

Toledo
Community
Foundation,
Inc.



Years Ended
December 31,
2016 and 2015

Consolidated
Financial
Statements
and
Supplementary
Consolidated
Information

TOLEDO COMMUNITY FOUNDATION, INC.

TABLE OF CONTENTS	PAGE
Independent Auditors' Report	1
Consolidated Financial Statements (Modified Cash Basis) for the Years Ended December 31, 2016 and 2015	
Consolidated Statements of Assets, Liabilities and Fund Balances (Modified Cash Basis)	2-3
Consolidated Statements of Support, Revenue and Expenses (Modified Cash Basis)	4-5
Consolidated Statements of Changes in Fund Balances (Modified Cash Basis)	6
Notes to Consolidated Financial Statements (Modified Cash Basis)	7-12
Independent Auditors' Report on Supplementary Consolidated Information	13
Supplementary Consolidated Information for the Years Ended December 31, 2016 and 2015	
Consolidated Schedules of Administrative Expenses (Modified Cash Basis)	14

INDEPENDENT AUDITORS' REPORT

May 10, 2017

Board of Trustees
Toledo Community Foundation, Inc.
Toledo, Ohio

We have audited the accompanying consolidated financial statements of **Toledo Community Foundation, Inc.** (the "Foundation"), which comprise the consolidated statements of assets, liabilities and fund balances (modified cash basis) as of December 31, 2016 and 2015, and the related consolidated statements of support, revenue and expenses and changes in fund balances (modified cash basis) for the years then ended, and the related notes to the consolidated financial statements (modified cash basis).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis method of accounting as described in Note 1; this includes determining that the modified cash basis is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, their assets, liabilities and fund balances of **Toledo Community Foundation, Inc.** as of December 31, 2015 and 2014, and their support and revenue collected, expenses paid and their changes in fund balances for the years then ended in accordance with the modified cash basis method of accounting as described in Note 1 to the consolidated financial statements.

Basis of Accounting

As described in Note 1, these consolidated financial statements are prepared on the modified cash basis method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



TOLEDO COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES (MODIFIED CASH BASIS)

DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

ASSETS	2016								2015	
	Unrestricted			Restricted					Total All Funds	Total All Funds
	Operating Funds	Quasi-Endowment Funds	Component Funds	Component Funds	Donor Directed Pooled Funds	Private Foundation Funds	Support Organization Funds	Pooled Income Funds		
Cash										
Demand deposits	\$ 953,741	\$ -	\$ -	\$ 320,273	\$ -	\$ -	\$ 221,308	\$ -	\$ 1,495,322	\$ 2,196,515
Security investments, at cost										
Vanguard Index Total Stock Market Portfolio	-	996,382	4,254,601	39,075,290	1,217,607	664,005	6,534,720	-	52,742,605	51,490,331
Vanguard FTSE All-World EX-US Index Fund	-	1,195,252	5,104,151	47,850,109	905,961	871,682	6,706,394	-	62,633,549	57,594,849
DFA Global Fixed Income Fund	-	323,569	1,381,657	12,689,477	237,057	231,323	1,800,374	-	16,663,457	15,154,806
Vanguard Bond Index Fund	-	321,230	1,371,669	12,597,741	236,185	227,025	1,790,296	2,890	16,547,036	15,054,850
Vanguard Short-Term Bond Index Fund	-	-	234,984	714,836	-	-	-	-	949,820	527,572
Money market funds	748,217	121,984	532,640	4,174,212	224,210	3,552	383,559	544	6,188,918	8,243,286
UBS Investment Partnership	-	-	-	3,672,803	-	-	-	-	3,672,803	3,981,192
Mutual and common trust funds (bank funds)	-	-	-	118,918	-	-	-	-	118,918	123,528
Stock in transit	-	-	-	67,538	-	-	-	-	67,538	91,385
Other	-	-	-	-	-	-	-	5,723	5,723	5,578
Total security investments	748,217	2,958,417	12,879,702	120,960,924	2,821,020	1,997,587	17,215,343	9,157	159,590,367	152,267,377
Leasehold improvements, furniture and equipment, at cost less accumulated depreciation and amortization of \$394,565 in 2016 and \$352,952 in 2015	64,789	-	-	-	-	-	-	-	64,789	102,102
Investment in Trans Star, LLC	-	-	-	2,166,032	-	-	-	-	2,166,032	2,166,032
Other	8,512	-	-	727,369	-	-	140,000	1,628	877,509	953,615
Total assets	\$ 1,775,259	\$ 2,958,417	\$ 12,879,702	\$ 124,174,598	\$ 2,821,020	\$ 1,997,587	\$ 17,576,651	\$ 10,785	\$ 164,194,019	\$ 157,685,641
LIABILITIES AND FUND BALANCES										
Liabilities										
Accrued expenses	29,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,750	\$ 21,970
Deferred revenue	5,000	-	-	-	-	-	-	-	5,000	3,000
Total liabilities	34,750	-	-	-	-	-	-	-	34,750	24,970
Fund balances										
Unrestricted	1,740,509	2,958,417	12,879,702	-	-	-	-	-	17,578,628	18,163,919
Restricted	-	-	-	124,174,598	2,821,020	1,997,587	17,576,651	10,785	146,580,641	139,496,752
Total fund balances	1,740,509	2,958,417	12,879,702	124,174,598	2,821,020	1,997,587	17,576,651	10,785	164,159,269	157,660,671
Total liabilities and fund balances	\$ 1,775,259	\$ 2,958,417	\$ 12,879,702	\$ 124,174,598	\$ 2,821,020	\$ 1,997,587	\$ 17,576,651	\$ 10,785	\$ 164,194,019	\$ 157,685,641

The accompanying notes are an integral part of these consolidated financial statements.

TOLEDO COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES (MODIFIED CASH BASIS) DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2015								2014	
	Unrestricted			Restricted				Total All Funds	Total All Funds	
	Operating Funds	Quasi-Endowment Funds	Component Funds	Component Funds	Donor Directed Pooled Funds	Private Foundation Funds	Support Organization Funds			Pooled Income Funds
ASSETS										
Cash										
Demand deposits	\$ 979,972	\$ -	\$ -	\$ 1,202,567	\$ -	\$ -	\$ 13,976	\$ -	\$ 2,196,515	\$ 1,202,159
Security investments, at cost										
Vanguard Index Total Stock Market Portfolio	-	1,052,991	4,451,707	37,113,612	1,278,128	672,350	6,921,543	-	51,490,331	52,937,347
Vanguard FTSE All-World EX-US index fund	-	1,188,176	5,020,113	43,021,438	996,404	893,534	6,475,184	-	57,594,849	54,090,790
DFA Global Fixed Income Fund	-	319,641	1,351,337	11,266,015	256,779	231,241	1,729,793	-	15,154,806	15,531,766
Vanguard Bond Index Fund	-	317,354	1,341,669	11,185,412	254,813	229,438	1,723,394	2,770	15,054,850	15,132,067
Vanguard Short-Term Bond Index Fund	-	-	245,352	282,220	-	-	-	-	527,572	471,503
Money market funds	822,887	187,154	802,823	5,780,875	293,907	3,364	351,749	527	8,243,286	8,417,144
UBS Investment Partnership	-	-	-	3,981,192	-	-	-	-	3,981,192	2,898,883
Mutual and common trust funds (bank funds)	-	-	-	123,528	-	-	-	-	123,528	123,228
Stock in transit	-	-	-	91,385	-	-	-	-	91,385	25,593
Other	-	-	-	-	-	-	-	5,578	5,578	5,357
Total security investments	822,887	3,065,316	13,213,001	112,845,677	3,080,031	2,029,927	17,201,663	8,875	152,267,377	149,633,678
Leasehold improvements, furniture and equipment, at cost less accumulated depreciation and amortization of \$352,952 in 2015 and \$302,271 in 2014	102,102	-	-	-	-	-	-	-	102,102	150,252
Investment in Trans Star, LLC	-	-	-	2,166,032	-	-	-	-	2,166,032	2,166,032
Other assets	5,611	-	-	691,690	-	-	254,404	1,910	953,615	447,362
Total assets	\$ 1,910,572	\$ 3,065,316	\$ 13,213,001	\$ 116,905,966	\$ 3,080,031	\$ 2,029,927	\$ 17,470,043	\$ 10,785	\$ 157,685,641	\$ 153,599,483
LIABILITIES AND FUND BALANCES										
Liabilities										
Accrued expenses	\$ 21,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,970	\$ 7,045
Deferred revenue	3,000	-	-	-	-	-	-	-	3,000	2,000
Total liabilities	24,970	-	-	-	-	-	-	-	24,970	9,045
Fund balances										
Unrestricted	1,885,602	3,065,316	13,213,001	-	-	-	-	-	18,163,919	18,196,782
Restricted	-	-	-	116,905,966	3,080,031	2,029,927	17,470,043	10,785	139,496,752	135,393,656
Total fund balances	1,885,602	3,065,316	13,213,001	116,905,966	3,080,031	2,029,927	17,470,043	10,785	157,660,671	153,590,438
Total liabilities and fund balances	\$ 1,910,572	\$ 3,065,316	\$ 13,213,001	\$ 116,905,966	\$ 3,080,031	\$ 2,029,927	\$ 17,470,043	\$ 10,785	\$ 157,685,641	\$ 153,599,483

