Pinellas Community Foundation

Audited Financial Statements

December 31, 2016 and 2015

Pinellas Community Foundation

Contents

Independent Auditors' Report

To the Board of Directors
Pinellas Community Foundation

We have audited the accompanying financial statements of Pinellas Community Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2016 and 2015 and the statement 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

FRSCPA, PLLC

St. Petersburg, Florida
September 29, 2017

Pinellas Community Foundation
Statements of Financial Position
December 31, 2016 and 2015

December 31,	2016	2015
ASSETS		
Assets		
Cash and cash equivalents	$ 360,757	$ 525,705
Split-interest agreement assets	631,735	675,423
Investments	28,760,444	24,295,843
Investments, permanently restricted	59,323,614	60,175,986
Total Assets	$89,076,550	$85,672,957
LIABILITIES AND NET ASSETS		
Liabilities	$ –	$ –
Net Assets:		
Unrestricted	29,121,201	24,841,793
Temporarily restricted	506,834	484,994
Permanently restricted	59,448,515	60,346,170
Total net assets	89,076,550	85,672,957
Total Liabilities and Net Assets	$89,076,550	$ 85,672,957

See accompanying notes to financial statements.

Pinellas Community Foundation

Statement of Activities and Changes in Net Assets
Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	**2016 Total**
Support and Revenue:				
Contributions and bequests	$127,434	$ –	$426,859	**$554,293**
Income from investments	724,345	–	–	**724,345**
Income from permanently restricted assets	–	–	1,665,017	**1,665,017**
Net gain (loss) on investments	1,239,619	–	2,767,785	**4,007,404**
Change in value of split-interest agreements	–	21,840	10,380	**32,220**
	2,091,398	21,840	4,870,041	**6,983,279**
Net assets released from restriction	592,026	–	(592,026)	**–**
Total support and revenue	2,683,424	21,840	4,278,015	**6,983,279**
Expenses:				
Management and general	445,382	–	–	445,382
Trustee fees	634,660	–	–	634,660
Total expenses	1,080,042	–	–	**1,080,042**
Increase (decrease) in assets before charitable disbursements	1,603,382	21,840	4,278,015	**5,903,237**
Charitable Disbursements:				
Grant payments	(721,634)	–	(1,778,010)	**(2,499,644)**
Transfer between funds	3,397,660	–	(3,397,660)	**–**
	4,279,408	21,840	(897,655)	**3,403,593**
Increase (decrease) in net assets				
Net assets, beginning of year	24,841,793	484,994	60,346,170	**85,672,957**
Net assets, end of year	$29,121,201	$506,834	$59,448,515	**$89,076,550**

See accompanying notes to financial statements.

Pinellas Community Foundation

Statement of Activities and Changes in Net Assets
Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	**2015 Total**
Support and Revenue:				
Contributions and bequests	$ 85,075	$ –	$ 121,388	**$ 206,463**
Income from investments	768,620	–		**768,620**
Income from permanently restricted assets	–	–	1,811,944	**1,811,944**
Net gain (loss) on investments	(895,243)	–	(1,693,952)	**(2,589,195)**
Change in value of split-interest agreements	–	27,452	10,779	**38,231**
	(41,548)	–	250,159	**236,063**
Net assets released from restriction	620,537	–	(620,537)	**–**
Total support and revenue	578,989	27,452	(370,378)	**236,063**
Expenses:				
Management and general	192,816	–	–	**192,816**
Trustee fees	658,988	–	–	**658,988**
Total expenses	851,804	–	–	**851,804**
Increase (decrease) in assets before charitable disbursements	(272,815)	27,452	(370,378)	**(615,741)**
Charitable Disbursements:				
Grant payments	(585,656)	–	(1,504,411)	**(2,090,067)**
Increase (decrease) in net assets	(858,471)	27,452	(1,874,789)	**(2,705,808)**
Net assets, beginning of year	25,700,264	457,542	62,220,959	**88,378,765**
Net assets, end of year	$24,841,793	$484,994	$60,346,170	**$85,672,957**

See accompanying notes to financial statements.

