

**NEVADA COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015**



NEVADA COMMUNITY FOUNDATION, INC.

AND SUPPORTING ORGANIZATIONS

JUNE 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Community Foundation, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of Nevada Community Foundation, Inc. (a Nevada nonprofit corporation) and supporting organizations (collectively, "the Foundation"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the financial position of Nevada Community Foundation, Inc. and supporting organizations as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Nevada Community Foundation, Inc. and supporting organizations as of June 30, 2015, were audited by other auditors whose report dated December 7, 2015, expressed an unmodified opinion on those consolidated financial statements.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
September 26, 2016

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Current assets		
Cash and cash equivalents	\$ 465,403	\$ 243,447
Cash held by Greater Horizons	3,367,550	3,076,411
Investments	18,104,009	18,255,867
Investments held by Greater Horizons	103,128,422	107,877,002
Prepaid income taxes	270,385	501,925
Other current assets	179,920	202,841
	125,515,689	130,157,493
Other assets		
Investments, long-term, held by Greater Horizons	756,565	756,565
Split-interest agreements	1,425,133	1,465,467
Furniture and equipment, net of accumulated depreciation of \$73,572 and \$122,437	16,461	21,788
Other assets	4,993	229,358
	2,203,152	2,473,178
	\$ 127,718,841	\$ 132,630,671

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 22,401	\$ 16,199
Grants payable, current portion	1,611,403	788,268
Accrued expenses	50,622	52,799
Agency obligations	1,780,836	1,750,506
Deferred tax liability	6,286,462	6,112,562
	9,751,724	8,720,334
Long-term liabilities		
Grants payable, net of current portion and discount	471,359	772,479
Split-interest liability	34,571	38,049
	505,930	810,528
Total liabilities	10,257,654	9,530,862
Net assets		
Unrestricted		
Unrestricted, undesignated	95,947,769	101,009,692
Board designated	678,544	741,934
Temporarily restricted	20,078,309	20,591,618
Permanently restricted	756,565	756,565
Total net assets	117,461,187	123,099,809
	\$ 127,718,841	\$ 132,630,671

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Contributions	\$ 1,233,143	\$ 387,374	\$ -	\$ 1,620,517
Administrative fee revenue	28,425	-	-	28,425
Interest and dividends	4,759,757	498,006	-	5,257,763
Net realized/unrealized gains (losses) on investments	(1,666,862)	(311,809)	-	(1,978,671)
Other income	34,730	-	-	34,730
Change in value of split-interest agreements	-	(36,705)	-	(36,705)
Program services revenue	1,702	-	-	1,702
Net assets released from restrictions	1,050,175	(1,050,175)	-	-
 Total revenues, gains (losses), and other support	 5,441,070	 (513,309)	 -	 4,927,761
Expenses and losses:				
Program services	9,097,223	-	-	9,097,223
Supporting services:				
Development	248,467	-	-	248,467
Management and general	374,503	-	-	374,503
Income tax expense	846,190	-	-	846,190
 Total expenses	 10,566,383	 -	 -	 10,566,383
 DECREASE IN NET ASSETS	 (5,125,313)	 (513,309)	 -	 (5,638,622)
 NET ASSETS, BEGINNING OF YEAR	 101,751,626	 20,591,618	 756,565	 123,099,809
 NET ASSETS, END OF YEAR	 \$ 96,626,313	 \$ 20,078,309	 \$ 756,565	 \$ 117,461,187

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Contributions	\$ 3,900,096	\$ 306,437	\$ 3,000	\$ 4,209,533
Administrative fee revenue	36,367	-	-	36,367
Interest and dividends	5,989,488	465,666	-	6,455,154
Net realized/unrealized gains (losses) on investments	(1,808,011)	(400,187)	-	(2,208,198)
Net realized/unrealized losses on privately held stock	(5,092,000)	-	-	(5,092,000)
Other income	86,121	-	-	86,121
Change in value of split-interest agreements	-	38,098	-	38,098
Program services revenue	2,962	-	-	2,962
Net assets released from restrictions	1,002,307	(1,002,307)	-	-
Total revenues, gains (losses), and other support	4,117,330	(592,293)	3,000	3,528,037
Expenses and losses:				
Program services	10,236,935	-	-	10,236,935
Supporting services:				
Development	238,643	-	-	238,643
Management and general	360,185	-	-	360,185
Income tax expense	1,496,338	-	-	1,496,338
Total expenses	12,332,101	-	-	12,332,101
INCREASE (DECREASE) IN NET ASSETS	(8,214,771)	(592,293)	3,000	(8,804,064)
NET ASSETS, BEGINNING OF YEAR	109,966,397	21,183,911	753,565	131,903,873
NET ASSETS, END OF YEAR	\$ 101,751,626	\$ 20,591,618	\$ 756,565	\$ 123,099,809