The accompanying notes are an integral part of these consolidated financial statements.

TOLEDO COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE, AND EXPENSES (MODIFIED CASH BASIS)
YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016									2015	
	Unrestricted			Restricted				Eliminations	Total All Funds	Total All Funds	
	Operating Funds	Quasi-Endowment Funds	Component Funds	Component Funds	Donor Directed Pooled Funds	Private Foundation Funds	Support Organization Funds				Pooled Income Funds
Support, revenue and gains											
Contributions received	\$ 516,706	\$ -	\$ 42,041	\$ 16,013,820	\$ 1,132,554	\$ -	\$ 140,000	\$ -	\$ (948,087)	\$ 16,897,034	\$ 16,159,230
Net realized gains (losses) on sale of investments	(84)	7,017	29,978	172,338	179,509	90,143	213,238	-	-	692,139	695,250
Investment income	4,084	123,247	526,852	3,834,670	75,698	72,239	560,850	-	-	5,197,640	4,766,397
Administrative fee income	1,577,691	-	-	-	-	-	-	-	-	1,577,691	1,416,767
Funds released for operations	234,592	(234,592)	-	-	-	-	-	-	-	-	-
Non-profit resource center	34,776	-	-	-	-	-	-	-	-	34,776	29,553
Other	94,465	-	-	38,650	-	-	637	-	-	133,752	129,742
Total support revenue and gains	2,462,230	(104,328)	598,871	20,059,478	1,387,761	162,382	914,725	-	(948,087)	24,533,032	23,196,939
Expenses											
Grants to charities and other non-profit institutions	57,675	-	655,496	11,016,671	1,592,802	155,263	700,953	-	(948,087)	13,230,773	15,345,234
Administrative expenses	2,554,692	-	-	-	-	-	-	-	-	2,554,692	1,939,022
Administrative fee expense	-	-	162,758	1,246,309	28,430	28,900	87,703	-	-	1,554,100	1,410,933
Bank fees	-	2,090	8,975	87,698	5,298	5,277	9,564	-	-	118,902	119,888
Federal excise tax	-	-	-	-	3,274	1,600	-	-	-	4,874	2,891
Affiliated fund expenses	-	-	-	36,062	-	-	-	-	-	36,062	42,622
Non-profit resource center	51,381	-	-	-	-	-	-	-	-	51,381	30,271
Program initiative costs	7,218	-	-	-	-	-	-	-	-	7,218	17,960
Other	-	481	2,075	443,329	16,968	3,682	9,897	-	-	476,432	217,885
Total expenses	2,670,966	2,571	829,304	12,830,069	1,646,772	194,722	808,117	-	(948,087)	18,034,434	19,126,706
Excess (deficiency) of support, revenue and gains over expenses	\$ (208,736)	\$ (106,899)	\$ (230,433)	\$ 7,229,409	\$ (259,011)	\$ (32,340)	\$ 106,608	\$ -	\$ -	\$ 6,498,598	\$ 4,070,233

