

ST. LOUIS COMMUNITY FOUNDATION
COMBINED FINANCIAL STATEMENTS
NINE-MONTH PERIOD THEN ENDED DECEMBER 31, 2016

**ST. LOUIS COMMUNITY FOUNDATION
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NINE-MONTH PERIOD THEN ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Louis Community Foundation
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying combined financial statements of the St. Louis Community Foundation, which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities and cash flows for the nine-month period then ended December 31, 2016, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors
St. Louis Community Foundation

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the St. Louis Community Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the nine-month period then ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Report on the Financial Statements

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included as the statements of changes in net assets for the 12 months ended for 2016 and 2015 included on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

St. Louis, Missouri
August 23, 2017

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 35,917,660
Investments	306,563,258
Accounts and Interest Receivable	626,005
Unconditional Promises to Give - Unrestricted, Net	436,186
Contributions Receivable - Charitable Lead Trusts	53,534
Prepaid Expenses	103,236
Total Current Assets	<u>343,699,879</u>

PROPERTY AND EQUIPMENT, NET

1,497,464

**UNCONDITIONAL PROMISES TO GIVE - UNRESTRICTED -
LONG-TERM, NET**

112,210

**CONTRIBUTIONS RECEIVABLE - CHARITABLE LEAD TRUSTS -
LONG-TERM**

572,069

Total Assets

\$ 345,881,622

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 252,829
Gift Annuity Obligations	191,644
Grants Payable	6,665,880
Total Current Liabilities	<u>7,110,353</u>

GIFT ANNUITY OBLIGATIONS - LONG-TERM

714,100

GRANTS PAYABLE - LONG-TERM

10,984,983

Total Liabilities

18,809,436

NET ASSETS

Unrestricted	326,446,583
Temporarily Restricted	625,603
Total Net Assets	<u>327,072,186</u>

Total Liabilities and Net Assets

\$ 345,881,622

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
NINE-MONTH PERIOD THEN ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 68,248,261	\$ -	\$ 68,248,261
Investment Income	5,919,808	-	5,919,808
Change in Value of Split-Interest			
Agreements - Charitable Lead Trusts	-	20,994	20,994
Fees and Other Revenues	122,007	-	122,007
Net Gains on Investments	12,707,907	-	12,707,907
Net Assets Released from Restrictions	56,075	(56,075)	-
Total Revenues, Gains, and Other Support	<u>87,054,058</u>	<u>(35,081)</u>	<u>87,018,977</u>
EXPENSES			
Grants for Charitable Purposes	40,429,843	-	40,429,843
Change in Value of Split-Interest			
Agreements - Annuity Payables	126,444	-	126,444
Administrative Expenses	1,940,218	-	1,940,218
Trustee, Investment, and Legal Fees	979,360	-	979,360
Total Expenses	<u>43,475,865</u>	<u>-</u>	<u>43,475,865</u>
CHANGE IN NET ASSETS	43,578,193	(35,081)	43,543,112
Net Assets - Beginning of Period	<u>282,868,390</u>	<u>660,684</u>	<u>283,529,074</u>
NET ASSETS - END OF PERIOD	<u>\$ 326,446,583</u>	<u>\$ 625,603</u>	<u>\$ 327,072,186</u>

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
COMBINED STATEMENT OF CASH FLOWS
NINE-MONTH PERIOD THEN ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Contributions	\$ 38,259,534
Cash Paid to Gift Annuitants	(152,749)
Cash Received from Fees and Other Revenues	174,507
Cash Paid for Charitable Grants	(41,627,974)
Cash Paid to Trustees, Suppliers, Employees, and Service Providers	(2,746,825)
Interest and Dividends Received	5,919,808
Net Cash Used by Operating Activities	<u>(173,699)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(44,517,236)
Sales of Investments	46,174,492
Purchase of Property and Equipment	(788,098)
Net Cash Provided by Investing Activities	<u>869,158</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