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Supporting Services		Total
		Development	Management and General	
Grants awarded	\$ 7,347,895	\$ -	\$ -	\$ 7,347,895
Salaries	128,140	137,629	156,058	421,827
Payroll taxes	7,150	7,679	8,705	23,534
Employee benefits	16,175	17,373	19,695	53,243
Total salaries and related expenses	151,465	162,681	184,458	498,604
Consulting services	145,353	15,000	19,750	180,103
Income tax expense	-	-	846,190	846,190
Investment management fees	1,105,955	-	-	1,105,955
Direct program donations	287,458	7,119	7,119	301,696
Office	2,140	1,383	5,079	8,602
Media and public relations	-	2,429	-	2,429
Rent	19,059	17,379	17,378	53,816
Accounting and audit fees	-	-	91,188	91,188
Legal	1,494	1,108	10,110	12,712
Information technology	15,833	9,108	10,019	34,960
Depreciation and amortization	3,370	1,330	4,408	9,108
Insurance	2,992	3,213	3,643	9,848
Equipment rental and maintenance	2,217	875	2,899	5,991
Telephone	2,846	1,900	2,816	7,562
Community events	5,436	-	-	5,436
Vehicle expense	853	912	641	2,406
Postage	1,188	391	488	2,067
Conferences and education	336	336	4,920	5,592
Other expenses	-	-	7,123	7,123
Donor meetings - recognition	-	2,593	-	2,593
Memberships	1,333	2,183	1,334	4,850
Bad debt write off	-	18,527	-	18,527
Printing	-	-	159	159
Meetings and travel	-	-	850	850
Publications and subscriptions	-	-	121	121
	<u>\$ 9,097,223</u>	<u>\$ 248,467</u>	<u>1,220,693</u>	<u>\$ 10,566,383</u>
Income tax expense			<u>(846,190)</u>	
Management and general expenses, net of income tax expense			<u>\$ 374,503</u>	

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		Total
		Development	Management and General	
Grants awarded	\$ 8,560,299	\$ -	\$ -	\$ 8,560,299
Salaries	132,676	118,674	141,499	392,849
Payroll taxes	8,177	7,315	8,723	24,215
Employee benefits	24,118	21,576	25,725	71,419
Total salaries and related expenses	164,971	147,565	175,947	488,483
Consulting services	160,995	24,126	40,320	225,441
Income tax expense	-	-	1,496,338	1,496,338
Investment management fees	1,070,004	-	-	1,070,004
Direct program donations	201,913	289	289	202,491
Office	2,593	2,936	3,780	9,309
Media and public relations	-	14,504	-	14,504
Rent	19,678	14,845	25,048	59,571
Accounting and audit fees	-	-	49,833	49,833
Legal	2,487	8,576	29,451	40,514
Information technology	8,716	7,911	9,225	25,852
Depreciation and amortization	4,759	3,653	2,657	11,069
Insurance	3,449	3,085	3,679	10,213
Equipment rental and maintenance	3,069	2,231	3,998	9,298
Telephone	2,883	2,302	2,907	8,092
Community events	29,421	-	-	29,421
Vehicle expense	360	900	672	1,932
Postage	859	322	384	1,565
Conferences and education	479	479	5,280	6,238
Other expenses	-	-	4,046	4,046
Donor meetings - recognition	-	4,569	-	4,569
Memberships	-	350	100	450
Printing	-	-	387	387
Meetings and travel	-	-	2,055	2,055
Publications and subscriptions	-	-	127	127
	<u>\$ 10,236,935</u>	<u>\$ 238,643</u>	<u>1,856,523</u>	<u>\$ 12,332,101</u>
Income tax expense			<u>(1,496,338)</u>	
Management and general expenses, net of income tax expense			<u>\$ 360,185</u>	