The accompanying notes are an integral part of these consolidated financial statements.

TOLEDO COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENT OF SUPPORT, REVENUE, AND EXPENSES (MODIFIED CASH BASIS)
YEAR ENDED DECEMBER 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	2015									2014	
	Unrestricted			Restricted					Eliminations	Total All Funds	Total All Funds
	Operating Funds	Quasi-Endowment Funds	Component Funds	Component Funds	Donor Directed Pooled Funds	Private Foundation Funds	Support Organization Funds	Pooled Income Funds			
Support and revenue											
Contributions received	\$ 360,979	\$ -	\$ 30,312	\$ 15,138,463	\$ 1,014,297	\$ -	\$ 360,000	\$ -	\$ (744,821)	\$ 16,159,230	\$ 17,921,250
Net realized gains (losses) on sale of investments	(51)	12,739	53,643	263,560	145,063	120,896	99,400	-	-	695,250	1,684,270
Investment income	3,661	118,440	501,689	3,458,898	83,124	74,555	526,030	-	-	4,766,397	5,442,101
Administrative fee income	1,416,767	-	-	-	-	-	-	-	-	1,416,767	1,276,474
Funds released for operations	223,631	(223,631)	-	-	-	-	-	-	-	-	-
Non-profit resource center	29,553	-	-	-	-	-	-	-	-	29,553	34,151
Other	94,197	-	-	35,545	-	-	-	-	-	129,742	137,290
Total support and revenue	2,128,737	(92,452)	585,644	18,896,466	1,242,484	195,451	985,430	-	(744,821)	23,196,939	26,495,536
Expenses											
Grants to charities and other non-profit institutions	69,228	-	404,965	13,426,725	1,420,076	164,591	604,470	-	(744,821)	15,345,234	11,449,790
Administrative expenses	1,939,022	-	-	-	-	-	-	-	-	1,939,022	1,740,400
Administrative fee expense	-	-	156,026	1,113,115	28,906	27,922	84,964	-	-	1,410,933	1,265,138
Bank fees	-	2,175	9,250	87,223	5,932	5,632	9,676	-	-	119,888	213,349
Federal excise tax	-	-	-	-	1,391	1,500	-	-	-	2,891	4,306
Affiliated fund expenses	-	-	-	42,622	-	-	-	-	-	42,622	42,329
Non-profit resource center	30,271	-	-	-	-	-	-	-	-	30,271	37,167
Program initiative costs	17,960	-	-	-	-	-	-	-	-	17,960	71,122
Other	-	497	2,182	200,154	4,735	4,776	5,541	-	-	217,885	281,282
Total expenses	2,056,481	2,672	572,423	14,869,839	1,461,040	204,421	704,651	-	(744,821)	19,126,706	15,104,883
Excess (deficiency) of support and revenue over expenses	\$ 72,256	\$ (95,124)	\$ 13,221	\$ 4,026,627	\$ (218,556)	\$ (8,970)	\$ 280,779	\$ -	\$ -	\$ 4,070,233	\$11,390,653

The accompanying notes are an integral part of these consolidated financial statements.