695,459

Cash and Cash Equivalents - Beginning of Period

35,222,201

CASH AND CASH EQUIVALENTS - END OF PERIOD

\$ 35,917,660

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
USED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 43,543,112
Contributed Investments	(29,650,834)
Net Gains on Investments	(12,707,907)
Depreciation and Amortization	55,701
Change in Value of Split-Interest Agreements - Charitable Lead Trusts	(20,994)
Change in Value of Split-Interest Agreements - Annuity Payables	126,444
Change in Assets and Liabilities:	
Accounts and Interest Receivable	(484,781)
Contributions Receivable - Charitable Lead Trusts	56,075
Unconditional Promises to Give	81,797
Prepaid Expenses	27,521
Accounts Payable and Accrued Expenses	142,031
Gift Annuity Obligations	(143,733)
Grants Payable	(1,198,131)
Net Cash Used by Operating Activities	<u><u>\$ (173,699)</u></u>

See accompanying Notes to Combined Financial Statements.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Louis Community Foundation (the Foundation) is a tax-exempt, nonprofit, autonomous, publicly supported, nonsectarian philanthropic institution established in 1915. The Foundation is dedicated to improving the quality of life throughout the metropolitan St. Louis region by helping individuals, families, and businesses make a difference through charitable giving. The Foundation represents thousands of donors through hundreds of separate component funds supporting a broad range of community interests.

Combined Statement Presentation

The combined financial statements include the accounts of the St. Louis Community Foundation (the Trust), the St. Louis Community Foundation, Inc. (the Corporation), the St. Louis Real Estate Foundation (the Real Estate), and the Alberici Foundation (the Alberici). The Corporation is a publicly supported charity as described by IRC Section 509(a)(1) whose directors also serve as the governing body for the Trust. The Real Estate and Alberici entities are separate corporations with separate boards of directors. The Corporation is the sole member of Alberici and as such maintains significant control over Alberici's board, its governing documents, and certain aspects of its operations, in particular, approving certain financial transactions, acceptance of certain gifts, and any modifications to its governing documents. All assets of the Corporation, the Real Estate, and the Alberici entities are administratively managed by the Trust. The Real Estate entity had no activity during the nine-month period then ended December 31, 2016.

Significant intercompany transactions have been eliminated in these combined financial statements.

Total contributions by entity for the nine-month period then ended December 31, 2016 are as follows:

Corporation Entity	\$ 63,130,615
Trust Entity	4,867,463
Alberici Foundation	250,183
Total	<u><u>\$ 68,248,261</u></u>

Change in Reporting Period

The Foundation changed its reporting period to include results through December 31. In previous years, the combined financial statements included results for the 12 months ended March 31. Accordingly, the period ending December 31, 2016 includes 9 months of results. Going forward, the reporting period will continue on an annual calendar basis ending December 31.

Basis of Accounting

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

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Under the accounting standards set forth by the Financial Accounting Standards Board, the Foundation is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are for the support of specific operating activities. At present, the Foundation has no permanently restricted net assets.

The Foundation maintains its internal accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure whereby resources with various restrictions as to expendability or user purpose are classified for accounting purposes in accordance with activities or objectives specified by donors.

These combined financial statements, which are presented on the accrual basis of accounting, 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. As stated in the Foundation's gift instrument agreements, the Foundation's board of directors, in furtherance of the purposes of the Foundation, has the ultimate authority and control over all property gifted to them and the related income derived therefrom. Such authority includes the ability to remove a donor restriction.

Accordingly, the accompanying combined financial statements classify all net assets (fund balances) as unrestricted except for certain contributions received under charitable lead trust agreements as more fully described under Note 4. However, to assist with the classification of resources in accordance with the activities or objectives specified by donors, the following categories of unrestricted net assets are used by the Foundation:

Designated – Contributions whereby donors are able to designate a specific organization to be the recipient of the income generated from these funds. However, the Foundation retains the authority to rescind a donor's designation if the charitable organization is no longer operating in an efficient manner, is no longer operating within the tax-exempt purpose for which it was established, or is no longer in existence.

Donor Advised – Contributions that are subject to donor recommendations regarding the particular organizations and projects that are to receive grants from these funds. The donor recommendations are solely advisory and the Foundation's board of directors is not bound by such recommendations.

Field of Interest – Contributions whereby the donors are able to channel their resources into broad areas of interest, e.g., arts, education, health care, work with the elderly, or youth services. The Foundation's board of directors uses these resources to make grants to programs or organizations that are most likely to achieve positive results for that area of interest.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Scholarship – Contributions whereby donors may name the scholarship, designate a particular field of study, designate a specific educational institution or program, and select eligibility requirements. Scholarship funds may be established to benefit any level of education from preschool to postgraduate studies and vocational training.