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (5,638,622)	\$ (8,804,064)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	9,108	11,069
Realized/unrealized losses on investments	1,978,671	7,300,198
Change in the split interest agreement	36,705	(38,098)
Contributions of securities	-	(1,531,093)
Loss on disposal of furniture and equipment	1,857	2,402
Deferred tax liability	173,900	576,343
Changes in operating assets and liabilities		
Other assets	247,437	(193,167)
Prepaid income taxes	231,540	(57,925)
Accounts payable	6,201	(65,751)
Grants payable	522,015	1,359,780
Accrued expenses	(2,177)	(47,120)
Agency obligations	30,330	(1,467,693)
Net cash used in operating activities	(2,403,035)	(2,955,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(64,371,899)	(94,197,922)
Proceeds from sale of investments	67,293,667	95,439,380
Purchases of property and equipment	(5,638)	(4,328)
Net cash provided by investing activities	2,916,130	1,237,130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	513,095	(1,717,989)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,319,858	5,037,847
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,832,953	\$ 3,319,858
Cash and cash equivalents held by Nevada Community Foundation	\$ 465,403	\$ 243,447
Cash held by Greater Horizons	3,367,550	3,076,411
	\$ 3,832,953	\$ 3,319,858
Supplemental disclosures of cash flow information:		
Cash payments for taxes on unrelated business income	\$ 440,750	\$ 809,140

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Nevada Community Foundation, Inc. (the Foundation) is a not-for-profit corporation established on September 15, 1988. Its function is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. The Foundation's mission is to match donors' philanthropic interests with the myriad needs of the community. The Foundation primarily receives its revenue from donors in the Southern Nevada region. Additionally, fees are charged to administer the various donor funds, which are presented net of related expenses.

Donors may choose among various types of funds, including:

Unrestricted funds: The donors do not restrict the use of their gifts which allows the Foundation's staff to direct where funds are needed most.

Donor advised funds (DAFs)/community supported funds: The donors have ongoing involvement in the use of their gifts.

Field of interest funds: The donor identifies target interest areas and the Foundation award grants to community organizations and programs that are making a difference in the area selected by the donor.

Scholarship funds: The donors determine the eligibility criteria students must meet, and the Foundation provides the expertise, guidance and personal service for the scholarship's administration.

Designated funds: Donors can direct gifts to a specific non-profit organization or purpose they are passionate about.

As disclosed in Note 8, donations to certain above funds are included in temporarily restricted net assets.

The primary program expense of the Foundation consists of its direct financial support of other charities and charitable causes. Other substantial activities classified as program expenditures include the convening of charities to examine different community issues, the creation and publication of educational and resource materials, technical and organizational consulting assistance to charities, and public education efforts designed to raise the level of charitable giving for the broad benefit of all non-profits in Nevada.

Principles of Consolidation – The financial statements of the Foundation include the related supporting organizations established to support the Foundation, including Ritter Charitable Trust and Schettler Family Foundation. The supporting organizations are established under section 509(a)(3) of the Internal Revenue Code. These supporting organizations are operated in connection with the Foundation and are commonly known as Type 1 supporting organizations. As such, these organizations are consolidated in accordance with generally accepted accounting principles, but they each hold a separate Internal Revenue Service (IRS) exempt determination letter and are required to be reported separately for federal compliance requirements. AM Land, LLC was an entity created in 2014 with the Foundation as its sole member. There was no activity in AM Land, LLC for the years ending June 30, 2016 and 2015. All intercompany transactions have been eliminated in consolidation.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates. Certain expenses are allocated to functional expense categories based on estimates by management. Significant estimates include the fair value of contributed stock, valuation of investments and amounts related to taxable income, including prepaid income taxes, deferred tax liability and income tax expense.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under these standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that require passage of time or the occurrence of a specific event. When conditions of the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Permanently restricted net assets: Net assets that are subject to donor-imposed restrictions that require the principal balance to be kept in perpetuity while permitting the Foundation to use or expend part or all of the income derived from the assets. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Contributions received are measured at their fair values and are reported as an increase in net assets.