TOLEDO COMMUNITY FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FUND BALANCES (MODIFIED CASH BASIS)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Unrestricted			Restricted				Total All Funds	
	Operating Funds	Quasi-Endowment Funds	Component Funds	Component Funds	Donor Directed Pooled Funds	Private Foundation Funds	Support Organization Funds		Pooled Income Funds
Fund balances, January 1, 2015	\$ 1,732,640	\$ 3,160,440	\$ 13,303,702	\$ 112,846,230	\$ 3,308,480	\$ 2,038,897	\$ 17,189,264	\$ 10,785	\$ 153,590,438
Excess (deficiency) of support and revenue over expenses	72,256	(95,124)	13,221	4,026,627	(218,556)	(8,970)	280,779	-	4,070,233
Transfers	80,706	-	(103,922)	33,109	(9,893)	-	-	-	-
Net increase (decrease)	152,962	(95,124)	(90,701)	4,059,736	(228,449)	(8,970)	280,779	-	4,070,233
Fund balances, December 31, 2015	1,885,602	3,065,316	13,213,001	116,905,966	3,080,031	2,029,927	17,470,043	10,785	157,660,671
Excess (deficiency) of support and revenue over expenses	(208,736)	(106,899)	(230,433)	7,229,409	(259,011)	(32,340)	106,608	-	6,498,598
Transfers	63,643	-	(102,866)	39,223	-	-	-	-	-
Net increase (decrease)	(145,093)	(106,899)	(333,299)	7,268,632	(259,011)	(32,340)	106,608	-	6,498,598
Fund balances, December 31, 2016	<u>\$ 1,740,509</u>	<u>\$ 2,958,417</u>	<u>\$ 12,879,702</u>	<u>\$ 124,174,598</u>	<u>\$ 2,821,020</u>	<u>\$ 1,997,587</u>	<u>\$ 17,576,651</u>	<u>\$ 10,785</u>	<u>\$ 164,159,269</u>

The accompanying notes are an integral part of these consolidated financial statements.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Toledo Community Foundation, Inc. ("TCF") is a collection of individual funds that are used to accomplish the diverse philanthropic goals of its donors and meet the needs of the Northwest Ohio and Southeast Michigan communities.

The consolidated financial statements include the operations of five supporting organizations, the Andersons Fund Supporting Organization, the Oswald Supporting Organization, the Stranahan Supporting Organization, the Supporting Organization of the Toledo Community Foundation, and the Tyner Family Foundation Supporting Organization, three private foundations, the Algonquin Foundation, the Seneca Foundation, and the William and Elsie Knight Foundation, and two donor directed pooled funds. TCF performs all accounting and administrative functions for the supporting organizations, private foundations, and donor directed pooled funds as well as appointing the majority of voting members to the Board of Trustees for each organization and private foundation. The supporting organizations, private foundations, and donor directed pooled funds make grants to TCF and other outside organizations. These supporting organizations, private foundations, and donor directed pooled funds are set up as separate funds within TCF, and all interfund grants are eliminated in the consolidated financial statements.

TCF and the consolidated supporting organizations, private foundations and donor directed funds are collectively referred to as the "Foundation."

Basis of Accounting

The consolidated financial statements of the Foundation are maintained on a cash basis modified to include accrual of investment income, depreciation and amortization, notes receivable, other assets, payables to beneficiaries, accrued expenses and deferred revenue. Contributions and other expenses including grants are recorded as received or when paid. Noncash donations are recorded at estimated fair value at the date of contribution. Investments are recorded at cost rather than fair value.

The Foundation accepts assets transferred from other not-for-profit organizations that are held for the benefit of the transferor or an affiliated organization of the transferor. Title to these assets is in the name of the Foundation and the Foundation maintains variance power over such assets.