Discretionary – Contributions not having donor-imposed recommendations that are used to respond to changing community needs as determined by the Foundation's board of directors.

Supporting Organization – Contributions to an independent foundation legally affiliated with the Foundation. The supporting organization has its own board, grant-making program, and investment structure.

Operating – Used in connection with administrative services provided by the Foundation.

Temporarily Restricted Fund – Holds certain beneficial interests in the underlying assets of certain charitable lead trusts.

All transfers made between funds have the prior authorization of the board.

Estimates and Assumptions

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

The Foundation maintains its cash-in-bank deposit accounts at various financial institutions. The balances at times may exceed federally insured limits. Also, the Foundation's investments are subject to the inherent risks associated with the securities market.

Concentrations

During the nine-month period then ended December 31, 2016, the Foundation received approximately 36% of its total contribution revenue from two individual donors.

Cash and Cash Equivalents

Cash and cash equivalents represent cash in banks, money market funds, certificate of deposits, and similar short-term investment vehicles. The Foundation considers investment vehicles not intended to be held for long-term investment purposes to be cash equivalents. The majority of the Foundation's cash is maintained in uninsured money market accounts.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Foundation maintains its investment portfolio with over 20 financial institutions. An investment committee monitors the performance of these institutions and reports quarterly to the board of directors. An external investment consultant is engaged to monitor portfolio performance according to the Foundation's investment policy and to report to the investment committee on a quarterly basis.

Investments in mutual funds, equities, and fixed income securities are carried at fair value based upon quoted market prices on established exchanges. Cash and cash equivalents are carried at cost which approximates fair value. Investment in limited partnership consists of a single partnership that holds assets comprised of marketable debt and equity securities. The Foundation's prorata limited partner share equals 99% of the partnership's holdings and is valued at quoted market prices. Other investments consist of notes receivable, life insurance contracts, private investment funds, ownership interest in a limited partnership, ownership interest in a limited liability corporation, and other miscellaneous holdings, and are carried at estimated fair value.

Net changes in fair value of investments and realized gains and losses on investments disposed are reported in the combined statements of activities as net gains or losses on investments. Both the purchase and sale of investments are recorded effective on the trade date.

Donated securities are recorded at their fair value at the date of donation.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the combined statements of financial position.

Accounts and Interest Receivable and Unconditional Promises to Give

Accounts receivable consists of consulting fees and accrued interest. Unconditional promises to give consist of nonoperating pledge donations from individuals. Unconditional promises to give are recognized as revenues in the period the promises are received. Accounts receivable and unconditional promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers and donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Unconditional promises to give are recorded net of an allowance for doubtful accounts of \$22,387 as of December 31, 2016. Management has deemed that no allowance is necessary for accounts receivable as of December 31, 2016.

ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable – Charitable Lead Trusts

The Foundation recognizes its beneficial interest in the underlying assets of these split-interest agreements as temporarily restricted net assets. The initial transaction to recognize a new charitable lead trust is to record both a receivable and contribution revenue measured by the present value of the future cash flows. Distributions from the trusts and collected by the Foundation are reported both as reductions in the receivable and as reclassifications from temporarily restricted net assets to unrestricted net assets.

Amortization of the initial discount is recognized as payments are received by adjusting the receivable and recording as revenue the net change in the value of the split-interest agreement as is presented under the temporarily restricted net asset class in the combined statements of activities.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Policy is to capitalize amounts over \$1,000. Maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any profit or loss arising from such disposition is included as an increase (or decrease) in unrestricted net assets in the year disposed. The assets are depreciated over periods ranging from five to seven years, using the straight-line method. Significant additions to leasehold improvements will be depreciated over the life of the related lease term which is 25 years, using the straight-line method. Construction in progress represents leasehold improvements and office furniture that has not yet been placed in service at year-end and hence no depreciation has been recorded.