The Foundation has adopted ASC Subtopic 958-205, Endowments of Non-Profit Organizations: Net Asset Classification of Funds. The Foundation has interpreted the State of Nevada enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued) – In accordance with UPMIFA, the Foundation considers the following in making a determination to the appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Cash and Cash Equivalents – In May 2009, the Foundation entered into an agreement with Greater Kansas City Community Foundation/Greater Horizons (Greater Horizons) to provide accounting and related services. During the year ended June 30, 2011, the Foundation entered into an agreement with Greater Horizons to provide investment accounting services. At June 30, 2016 and 2015, cash totaling \$3,367,550 and \$3,076,411, respectively, was held by Greater Horizons for the benefit of the Foundation.

The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances maintained by the Foundation were less than the FDIC insurance limit as of June 30, 2016 and 2015.

Additionally, the Foundation maintains cash balances in money market accounts at investment institutions and cash balances held by Greater Horizons. These amounts may exceed FDIC insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less that are not held for reinvestment to be cash equivalents.

Investments – Pursuant to FASB ASC Topic 958-320, Investments – Debt and Equity Securities for Not-for-Profit Organizations, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Foreign investments, investments in corporate, municipal government and government agency securities are stated at current market value by closing market price or closing market bid quotations as referenced in published sources of current market quotations. Foreign investments are translated into United States dollars at year-end rates of exchange. Privately held stock is valued based on discounted cash flow models.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued) – Realized and unrealized gains and losses of investments are recorded in the accompanying consolidated statement of activities. The amounts the Foundation will ultimately realize could differ materially from the recorded amounts, and significant fluctuations in fair values could occur from year to year. Purchases and sales of investments are recorded on a trade-date basis. The Foundation uses the specific identification method for investment sales. Changes in the value of foreign investments resulting from changes in the exchange rate are reported as part of the unrealized gains of the related investments.

Market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. Management evaluates the investment portfolio on an ongoing basis. The Foundation maintains master investment accounts for its donor-restricted and Board-designated funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. Investments in real estate consist of property recorded at cost or the fair market value at the date of the donation.

Furniture and Equipment –The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method from three to ten years.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue Recognition – As required under FASB ASC Topic 958-605, Revenue Recognition for Non-Profit Entities, all contributions are recognized as support in the consolidated statement of activities in the period received, including bequests and unconditional promises to give, at their estimated net realizable value. Bequests are recognized at the time the Foundation's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets whether or not the restrictions are met in the same reporting period. Investment income earned on the temporarily restricted support is also presented as temporarily restricted support.

Basis of Accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative Fee Revenue – The Foundation charges an administrative fee for managing the funds of the Foundation. Some funds are charged a monthly fee based on the market value of the fund. Some funds are charged a negotiated quarterly fee. The revenue from these fees is credited to the Foundation's operating fund when earned.

Donated Services – Donated services are recognized as contributions in accordance with FASB ASC if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the years ended June 30, 2016 and 2015, donated services were \$1,000 and \$0, respectively.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

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

Income Tax Status – The Foundation and the related supporting organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The related supporting organizations are exempt from federal income tax under Section 509(a)(3) of the Internal Revenue Code. Income which is not related to the Foundation's exempt purposes, less applicable deductions, is subject to state and federal income taxes.

The Foundation follows accounting standards for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state and local tax authority for years before 2013.

Subsequent Events – Subsequent events have been evaluated through September 26, 2016, which is the date the financial statements were available to be issued.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 2. INVESTMENTS

In accordance with the Financial Accounting Standards Board Accounting Standards Codification the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

Investments in marketable securities and investments under management are based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

Investments in government and agency securities are based on market prices as well as activity for identical or similar assets or liabilities when there is no active market. Government and agency securities which are valued based on quoted market prices are categorized as Level 1 of the fair value hierarchy. Government and agency securities which are valued based on activity for identical or similar assets or liabilities are categorized as Level 2 on the fair value hierarchy.

Limited partnerships are investments in limited partnerships that invest primarily in other limited partnerships for the purpose of making investments in international private equity investments, equity securities, warrants or other options that are generally not actively traded at the time of the investment. Generally, the partnership may not transfer or withdraw its investment in limited partnerships prior to their termination. Since the investments are valued using unobservable inputs and do not permit redemption at the measurement date, such investments are classified as Level 3 of the fair value hierarchy.