The Foundation's consolidated financial statements do not make a distinction between funds which would be recognized as an increase in investments and a liability under accounting principles generally accepted in the United States of America ("GAAP"), and funds contributed directly to the Foundation by donors. All contributions and transfers from other organizations are recognized as contribution revenue when received and are included as part of the Foundation's fund balances.

Use of Estimates

The preparation of consolidated financial statements, in conformity with a comprehensive basis of accounting other than GAAP, 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 consolidated financial statements and the reported amounts of cash receipts and disbursements and other changes in fund balances during the reporting period. Actual results could differ from those estimates.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

Fund Balances

Resources of the Foundation are classified into fund balance categories based on the limitations and restrictions placed on the contributions and gifts received. The fund balances of the Foundation are classified into the following types for financial reporting purposes:

Unrestricted fund balances: Unrestricted fund balances are available for use by the Board of Trustees for purposes they so approve. Such funds include quasi-endowment funds which represent funds the Board of Trustees has designated to operate as endowment funds.

Restricted fund balances: Restricted fund balances represent contributions received whereby the donors have specified that the funds be held by the Foundation strictly in a fiduciary manner for a designated purpose.

Cash

The Foundation maintains cash deposits with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to specified limits; however, balances in excess of FDIC limits are uninsured. Management does not believe the Foundation is exposed to any significant interest rate or other financial risk as a result of these deposits.

Security Investments

Purchased security investments are carried at cost. Donated security investments are valued at fair value on the dates received. Gains and losses are recognized when security investments are sold. No unrealized gains and losses on security investments have been recognized due to the cost method of accounting being followed.

Administrative Fee

The Foundation operating funds charge certain other funds an annual administrative fee ranging from .40% to .95% for 2016 and 2015 of each fund's five-year average market value. There is a minimum fee of \$100 and a discounted administrative fee percentage of .10% for the portion of average market value that exceeds \$2,500,000. Donor advised growth funds are annually charged 1.45% of each fund's highest quarterly market value.

Depreciation and Amortization

Depreciation and amortization of leasehold improvements, furniture and equipment is provided on a straight-line basis over the estimated useful lives of the individual assets or lease terms, ranging from three to ten years, and amounted to \$46,795 and \$48,681 in 2016 and 2015, respectively.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). See Notes 3 and 4 relating to the tax treatment of Donor Directed Pooled and Private Foundation Funds.

In a Private Letter Ruling dated May 15, 2008, the Internal Revenue Service ("IRS") stated that fees charged by the Foundation to unrelated tax exempt organizations for providing certain administrative and clerical services constitute unrelated business income under Section 512 of the IRC. For the years ended December 31, 2016 and 2015, the Foundation does not believe it had any taxable income from such services.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

The federal tax returns of the Foundation for 2013 through 2016 are subject to examination by the IRS, which is generally for three years after they were filed. The Foundation has evaluated uncertain tax positions and believe there are no such positions of significance at December 31, 2016 and 2015 that are required to be recorded or disclosed in these consolidated financial statements.

Spending Policy

The grant spending guideline for any fund is based on an estimated real rate of return less the Foundation's operating funds administrative fee. The estimated real rate of return is based on projected long-term average annual nominal rates of return less the projected average annual inflation rate.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2016, the most recent consolidated statement of assets, liabilities and fund balances (modified cash basis) presented herein, through May 10, 2017, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified.

2. COMPONENT FUNDS

Component funds are established by various donors for the broad-based charitable benefit of the community.

Certain component funds are subject to restrictions of trust instruments, Deeds of Gift or other donor agreements. Generally, the principal of such funds remains invested and grant distributions are made based upon the Foundation's spending guidelines. The spending guideline was 4.75% for 2016 and 2015, less the Foundation operating funds administrative fee, resulting in spending guidelines ranging from 3.8% to 4.35%. In determining distributable amounts, the percentage is applied to the five-year average market value of the fund.