Long-Lived Assets

The Foundation's management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Contributions

Contributions are recognized as revenues in the period received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue in the periods when the conditions upon which they depend are substantially met. The Foundation does not have any conditional promises to give as of December 31, 2016.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift Annuity Obligations

The Foundation is the beneficiary of several gift annuity agreements. Annuity agreements represent the present value of future annuities payable to the annuitants as of December 31, 2016, as determined by the terms of the annuity agreement and present value factors provided by the Internal Revenue Service (IRS). The gift portion of the annuity agreement is calculated using methods and rates provided by the IRS and is recognized upon receipt. Discount rates range between 2% and 6.2% based on the year the gift was received.

Upon the donor's death, the excess, if any, of the initial gift received from the donor, plus investment earnings thereon, over the cumulative distributions paid to the donor, will be either expended as a grant or held as an endowment with the investment earnings distributed as stipulated by the gift annuity contract.

Intra-Fund Loan

The board periodically approves investing a limited amount of pooled investment resources from the discretionary fund into the operating fund under an intra-fund working capital loan agreement. The purpose for these transactions is to bridge any shortfalls in cash flows, which may occur within the operating fund, as a result of market valuation losses. Such losses erode the asset base upon which the Foundation earns its fees necessary to effectively administer all of the component funds. Because both the operating fund and the discretionary fund are classified as "unrestricted" under accounting principles generally accepted in the United States of America, the intra-fund lending activities have no effect on the overall unrestricted net assets (fund balances).

Any working capital loan would use an interest rate based on short-term treasury rates at the time the loan was authorized by the board. During the year ended March 31, 2016, a new intra-fund loan was entered into to finance leasehold improvements for the Foundation's new office space. The balance of the loan was \$726,011 at December 31, 2016. The related interest of \$19,653 and loan balance of \$726,011 are eliminated for combined financial purposes.

Grants for Charitable Purposes

Grants for charitable purposes are expensed in the period that they are approved by the board of directors.

Income Taxes

All four entities — the Trust, the Corporation, the Real Estate entity, and the Alberici Foundation — are exempt from federal income taxes under Section 501(a) by reason of being an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code).

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Expenses are allocated by functional expense between program, fundraising, and general and administrative services, based on management's estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation

Fair Value Measurements

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Level 1 includes various common stocks, preferred stocks, mutual funds, hedge funds, corporate bonds, and U.S. Treasury obligations.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, corporate bonds, hedge funds, various common stock and mutual funds, investment in a limited liability partnership, contributions receivable - charitable lead trusts, and gift annuity obligations.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 INVESTMENTS

Investments at December 31, 2016 consist of the following:

	<u>Fair Value</u>	<u>%</u>
Common Stock	\$ 58,495,355	19.1
Mutual Funds	134,030,999	43.7
Corporate Bonds	77,024,795	25.1
U.S. Government Obligations	4,661,794	1.5
Hedge Funds or Other	29,641,876	9.7
Investment in Limited Partnership	283,595	0.1
Investment in Limited Liability Companies	2,424,844	0.8
Total	<u>\$ 306,563,258</u>	

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. For the nine-month period then ended December 31, 2016, unrealized gains of \$9,427,308, were recorded to adjust the investments to fair value.

Investment in Limited Partnership

The investment in limited partnership consists of a single partnership that holds assets comprised of marketable debt and equity securities valued based on unadjusted quoted market prices within active markets. The Foundation's prorata share of these underlying marketable securities consists of the following at December 31, 2016:

	<u>Fair Value</u>
Equity Holdings	\$ 130,327
Fixed Income Securities	153,268
Total	<u>\$ 283,595</u>

The limited partnership also holds cash and cash equivalents totaling \$28,376 as of December 31, 2016, and is included within the Foundation's total cash and cash equivalents as reported on the combined statements of financial position.

Investment in Private Companies

As of December 31, 2016, the Foundation had three separate equity interests in limited liability companies. The value of the equity interests was derived from independent appraisals, subsequent sales values or company financial statements and totals \$2,424,844 at December 31, 2016.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 INVESTMENTS (CONTINUED)

Private Investment Funds

Included under investments above are investments in various private investment funds whose aggregate carrying values at December 31, 2016 totaled \$29,641,876. These investments provide the means for the fund manager to, for example, take both long and short positions, use arbitrage, buy and sell undervalued securities, trade options or bonds, and engage in other investment activities for the purpose of reducing volatility and risk while attempting to preserve capital and provide positive investment returns under all market conditions. At December 31, 2016, the Foundation's holdings in hedge funds total approximately 9.7% of the total carrying value of all investments.