For the fiscal years ended June 30, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2016 and 2015 are summarized as follows:

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 2. INVESTMENTS (CONTINUED)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2016</u>
Corporate bonds	\$ 130,301	\$ -	-	\$ 130,301
Marketable securities	11,095,027	-	-	11,095,027
Domestic equity				
mutual funds	43,513,812	-	-	43,513,812
Foreign equity mutual funds	13,020,660	-	-	13,020,660
Alternative investment				
mutual funds	316,569	-	-	316,569
Domestic fixed income	28,945,678	-	-	28,945,678
Foreign fixed income	1,784,784	-	-	1,784,784
Government and agency securities	46,548	-	-	46,548
Cash surrender value of life insurance policies	-	967,794	-	967,794
Limited partnerships	-	-	335,049	335,049
Stock, privately held	-	-	17,080,000	17,080,000
Certificates of deposit	5,117	-	-	5,117
Split-interest agreements	-	-	1,425,133	1,425,133
Cash held for reinvestment	<u>4,747,657</u>	<u>-</u>	<u>-</u>	<u>4,747,657</u>
	<u>\$ 103,606,153</u>	<u>\$ 967,794</u>	<u>\$ 18,840,182</u>	<u>\$ 123,414,129</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2015</u>
Corporate bonds	\$ 131,305	\$ -	-	\$ 131,305
Marketable securities	3,303,437	-	-	3,303,437
Domestic equity				
mutual funds	42,075,810	-	-	42,075,810
Foreign equity mutual funds	20,602,696	-	-	20,602,696
Alternative investment				
mutual funds	1,745,852	-	-	1,745,852
Domestic fixed income	33,327,677	-	-	33,327,677
Foreign fixed income	1,840,963	-	-	1,840,963
Government and agency securities	54,255	-	-	54,255
Cash surrender value of life insurance policies	-	1,099,974	-	1,099,974
Limited partnerships	-	-	371,491	371,491
Stock, privately held	-	-	17,080,000	17,080,000
Certificates of deposit	5,058	-	-	5,058
Split-interest agreements	-	-	1,465,467	1,465,467
Cash held for reinvestment	<u>5,250,916</u>	<u>-</u>	<u>-</u>	<u>5,250,916</u>
	<u>\$ 108,337,969</u>	<u>\$ 1,099,974</u>	<u>\$ 18,916,958</u>	<u>\$ 128,354,901</u>

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 2. INVESTMENTS (CONTINUED)

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30:

	Stock Privately Held	Limited Partnerships	Split-interest Agreements Held by Third Parties	Total
Balance, June 30, 2014	\$ 17,080,000	\$ 396,017	\$ 1,432,033	\$ 18,908,050
Net unrealized gains (losses) on investments	-	(24,526)	33,434	8,908
Balance, June 30, 2015	17,080,000	371,491	1,465,467	18,916,958
Net unrealized gains (losses) on investments	-	(36,442)	(40,334)	(76,776)
Balance, June 30, 2016	<u>\$ 17,080,000</u>	<u>\$ 335,049</u>	<u>\$ 1,425,133</u>	<u>\$ 18,840,182</u>

NOTE 3. SPLIT-INTEREST AGREEMENTS

In December 1991, the Foundation became the trustee of a donor established charitable remainder unitrust, naming the Foundation as the remainder beneficiary. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiary's death. Until the death of the lead beneficiary, the Foundation's assets related to this contribution are restricted for the use of making payments to the lead beneficiary under the terms of the agreement. The related assets are valued at fair market value based on stated market values. The associated liability is valued using the techniques outlined in Publication 1458 of the IRS. The initial gross contribution was recorded as a temporarily restricted contribution for which corresponding assets and a liability was recorded. The asset value of the agreement held as investments was \$58,594 and \$62,896 at June 30, 2016 and 2015, respectively. The change in the asset value of the split-interest agreement was a loss of \$4,302 and \$6,093 during the years ended June 30, 2016 and 2015, respectively. The liability value related to the agreement was \$34,571 and \$38,049 at June 30, 2016 and 2015, respectively. The changes in the liability value of the split-interest agreement were due to the distribution to the beneficiary in the amount of \$4,151 and \$12,448, and the recalculation of the present value that resulted in an increase of \$673 and \$7,784 during the years ended June 30, 2016 and 2015, respectively.