Pinellas Community Foundation

Statements of Cash Flows
December 31, 2016 and 2015

Year ended December 31,	**2016**	2015
Cash flows from operating activities:		
Decrease in net assets	**3,403,593**	$ (2,705,808)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Net unrealized (gain) loss on investments	**(2,328,349)**	3,879,160
Net realized (gain) loss on investments	**(1,771,498)**	(1,289,965)
Change in value of split-interest agreement assets	**43,688**	(38,231)
Net cash used in operating activities	**(652,566)**	(154,844)
Cash flows from investing activities:		
Proceeds from sale of investments	**23,599,390**	16,035,710
Purchases of investments	**(23,111,772)**	(16,291,401)
Net cash used in investing activities	**487,618**	(255,691)
Net decrease in cash and cash equivalents	**(164,948)**	(410,535)
Cash and cash equivalents, beginning of year	**525,705**	936,240
Cash and cash equivalents, end of year	**360,757**	$ 525,705

See accompanying notes to financial statements.

1. Organization and Operations

The Pinellas Community Foundation, formerly Pinellas County Community Foundation, (the "Foundation") was created in 1969 to receive property from donors, to oversee the investment of donated funds by monitoring the work of the Foundation Trustees, and to distribute investment income (or investment principal when directed by donor) to recognized charities located in Pinellas County, Florida. If designated by a donor, charities located outside of Pinellas County can be beneficiaries of donated funds or income earned on those funds.

2. Significant Accounting Policies

Basis of Presentation
The Foundation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification and the standards of financial reporting for not-for profit Foundation as described in the American Institute of Certified Public Accountants' Industry Guide for Not-for-Profit Organizations. Accordingly, the financial statements are prepared on an accrual basis of accounting. The financial statements of the Foundation are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

Net assets
Accounting standards requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair value. These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into two self-balancing net asset groups as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations or net assets that provide the governing board with discretionary control to use in carrying on the mission of the Foundation. Unrestricted net assets also includes restricted contributions whose restrictions are met in the same year.

Temporarily restricted – Net assets subject to explicit or implicit donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted – Net assets subject to donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation. Generally the donors of these assets permit the Foundation to use the income earned on any related investment for general or specific purposes.

Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. For certain funds, the Board of Directors of the Foundation has the ability known as variance power; however, the Board of Directors would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation classifies a substantial portion of funds as unrestricted net assets, but segregates for internal recordkeeping the funds held as donor advised from the funds that are currently available for grants administration.

Liquidity

Assets are presented in the accompanying Statement of Financial Position according to their nearness of conversion to cash and liabilities according to their nearness to their maturity and resulting use of cash.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Foundation does not believe it is exposed to any significant credit risk on cash.

Contributions and Unconditional Promises

Contributions and unconditional promises to give are measured at their fair values and are reported as an increase in net assets when received. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

Amounts restricted for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and reported as satisfactions of program restrictions and net assets released. If a restriction is fulfilled in the same time period in which the contribution is received, it is reported as unrestricted support. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Investments

Investments are stated at fair value, which represents the value on the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Investment income and unrealized gains or losses are allocated to the funds based upon their principal balances.

Investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by the Foundation's Board of Directors. The Foundation's investments consist primarily of common stocks, mutual funds, corporate and United States government securities/bonds, alternative strategy funds and real estate funds. Assets included in investments are carried at fair value as described in Note 3.

Split-Interest Agreements

The Foundation is named beneficiary of various lead and remainder trusts, the assets of which are held by outside trustees. Contribution revenue and the related assets' interest are recognized using the present value of assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of the Foundation's interest in the trusts in the accompanying Statement of Activities.

Charitable Disbursements and Grants

Charitable disbursements from income earned on the restricted funds are paid out regularly as the income is earned. Charitable disbursements from income earned on the unrestricted funds and bequests are paid out partially in the year of receipt with the balance paid out in the following year. Grants are not accrued at December 31st of any year, since the grants are not determined by the Board of Governors until the Annual Meeting in the following year.