NOTE 3 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are expected to be collected in the following period at December 31, 2016:

Pledges Due in Less Than One Year	\$ 458,573
Pledges Due in 1-5 Years	122,900
Total Pledges	<u>581,473</u>
Allowance for Uncollectible Pledges	(22,387)
Discount to Record Promises to Give at Present Value	<u>(10,690)</u>
Total	<u><u>\$ 548,396</u></u>

A discount rate of 2% was used to record unconditional promises to give at the present value of the future cash flows at December 31, 2016.

NOTE 4 CONTRIBUTIONS RECEIVABLE – CHARITABLE LEAD TRUSTS

The following is a schedule of the gross minimum payments to be received from charitable lead trusts at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 81,075
2018	81,075
2019	81,075
2020	81,075
2021	81,075
Thereafter	<u>379,676</u>
Total	785,051
Discount to Record Charitable Lead Trusts at Present Value	<u>(159,448)</u>
Total	<u><u>\$ 625,603</u></u>

Discount rates ranging from 3.25% to 5.75% were used to record contributions receivable under charitable lead trusts at the present value of the future cash flows at December 31, 2016.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016:

Leasehold Improvements	\$ 1,330,352
Computers	446,032
Office Furniture and Equipment	<u>257,452</u>
Total	2,033,836
Less: Accumulated Depreciation	<u>(536,372)</u>
Total	<u><u>\$ 1,497,464</u></u>

NOTE 6 GRANTS PAYABLE

Grants payable by fund are as follows at December 31, 2016:

Field of Interest	\$ 86,747
Donor Advised	17,186,466
Supporting Organization	<u>383,000</u>
Total Grants Payable	<u><u>\$ 17,656,213</u></u>

Grants authorized but unpaid at year-end are reported as liabilities. Grants to be paid in more than one year are discounted using a rate of 1%. The following is a summary of grants authorized and payable at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 6,665,880
2018	6,275,333
2019	3,626,000
2020	1,083,000
2021	<u>6,000</u>
Gross Grants Authorized but Unpaid	17,656,213
Less: Discount on Long-Term Grants	<u>(5,350)</u>
Total Grants Payable	<u><u>\$ 17,650,863</u></u>

ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 FAIR VALUE MEASUREMENT

The Foundation uses fair value measurement to record fair value adjustments to certain financial assets and financial liabilities that are measured on a recurring basis. The fair values of significant financial assets and liabilities that are measured on a recurring basis at December 31, 2016 are as follows:

	Total at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common Stock	\$ 58,495,355	\$ 58,495,355	\$ -	\$ -
Mutual Funds	134,030,999	133,816,486	214,513	-
Corporate Bonds	77,024,795	77,024,795	-	-
U.S. Government Obligations	4,661,794	4,661,794	-	-
Hedge Funds	23,652,623	23,399,139	253,484	-
Investment in Limited Partnership	283,595	-	283,595	-
Total	<u>\$ 298,149,161</u>	<u>\$ 297,397,569</u>	<u>\$ 751,592</u>	<u>\$ -</u>
Investments Held at Net Asset Value or its Equivalent	<u>8,414,097</u>			
Total Investments	<u>\$ 306,563,258</u>			
Contributions Receivable - Charitable Lead Trusts	<u>\$ 625,603</u>	<u>\$ -</u>	<u>\$ 625,603</u>	<u>\$ -</u>
Gift Annuity Obligations	<u>\$ (905,744)</u>	<u>\$ -</u>	<u>\$ (905,744)</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and financial liabilities valued using Level 2 inputs are based on inputs other than quoted prices (interest rates) that are observable for the financial asset or liability. Financial assets valued using Level 3 inputs are based on unobservable inputs for the asset or liability used to measure fair value that rely on the reporting entity's own assumptions based on the best information available under the circumstances. Inputs under fair value measurement guidance refer broadly to the assumptions that market participants would use in pricing the asset or liability.