Unless otherwise provided by the donor, the Board of Trustees of the Foundation may, by unanimous vote, approve for distribution an amount not to exceed 30% of the principal of any fund during a period of five consecutive years.

Income from the component funds is generally available for the discretionary use of the Foundation by action of the Board of Trustees. The donors of certain funds; however, have restricted the use of income to purposes designated in the trust instrument, Deeds of Gift or other donor agreements.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

3. DONOR DIRECTED POOLED FUNDS

Donor directed pooled funds are separate entities created by the Board of Trustees and classified as private foundations by the IRS.

Contributors of donor directed pooled funds have the absolute right to designate annually the charities that are to receive the income from their respective funds. The net investment income of donor directed pooled funds, including realized gains or losses, is subject to a federal excise tax.

4. PRIVATE FOUNDATION FUNDS

The private foundation funds are considered private foundations by the IRS. The contributors of these funds have reserved the right to advise the Foundation annually as to which charities are to receive the income from their respective funds. The net investment income of private foundation funds, including net realized gains or losses, is subject to a federal excise tax.

5. SUPPORT ORGANIZATION FUNDS

Support organization funds are public charities classified as supporting organizations under Section 509(a)(3) of the IRC. The Foundation appoints the majority of the members of each supporting organization's Board of Trustees and the donor appoints a minority of the members. Each supporting organization's Board of Trustees determines which non-profits (in Northwest Ohio and Southeast Michigan) are to receive the annual income available for grants.

6. POOLED INCOME FUNDS

Pooled income funds are split-interest trusts that pay income annually to participating donors or other named beneficiaries. At the death of each participating donor and any other named beneficiaries, the remaining monies are distributed to a component fund of the Foundation with the income from such fund to be used for grant making purposes in Northwest Ohio and Southeast Michigan.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

7. SECURITY INVESTMENTS

Cost and market values of security investments consists of the following at December 31:

	2016		2015	
	Cost	Market	Cost	Market
Vanguard Index Total Stock Market Portfolio	\$ 52,742,606	\$ 127,947,065	\$ 51,490,331	\$ 114,982,824
Vanguard FTSE All-World EX-US Index Fund	62,633,548	64,060,280	57,594,849	57,582,300
DFA Global Fixed Income Fund	16,663,457	16,767,441	15,154,806	15,335,046
Vanguard Bond Index Fund	16,547,036	16,893,714	15,054,850	15,420,987
Vanguard Short-Term Bond Index Fund	949,820	950,789	527,572	533,164
Money market funds	6,188,918	6,188,918	8,243,286	8,243,286
UBS Investment Partnership	3,672,803	3,877,896	3,981,192	3,974,796
Mutual and common trust funds (bank funds)	118,918	141,588	123,528	139,353
Stock in transit	67,538	67,538	91,385	91,385
Other	5,723	6,562	5,578	6,212
Total	<u>\$ 159,590,367</u>	<u>\$ 236,901,791</u>	<u>\$ 152,267,377</u>	<u>\$ 216,309,353</u>

At December 31, 2016, there were no investments where cost exceeded market value. At December 2015, the cost of investment Vanguard FTSE All-World EX-US Index Fund exceeded market value by \$12,549 and the cost of investment in UBS Investment Partnership exceeded market value by \$6,396.

8. CHARITABLE TRUST AND OTHER ASSET GIFT

On December 23, 2008, the Foundation received a gift representing an 87.5% ownership interest in Trans Star LLC, a Florida limited liability company, which owns several low power television station licenses used to broadcast in the Ft. Wayne, Indiana market. The gift was recorded at a value of \$2,187,500 based on a fair value valuation performed by an independent media valuation expert. The Foundation's cumulative share of Trans Star LLC's annual operating losses since 2008, which amounts to \$21,468, reduces the investment carrying value to \$2,166,032 at December 31, 2016 and 2015. Management continues to pursue the sale of their interest in Trans Star LLC at December 31, 2016. The Foundation has an agent actively looking for buyers in the range of \$250,000 - \$500,000. No adjustments to the carrying value of the station will be reflected in these modified cash basis financial statements until the station is sold.