During 2005, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 10% of the investment's value at December 31st each year until the lead beneficiary's death. At the time of the noncharitable lead beneficiary's death, the trust is to

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

terminate and the remaining trust assets are to be distributed to the Foundation. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiary's life expectancy. At June 30, 2016 and 2015, a payout rate of 9.88% and 9.88%, respectively, with a remainder factor of 0.38641 and 0.35126, respectively, was used to estimate the present value of future benefits expected to be received by the Foundation valued at \$94,753 and \$101,230, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split-interest agreement receivable. The change in the value of the split-interest agreement was a loss of \$6,477 and \$8,527 during the years ended June 30, 2016 and 2015, respectively.

In December 2009, the Foundation was informed that a donor established a charitable remainder annuity trust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder annuity trust, the two noncharitable lead beneficiaries are to receive total quarterly payments of 7% of the initial fair market value of the trust until the earlier of the death of either beneficiaries or ten years after the death of the donor, which occurred in February 2009. For the years ended June 30, 2016 and 2015, a payout rate of 8.33% and 8.33%, respectively, and life factor of 1.9473 and 2.8839, respectively, was used to estimate the present value of future benefits to be received by the Foundation valued at \$1,157,809 and \$1,178,921, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split-interest agreement receivable. The change in the value of the split interest agreement was a loss of \$21,112 and a gain of \$41,389 during the years ended June 30, 2016 and 2015, respectively.

In February 2012, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as one of the remainder beneficiaries. Under the terms of the charitable remainder unitrust agreement, the non-charitable lead beneficiaries are to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiaries' deaths. At the time of the noncharitable lead beneficiaries' deaths, the trust is to terminate, \$100,000 will be distributed to another organization, and the remaining trust assets are to be distributed among five organizations with the Foundation being one of them. Based on the noncharitable lead beneficiaries' life expectancies, the fair market value of the assets is evaluated at December 31st of each year. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiaries' life expectancies. At June 30, 2016 and 2015, a payout rate of 9.88% and 9.88%, respectively, with a remainder factor of 0.23976 and 0.22711, respectively, was used to estimate the present value of future benefits expected to be received, with the Foundation's share valued at \$113,977 and \$122,420, respectively. The change in the value of the split-interest agreement was a loss of \$8,443 and a gain of \$6,665 during the years ended June 30, 2016 and 2015, respectively.

The fair value of the assets and liabilities are categorized as Level 3 assets.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

The Foundation's split-interest agreement assets and liabilities are valued at fair value on a recurring basis as of June 30, 2016 as follows:

	Level 3 Assets	Level 3 Liabilities
Assets held by third party:		
January 2005 agreement	\$ 94,753	\$ -
December 2009 agreement	1,157,809	-
February 2012 agreement	113,977	-
	1,366,539	-
Assets and liabilities held by the Foundation:		
December 1991 agreement	58,594	34,571
	\$ 1,425,133	\$ 34,571

The Foundation's split-interest agreement assets and liabilities are valued at fair value as of June 30, 2015 as follows:

	Level 3 Assets	Level 3 Liabilities
Assets held by third party:		
January 2005 agreement	\$ 101,230	\$ -
December 2009 agreement	1,178,921	-
February 2012 agreement	122,420	-
	1,402,571	-
Assets and liabilities held by the Foundation:		
December 1991 agreement	62,896	38,049
	\$ 1,465,467	\$ 38,049

NOTE 4. AGENCY OBLIGATIONS

Agency obligations are funds held in trust by the Foundation and can only be used for the following organizations. The donors control the use and distribution of these funds. The agencies' assets held in trust and corresponding obligations consist of the following at June 30:

	2016	2015
Vegas PBS Endowment Funds	\$ 1,314,993	\$ 1,284,551
Nevada Policy Research Fund	119,131	119,510
Gillis Foundation Fund	123,039	118,105
Keyser Education Endowment Fund	64,106	64,314
Nevada Blind Children Foundation Fund	54,740	54,915
Communities in Schools Fund	36,055	36,567
Red Mountain Music Fund	30,220	30,525
Nevada Wilderness Fund	29,560	29,869
Variety Day Home Fund	9,060	11,835
Helping Hands Surgical Care Fund	(68)	315
	\$ 1,780,836	\$ 1,750,506

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 5. COMMITMENTS AND CONTINGENCIES

Operating Leases - In February 2016, the Foundation entered into a lease for office facilities under an operating lease expiring in January 2017. The monthly lease amount is \$2,359, for a future minimum obligation of \$16,513 during the year ended June 30, 2017. Rental expense for the office facilities for the years ending June 30, 2016 and 2015 totaled \$53,816 and \$59,571, respectively.