The amount of total gains (losses) for the period is included in changes in net assets within the combined statements of activities. All assets have been valued using a market approach. There have been no changes in valuation approaches or techniques.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 FAIR VALUE MEASUREMENT (CONTINUED)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2016, that have limits as to redemption frequency or notification period are as follows:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Funds	\$ 1,908,189	None	In Liquidation as Available	In Liquidation
Hedge Funds	\$ 3,798,283	None	At the Fund's Discretion	n/a
Social Impact Investment	\$ 282,781	\$ 1,694,088	Illiquid	n/a
Closely Held Shares	\$ 2,352,968	None	n/a	n/a
Closely Held Shares	\$ 71,876	\$ 175,531	Illiquid	n/a

Fair value measurement policy includes:

Common stock and mutual funds are invested in domestic and international companies. These assets provide full disclosure of the underlying holdings and are valued using fair value methods that have quoted values observable on a daily basis.

Corporate bonds and U.S. government bonds are valued daily utilizing fair value market methods and are observable on a daily basis. These assets provide full disclosure of the underlying holdings whereby the Foundation is able to verify its account balances daily if necessary.

Hedge funds are invested in a diverse portfolio of long/short funds, event-driven funds, turnaround situation funds, and other strategies. These are valued utilizing observable fair market methods available on a daily basis along with unobservable inputs used to determine the fair value, in which case the valuation used is the most current data available estimated at our fiscal year-end or may be based on their net asset value.

Investment in limited partnership consists of investments in domestic and international companies, as well as corporate and government bond funds. These assets provide full disclosure of the underlying holdings and are valued using fair value methods that have quoted values observable on a daily basis.

Social impact investments consist of investments in funds whose strategy is to provide a financial return and generate a measureable, beneficial social impact. The assets are valued using pricing inputs that are unobservable and reflect the reporting entity's own assumptions.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 FAIR VALUE MEASUREMENT (CONTINUED)

Closely held shares are assets consisting of closely held private interests. These assets are valued using pricing inputs that are unobservable and reflect the reporting entity's own assumptions. The assets are valued at December 31, 2016, using the most current appraisals, subsequent sales values, or company financial statements.

NOTE 8 NET ASSETS

Temporarily restricted net assets are available for the following purpose at December 31, 2016:

Charitable Lead Trust - Timing Restriction	\$ 625,603
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Net assets were released from donor-imposed restrictions as follows for the nine-month period then ended December 31, 2016.

Temporarily Restricted:	
Charitable Lead Trust - Timing Restriction	\$ 56,075

NOTE 9 ENDOWMENT NET ASSETS

The endowment consists of individual funds established for a variety of purposes. As required by 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. As stated in Note 1, under the Foundation's gift instrument agreements, the board of directors has the authority to remove a donor restriction, thus at December 31, 2016, endowment net assets consist of only funds designated by the board of directors to function as endowments.

Return Objectives and Risk Parameters

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 designated that the organization holds in perpetuity or for a specified time period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results, over time, to outperform a weighted, blended market index, based on the target allocations established for the portfolio after adjusting for an estimated rate of inflation and net of investment management and custody fees while assuming a moderate level of investment risk.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 ENDOWMENT NET ASSETS (CONTNUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the endowment 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 endowment targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of establishing its spending policy annually. No specific spending policy was established for the nine-month period then ending December 31, 2016. The continued rate determined by the board of directors was 4.00%, and was based on a 16-quarter trailing average. In establishing this policy, the endowment considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of net asset at December 31, 2016:

Unrestricted Net Assets -	
Board-Designated Endowment Funds	\$ 58,864,260

Changes in the unrestricted endowment net assets for the nine-month period then ended December 31, 2016:

Endowment Net Assets - Beginning of Period	\$ 55,204,533
Investment Return:	
Investment Income	1,141,556
Net Gains on Investments	3,300,871
Total Investment Return	<u>4,442,427</u>
Other Revenue	2,000
Contributions	52,256
Expenses:	
Charitable Grants	155,431
Trustee, Investment, and Legal Fees	257,447
Administrative Expenses	399,078
Net Transfers	25,000
Total Expenses	<u>836,956</u>
Endowment Net Assets - End of Period	<u>\$ 58,864,260</u>

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 10 RETIREMENT PLAN

The Foundation maintains a tax-qualified 403(b) deferred compensation plan. Under this plan, employees may elect to defer a percentage of their salary subject to IRS limits. After one year of service, the Foundation will contribute on behalf of the employee 2.5% of the employee's salary plus matching contributions equal to the employee's contributions to the 403(b) plan up to 4% of the employees' compensation. The Foundation's expense for the 403(b) plan totaled \$49,303 for the nine-month period then ended December 31, 2016.

