return.

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.

Endowment net asset composition by type of fund as of June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2016</u>				
Donor-restricted endowment funds	\$ -	\$ 216,388	\$ 584,727	\$ 801,115
Board-designated endowment funds	118,480	-	-	118,480
	<u>\$ 118,480</u>	<u>\$ 216,388</u>	<u>\$ 584,727</u>	<u>\$ 919,595</u>
 <u>June 30, 2015</u>				
Donor-restricted endowment funds	\$ -	\$ 220,279	\$ 564,075	\$ 784,354
Board-designated endowment funds	119,891	-	-	119,891
Total funds	<u>\$ 119,891</u>	<u>\$ 220,279</u>	<u>\$ 564,075</u>	<u>\$ 904,245</u>

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

14. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets -				
June 30, 2014	\$ 134,494	\$ 199,003	\$ 549,159	\$ 882,656
Interest and dividends, net	2,379	10,758	64	13,201
Realized and unrealized losses	(32)	(634)	(3)	(669)
Contributions	-	-	31,033	31,033
Appropriation of endowment assets for expenditure	(18,000)	(15,950)	-	(33,950)
Other changes	1,050	27,102	(16,178)	11,974
Total changes	<u>(14,603)</u>	<u>21,276</u>	<u>14,916</u>	<u>21,589</u>
Endowment net assets -				
June 30, 2015	<u>119,891</u>	<u>220,279</u>	<u>564,075</u>	<u>904,245</u>
Interest and dividends, net	2,460	13,259	89	15,808
Realized and unrealized losses	(1,871)	(9,250)	(37)	(11,158)
Contributions	-	-	20,600	20,600
Appropriation of endowment assets for expenditure	(2,000)	(6,800)	-	(8,800)
Other changes	-	(1,100)	-	(1,100)
Total changes	<u>(1,411)</u>	<u>(3,891)</u>	<u>20,652</u>	<u>15,350</u>
Endowment net assets -				
June 30, 2016	<u>\$ 118,480</u>	<u>\$ 216,388</u>	<u>\$ 584,727</u>	<u>\$ 919,595</u>

Spending Policy

The Foundation has a policy of making no distributions from the endowment until it reaches \$1,000,000 or with a two-thirds majority of the Board.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets and liabilities measured on recurring bases at June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
June 30, 2016			
Assets:			
Investments:			
Fixed income - corporate	\$ 435,332	\$ 435,332	\$ -
Fixed income - government	93,061	93,061	-
Equities and other assets	933,865	933,865	-
Investments held for charitable remainder annuity trust	301,078	301,078	-
Liabilities:			
Obligation under charitable remainder annuity trust	(263,977)	(301,078)	37,101

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities measured on recurring bases at June 30, 2015 are as follows:

	Fair Value	Level 1	Level 3
June 30, 2015			
Assets:			
Investments:			
Fixed income - corporate	\$ 390,760	\$ 390,760	\$ -
Fixed income - government	66,651	66,651	-
Equities and other assets	795,591	795,591	-
Investments held for charitable remainder annuity trust	321,402	321,402	-
Liabilities:			
Obligation under charitable remainder annuity trust	(287,313)	(321,402)	34,089

Fair values for investments, including investments held for a charitable remainder trust, are determined by reference to quoted market prices and other relevant information generated by market transactions. The obligation under the charitable remainder annuity trust is determined based on assets held for investments, less an annual fee due to the Foundation using an income approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include the reduction in the liability under charitable remainder annuity trust for the computed fee due to the Foundation:

	2016	2015
Balance at beginning of year	\$ 34,089	\$ 30,693
1% annual fee due to Equity Foundation	3,012	3,396
Balance at end of year	\$ 37,101	\$ 34,089

16. RELATED PARTY TRANSACTION

During the year ended June 30, 2016, the Foundation granted \$5,000 to an organization that shares a common board member with the Foundation.

EQUITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2016

17. GOING CONCERN

The Board of Directors has approved a plan to transfer all assets and liabilities of the Foundation to another community foundation with a similar mission. At such time that assets are transferred, operations of the Foundation will cease. Management estimates that the transfer of assets will likely occur prior to December 31, 2016.