Foundation administrative fees

The Foundation assesses an annual administrative fee of 0.30% of the fair market value of assets under management. In 2015, the administrative fee was 0.25%. The administrative fee is used to support the operations of the Foundation. Administrative fees amounted to $239,984 and $208,057 for the years ended December 31, 2016 and 2015, respectively. These fees are eliminated in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Concentrations of Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation has cash deposits which at times may exceed the FDIC insurance limit. Deposit accounts are maintained with what management believes to be a quality financial institution.

Income Tax Status

The Foundation qualifies as a tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation follows the income tax standard for uncertain tax positions. The Foundation periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the years ending December 31, 2015. Management is not aware of any activities that would jeopardize the Foundation's tax exempt status. Should the Foundation's tax returns be challenged in the future, the Foundation's tax years of 2013 and thereafter are open for potential examination by the IRS.

3. Fair Value Measurements

The Foundation's investments are reported at fair value in accordance with accounting principles generally accepted in the United States of America, which define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements.

In accordance with these accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Accounting principles establish a three-tier hierarchy to classify fair value measurements for disclosure purposes. Investment valuations are classified as follows:

- Level 1 valuations, for which the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the counter markets with sufficient volume),

- Level 2 valuations, for which the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

- Level 3 valuations, for which the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on company-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Split interest agreements – the assets held in split-interest agreements are valued based on quoted market prices of the underlying investments, net of the present value of expected cash outflows using estimated life expectancies of the income beneficiaries and appropriate discount rates. Split interest agreements are classified as Level 2 in the fair value hierarchy.

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents and liabilities.

The fair value of financial instruments is reported using the input guidance and valuation techniques described above. The fair value levels and amounts as of December 31, 2016 and 2015 are presented in the following tables:

	Assets Reported at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$2,114,960	$ –	$ –	$ 2,114,960
Equity securities:				
Mutual funds and EFTs	11,893,943	–	–	11,893,943
Domestic equities	26,796,906	–	–	26,796,906
Debt securities:				
Mutual funds and EFTs	31,502,312	–	–	31,502,312
Corporate and US bonds	–	12,244,020	–	12,244,020
Other:				
Real estate funds	1,524,366	–	–	1,524,366
Alternative strategy funds	1,630,621	–	–	1,630,621
Commodities index funds	59,833	–	–	59,833
Mineral rights	–	–	3,197	3,197
Real estate	–	–	313,900	313,900
	87,766,961	12,244,020	317,097	88,084,058
Split-interest agreement assets	–	631,735	–	631,735
Total	$75,522,941	$12,875,755	$317,097	$88,715,793

	Assets Reported at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 2,852,516	$ –	$ –	$ 2,852,516
Equity securities:				
Mutual funds and EFTs	15,116,829	–	–	15,116,829
Domestic equities	22,169,650	–	–	22,169,650
Debt securities:				
Mutual funds and EFTs	21,293,381	–	–	21,293,381
Corporate and US bonds	–	19,481,743	–	19,481,743
Other:				
Real estate funds	1,700,650	–	–	1,700,650
Alternative strategy funds	1,404,050	–	–	1,404,050
Commodities index funds	135,913	–	–	135,913
Mineral rights	–	–	3,197	3,197
Real estate	–	–	313,900	313,900
	64,672,989	19,481,743	317,097	84,471,829
Split-interest agreement assets	–	675,423	–	675,423
Total	$64,672,989	$20,157,166	$317,097	$85,147,252

A reconciliation of the Foundation's Level 3 financial instruments for the years ended December 31, 2016 and 2015 is provided below:

	Mineral rights	*Real estate*	*Total*
Balance, January 1, 2016	$3,197	$313,900	$317,097
Investment income and expenses	1,230	–	1,230
Distributions	(1,230)	–	(1,230)
Balance, December 31, 2016	$3,197	$313,900	$317,097

	Mineral rights	*Real estate*	*Total*
Balance, January 1, 2015	$3,197	$215,000	$218,197
Net realized and unrealized gains	–	98,906	98,906
Investment income and expenses	2,207	(6)	2,201
Distributions	(2,207)	–	(2,207)
Balance, December 31, 2015	$3,197	$313,900	$317,097

4. Endowment Funds

The Foundation’s endowment consists of funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Board of Directors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, and, (b) the original value of subsequent gifts to the permanent endowment.