NOTE 11 ADMINISTRATIVE EXPENSES

Administrative expenses consist of the following for the nine-month period then ended December 31, 2016:

Salaries and Benefits	\$ 1,148,243
Professional Fees	182,738
Marketing and Brochures	136,822
Rent	25,316
Banking Fees	70,882
Depreciation	55,701
Office Expenses	50,560
Data Processing Expenses - Computer Expenses	50,487
Fundraising	44,015
Business Taxes and Fees	37,184
Special Events	32,048
Meetings and Seminars	22,068
Telecommunications	20,332
Utilities	14,815
Insurance	11,099
Postage and Freight	6,761
Travel	6,561
Miscellaneous	6,768
Outside Services	5,825
Dues and Subscriptions	5,597
Printing and Duplicating	3,932
Parking	2,464
Total	<u>\$ 1,940,218</u>

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 LEASE COMMITMENTS

The Foundation exercised its option to terminate the operating lease for its prior office space effective June 30, 2016. Rent expense associated with this lease totaled \$15,955 for the nine-month period then ended December 31, 2016, and is included under administrative expenses in the accompanying combined financial statements.

In 2016, the Foundation entered into a new lease agreement for its new principal office space. The duration of the lease is 25 years with a 10-year renewal option and is rent free. The lease included a stipulation that building improvements outlined in the construction contract be partially paid by the Foundation, with the remainder being paid by the landlord. At December 31, 2016, these building improvements related to the lease totaled approximately \$1,633,000 of which approximately \$1,266,000 was paid for by the Foundation. Building improvements and general upkeep of the building is maintained by the Foundation and provides a reasonable estimate of conditions required on a lease with specific rent requirements, accordingly, the estimated in-kind rent expense or in-kind receivable is deemed immaterial.

The Foundation leases a copier and fax machine under an operating lease which expires in September 2017. The expense associated with this lease totaled \$9,361 for the nine-month period then ended December 31, 2016.

Future minimum rent payments are as follows at December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 5,823

NOTE 13 FUNCTIONAL EXPENSE CLASSIFICATION

The functional expense categories are as follows for the nine-month period then ended December 31, 2016:

Program	\$ 43,054,058
Management and General	360,480
Fundraising	61,327
Total	\$ 43,475,865

NOTE 14 INCOME TAXES

The Foundation has adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions and has evaluated their tax positions taken for all open tax years. The Foundation is not currently under audit nor has the Foundation been contacted by the IRS.

Based on the evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded at December 31, 2016.

**ST. LOUIS COMMUNITY FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 23, 2017, the date which the combined financial statements were available to be issued.

ST. LOUIS COMMUNITY FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS FOR THE 12 MONTHS ENDED
DECEMBER 31, 2016 (UNAUDITED)