TOLEDO COMMUNITY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

9. LEASE COMMITMENT

The Foundation leases its office space under a non-cancelable operating lease which expires in October 2023. Rent expense was \$65,088 for both years ended December 31, 2016 and 2015 respectively. The following is a schedule of annual future minimum lease payments required under this lease in excess of one year as of December 31:

Year	Amount
2017	\$ 65,088
2018	66,172
2019	69,428
2020	72,689
2021	75,943
Thereafter	<u>147,004</u>
Total	<u>\$ 496,324</u>

10. BENEFIT PLANS

The Foundation sponsors a 403(b) defined contribution plan that covers substantially all of its employees. Contributions for eligible employees include an employer-based contribution equal to 2% of the employee's compensation. An additional matching contribution is made by the Foundation equal to the lesser of 100% of the employee's compensation deferral or 3% of the employee's compensation. The Foundation had previously participated in the 403(b) thrift plan of United Way of Greater Toledo, a defined contribution plan that terminated as of June 30, 2015. The plan provisions were identical to the Foundation sponsored plan. Contributions by the Foundation for defined contribution plans in 2016 and 2015 were \$49,556 and \$45,653, respectively.

The Foundation sponsors a Supplemental Executive Retirement Plan (SERP) that covers certain highly compensated and management employees. The SERP is a deferred compensation plan under Section 457(f) that the Foundation makes contributions to for the benefit of the participants, provided that the amounts deferred are subject to and payable upon satisfying a substantial risk of forfeiture. Contributions include 15% of plan year compensation for the participants. Contributions by the Foundation for 2016 and 2015 were \$47,427 and \$45,931, respectively.

The Foundation participated in the Employee Benefit Plan of United Way of Greater Toledo and Affiliated Agencies (the "Plan"), a defined benefit plan until June, 2016. At that date, the Foundation paid approximately \$345,000 to fully withdraw from the plan, which is recorded as administrative expenses on the statement of support, revenue and expenses (modified cash basis). The Foundation's share of minimum contributions was \$8,418 for the period January 1, 2016 through June 30, 2016 and \$16,084 in 2015, all of which was paid within the respective year.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY CONSOLIDATED INFORMATION**

May 10, 2017

Board of Trustees
Toledo Community Foundation, Inc.
Toledo, Ohio

We have audited the consolidated financial statements of **Toledo Community Foundation, Inc.** as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated May 10, 2017, which expressed an unmodified opinion on those modified cash basis consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of administrative expenses (modified cash basis), which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



SUPPLEMENTARY CONSOLIDATED INFORMATION

TOLEDO COMMUNITY FOUNDATION, INC.

■ CONSOLIDATED SCHEDULES OF ADMINISTRATIVE EXPENSES (MODIFIED CASH BASIS)

	Year Ended December 31	
	2016	2015
Salaries	\$ 1,258,916	\$ 1,110,984
Employee benefits	220,985	209,707
Payroll taxes	80,911	80,973
Printing, marketing and promotion	132,909	104,443
Rent	65,088	65,088
Professional services	80,536	58,154
Dues and subscriptions	13,278	13,671
Depreciation and amortization	46,795	48,681
Travel	90,976	70,280
Consulting and contractual fees	46,142	34,702
Insurance	17,524	14,569
Postage and mailing services	22,595	23,109
Telephone	5,051	5,537
Office supplies	60,638	57,297
Pension withdrawal charge	345,145	-
Other	67,203	41,828
	<u>67,203</u>	<u>41,828</u>
Total administrative expenses	<u><u>\$ 2,554,692</u></u>	<u><u>\$ 1,939,023</u></u>

See independent auditors' report on supplementary consolidated information.