Return Objectives and Risk Parameters
The Foundation has adopted investment policies and spending polices for endowment assets that attempt to provide a reasonable return of current income, with due regard for the safety and maintenance of inflation-adjusted value of principal. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that will support its spending policy and maintain or grow the real value of the portfolio.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Foundation relies on a diversified portfolio designed to minimize the risk of loss, with a maximum allocation to cash and fixed income of 80% and a maximum allocation to equities of 80% and minimum allocation of 20%. The Organization’s current investment allocation goal is 60% equities and 40% fixed income securities. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a asset allocation 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

The Foundation has a policy of appropriating the prior year's income (i.e. interest and dividends, excluding realized and unrealized gains). In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide for additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets.

As of December 31, 2016 and 2015, endowment net assets consisted of the following:

	Unrestricted, Board-designated	Permanently Restricted	**Total**
Endowment net assets, December 31, 2015	$24,295,843	$60,175,986	**$84,471,829**
Endowment investment return:			
Investment income	724,241	1,665,017	**2,389,258**
Realized gains	615,030	1,156,468	**1,771,498**
Unrealized gains	624,589	1,703,760	**2,328,349**
Total endowment investment return	1,963,860	4,525,245	**6,489,105**
Additions to endowment funds	–	175,154	**175,154**
Investment management fees	(168,716)	(466,534)	**(635,250)**
Administrative fees	(73,043)	(166,941)	**(239,984)**
Net assets released from restrictions	3,397,660	(3,397,660)	**–**
Appropriation of endowment for expenditures	(655,161)	(1,814,065)	**(2,469,226)**
Net transfers in (out) of endowment	–	292,429	**292,429**
Total endowment activity	2,500,740	(5,377,617)	**(2,876,877)**
Endowment net assets, December 31, 2016	$28,760,443	$59,323,614	**$88,084,057**

	Unrestricted, Board-designated	Permanently Restricted	**Total**
Endowment net assets, December 31, 2014	$25,279,033	$62,041,309	**$87,320,342**
Endowment investment return:			
Investment income	784,120	1,811,944	**2,596,064**
Realized gains	492,332	797,633	**1,289,965**
Unrealized gains	(1,387,576)	(2,491,584)	**(3,879,160)**
Total endowment investment return	(111,124)	117,993	**6,869**
Additions to endowment funds	51,402	141,632	**193,034**
Investment management fees	(183,832)	(475,156)	**(658,988)**
Administrative fees	(62,676)	(145,381)	**(208,057)**
Net assets released from restrictions	1,504,411	(1,504,411)	**–**
Appropriation of endowment for expenditures	(2,181,371)	–	**(2,181,371)**
Net transfers in (out) of endowment	–	–	**–**
Total endowment activity	(983,190)	(1,865,323)	**(2,848,513)**
Endowment net assets, December 31, 2015	$24,295,843	$60,175,986	**$84,471,829**

5. Split-Interest Agreements

The Foundation is a beneficiary of certain charitable lead trusts and charitable remainder trusts, which are known as split-interest agreements. A portion of these trusts is to be paid to the Foundation at specified times in the future or upon the death of certain other beneficiaries. The Foundation is not the trustee for these trust agreements, nor does it have any control over the related trust assets.

Receivables from split-interest agreements represent the estimated net present value of the Foundation’s interest in various irrevocable trusts held by third-parties. The net present value of these receivables is determined using estimated investment returns consistent with the composition of the asset portfolios, the periodic payouts of the trusts to the trust’s beneficiaries while living, life expectancies from the Social Security Administration tables, and a discount rate of 6 percent. Actual results could differ from those estimates.

On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets as well as the assumptions above. Revaluation adjustments are reported in the Statement of Activities as changes in the value of beneficial interest in trusts. These receivables are classified as temporarily restricted assets until the future cash flows are received.

6. Subsequent Events

Subsequent events have been evaluated by management through September 29, 2017, which is the date of the financial statements were available to be issued.