	Operating Fund	Discretionary Funds	Designated Funds	Field of Interest	Donor Advised	Scholarship Funds	Supporting Organization	Temporarily Restricted Fund	Total All Funds
Revenues & Additions									
Contributions	\$ 554,828	\$ 27,045	\$ 235,062	\$ 4,911,453	\$ 66,418,755	\$ 930,291	\$ 250,183	\$ -	\$ 73,327,617
Net Gain or (Loss) on Investments	-	468,250	2,352,509	80,912	10,554,180	497,239	51,785	27,917	14,032,792
Investment Income	711	355,476	1,188,407	57,984	5,287,405	359,947	88,304	-	7,338,234
Fees Received	97,500	-	-	-	-	-	-	-	97,500
Other Revenues	20,116	-	2,000	11,746	44,278	24,325	-	-	102,465
Total Revenues & Additions	673,155	850,771	3,777,978	5,062,095	82,304,618	1,811,802	390,272	27,917	94,898,608
Distributions & Expenses									
Grants for Charitable Purposes	-	39,575	1,990,835	4,174,844	40,577,516	1,108,051	57,500	-	47,948,321
Project Expenses	-	2,516	13,731	1,124,083	75,331	300	-	-	1,215,961
Investment Management Fees	2	69,611	270,611	17,666	722,548	90,614	7,474	63	1,178,589
Administrative & Program Expenses	2,378,714	-	87	203,350	167,135	11,640	-	-	2,760,926
Total Distributions & Expenses	2,378,716	111,702	2,275,264	5,519,943	41,542,530	1,210,605	64,974	63	53,103,797
Increase (Decrease) in Net Assets	(1,705,561)	739,069	1,502,714	(457,848)	40,762,088	601,197	325,298	27,854	41,794,811
Net Assets as of December 31, 2015	1,272,593	12,730,878	46,435,404	5,452,922	203,566,572	13,311,555	2,204,201	303,250	285,277,375
Transfer In (Out)									
Administrative Fees	1,885,476	(155,714)	(328,055)	(102,858)	(1,061,321)	(217,226)	(20,302)	-	-
Net Interfund Activity Other Than Fees	336,013	(670,025)	117,393	775,722	(1,331,615)	822,512	-	(50,000)	-
Total Transfers	2,221,489	(825,739)	(210,662)	672,864	(2,392,936)	605,286	(20,302)	(50,000)	-
Net Assets as of December 31, 2016	\$ 1,788,521	\$ 12,644,208	\$ 47,727,456	\$ 5,667,938	\$ 241,935,724	\$ 14,518,038	\$ 2,509,197	\$ 281,104	\$ 327,072,186

ST. LOUIS COMMUNITY FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS FOR THE 12 MONTHS ENDED
DECEMBER 31, 2015 (UNAUDITED)

	Operating Fund	Discretionary Funds	Designated Funds	Field of Interest	Donor Advised	Scholarship Funds	Supporting Organization	Temporarily Restricted Fund	Total All Funds
Revenues & Additions									
Contributions	\$ 12	\$ 1,475	\$ 565,576	\$ 5,147,168	\$ 49,300,709	\$ 374,783	\$ -	\$ -	\$ 55,389,723
Net Gain or (Loss) on Investments	-	(388,324)	(1,956,356)	(52,752)	(10,176,062)	(553,884)	(65,638)	9,885	(13,183,131)
Investment Income	738	199,996	1,161,421	57,122	5,189,761	385,425	68,558	-	7,063,021
Fees Received	110,125	-	-	-	-	-	-	-	110,125
Other Revenues	4,639	-	-	26,034	60,974	7,020	-	-	98,667
Total Revenues & Additions	115,514	(186,853)	(229,359)	5,177,572	44,375,382	213,344	2,920	9,885	49,478,405
Distributions & Expenses									
Grants for Charitable Purposes	-	70,394	1,748,525	3,801,892	51,714,939	1,126,961	248,000	-	58,710,711
Project Expenses	-	8,775	13,650	763,293	66,048	2,827	-	-	854,593
Investment Management Fees	-	74,847	278,551	16,164	673,008	86,968	5,563	64	1,135,165
Administrative & Program Expenses	2,004,162	-	67	103,497	(30,163)	8,595	-	-	2,086,158
Total Distributions & Expenses	2,004,162	154,016	2,040,793	4,684,846	52,423,832	1,225,351	253,563	64	62,786,627
Increase (Decrease) in Net Assets	(1,888,648)	(340,869)	(2,270,152)	492,726	(8,048,450)	(1,012,007)	(250,643)	9,821	(13,308,222)
Net Assets as of December 31, 2014	1,162,937	13,633,983	48,963,872	4,666,635	212,914,769	14,422,602	2,476,880	343,429	298,585,107
Transfer In (Out)									
Administrative Fees	1,887,641	(166,915)	(349,904)	(81,057)	(1,040,106)	(227,623)	(22,036)	-	-
Net Interfund Activity Other Than Fees	110,663	(395,321)	91,588	374,618	(259,641)	128,583	-	(50,000)	490
Total Transfers	1,998,304	(562,236)	(258,316)	293,561	(1,299,747)	(99,040)	(22,036)	(50,000)	490
Net Assets as of December 31, 2015	\$ 1,272,593	\$ 12,730,878	\$ 46,435,404	\$ 5,452,922	\$ 203,566,572	\$ 13,311,555	\$ 2,204,201	\$ 303,250	\$ 285,277,375