Concentrations - Of the total contributions received during the year ended June 30, 2016, the Foundation received significant donations from one donor totaling \$308,349, representing 19% of contributions and 6% of total revenue.

Of the total contributions received during the year ended June 30, 2015, the Foundation received significant donations from two donors totaling \$2,277,463, representing 54% of contributions and 27% of total revenue.

Of the total grants paid out during the years ended June 30, 2016 and 2015 to various organizations, the Foundation donated significant amounts over the course of the year to one and four organizations totaling \$4,000,000 and \$4,082,000 representing 54% and 48% of grants awarded and 38% and 35% of total expenses, respectively.

NOTE 6. EMPLOYEE BENEFIT PLAN

The Foundation has a Simplified Individual Retirement Account (Simple-IRA) plan covering all employees who have worked for the Foundation for one year and have earned at least \$5,000 in compensation during the year. The Foundation makes matching contributions to the plan each year up to 3% of all participants' compensation. The total contributions and expenses associated with the plan for the years ending June 30, 2016 and 2015 were \$9,997 and \$10,938, respectively, which is included in employee benefits on the consolidated statement of functional expenses.

The Executive Committee approved a Section 457 deferred compensation plan on July 28, 2014, effective July 1, 2014. There is only one participant in the deferred compensation plan. The Foundation will determine its contribution, if any, for the plan year and the participant may contribute salary reduction in excess of such Board contribution up to the maximum allowed by law. The total contributions to the plan for the years ended June 30, 2016 and 2015 were \$0 and \$17,500, respectively, which are included in employee benefits on the consolidated statement of functional expenses.

NOTE 7. GRANTS PAYABLE

The main function of the Foundation is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. Grants payable to be paid after one year are discounted based on the year promised at rates ranging from 0.2% to 0.74%.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 7. GRANTS PAYABLE (CONTINUED)

Grants payable are summarized as follows at June 30:

	<u>2016</u>	<u>2015</u>
Due in one year	\$ 1,611,403	\$ 788,268
Due in one to five years	475,000	779,903
	<u>2,086,403</u>	<u>1,568,171</u>
Current	1,611,403	788,268
Long-term	475,000	779,903
Less: discounts to present value	<u>(3,641)</u>	<u>(7,424)</u>
Long-term, net of current portion and discount	<u>\$ 471,359</u>	<u>\$ 772,479</u>

The Foundation pledges scholarship funds to individuals throughout the year. The scholarships are conditional based on the individual attending school for the pledged semester. As these pledges are conditional, these pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS

At June 30, 2016 and 2015, the Board of Directors (the "Board") has designated approximately \$679,000 and \$712,000, respectively, for the benefit of former boxers for financial and medical hardship, including funds for housing, basic living expenses, and payment of medical costs not covered by insurance. At June 30, 2016 and 2015, the Board has also designated \$0 and approximately \$30,000, respectively, to fund the Accelerate Nevada Federal Competitiveness Initiative Project.

Temporarily restricted net assets are available as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Specified charities	\$ 10,524,838	\$ 10,856,748
Educational issues	3,652,439	3,807,110
Animal issues	2,931,881	3,001,424
Scholarships	1,359,756	1,260,600
Emergency relief	731,087	764,761
Time restricted funds	372,831	407,277
Children and youth issues	235,053	257,873
Community support	143,291	135,961
Senior citizen issues	97,101	99,864
Veterans affairs	<u>30,032</u>	<u>-</u>
	<u>\$ 20,078,309</u>	<u>\$ 20,591,618</u>

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Restricted assets, consisting of the following, are presented as temporarily restricted net assets as of June 30:

	<u>2016</u>	<u>2015</u>
Cash	\$ 726,854	\$ 606,755
Investments	17,960,893	18,557,444
Net assets related to split-interest agreements	<u>1,390,562</u>	<u>1,427,419</u>
	<u>\$ 20,078,309</u>	<u>\$ 20,591,618</u>

The Foundation's permanently restricted net assets include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments (collectively referred to as the endowment fund), are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment funds are the Foundation's only permanently restricted net assets and are available as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Medical research	\$ 503,000	\$ 503,000
Children and youth issues	<u>253,565</u>	<u>253,565</u>
	<u>\$ 756,565</u>	<u>\$ 756,565</u>

Endowment funds and permanently restricted net assets are held in the following assets as of June 30:

	<u>2016</u>	<u>2015</u>
Cash held for reinvestment	\$ -	\$ 3,344
Investments	<u>756,565</u>	<u>753,221</u>
	<u>\$ 756,565</u>	<u>\$ 756,565</u>

The endowment includes only donor-restricted endowment funds and earnings. As required by generally accepted accounting principles (GAAP), 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 of the Foundation has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in accordance with the donor's wishes. There are no Board designations of endowment funds.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

During the year ended June 30, 2016, the Foundation's endowment funds had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ -	\$ 7,320	\$ 756,565	\$ 763,885
Loan from unrestricted	(8,360)	8,360	-	-
Interest and dividends, net of investment expenses	-	7,624	-	7,624
Amount appropriated for expenditure	-	(7,725)	-	(7,725)
Net unrealized gains (losses) on investments	-	(15,579)	-	(15,579)
Change in net assets	<u>(8,360)</u>	<u>(7,320)</u>	<u>-</u>	<u>(15,680)</u>
Balance, June 30, 2016	<u>\$ (8,360)</u>	<u>\$ -</u>	<u>\$ 756,565</u>	<u>\$ 748,205</u>

During the year ended June 30, 2015, the Foundation's endowment funds had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2014	\$ -	\$ 19,706	\$ 753,565	\$ 773,271
Contributions received	-	-	3,000	3,000
Interest and dividends, net of investment expenses	-	18,296	-	18,296
Amount appropriated for expenditure	-	(14,573)	-	(14,573)
Net unrealized gains (losses) on investments	-	(16,109)	-	(16,109)
Change in net assets	<u>-</u>	<u>(12,386)</u>	<u>3,000</u>	<u>(9,386)</u>
Balance, June 30, 2015	<u>\$ -</u>	<u>\$ 7,320</u>	<u>\$ 756,565</u>	<u>\$ 763,885</u>

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 requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature would be included in unrestricted net assets. The fund had a deficiency of \$8,360 at June 30, 2016 due to market fluctuations in the account. There were no deficiencies at June 30, 2015.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 and 2015

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets, the primary emphasis of which is on capital growth. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten year time frame. The Foundation expects its endowment funds, over time, to provide an average rate of return commensurate with other moderate risk investment portfolios.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a current policy of retaining the earnings within the endowment fund until such time that the Board has determined specific expenditures in which to use the earnings not restricted by the donor, with an expected annual distribution rate of 2.5%. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9. INCOME TAXES

In December 2013, the Foundation received a contribution of privately held stock. During the years ended June 30, 2016 and 2015, the Foundation received distributions related to the privately held stock, which is considered unrelated business income. As such, the Foundation recorded income tax expense of \$846,190, and \$1,496,338 during the years ended June 30, 2016 and 2015, respectively.

In addition, the Foundation recognizes a deferred income tax liability related to the \$16,521,583 difference between the estimated fair market value of the privately held stock of \$17,080,000 and the estimated tax basis of the privately held stock of \$558,417 at June 30, 2016. An estimated blended federal and state tax rate of 38.05% was used to determine the estimate deferred tax liability of \$6,286,462. There are no other components of the estimated deferred tax liability at June 30, 2016.

The estimated fair market value of the privately held stock at June 30, 2015 was \$17,080,000, and the estimated tax basis of the privately held stock was \$1,015,449, resulting in a difference of \$16,064,551 and an estimated deferred tax liability of \$6,112,562.

Under the terms of the agreement with the donor, the company in which the Foundation owns the privately held stock will distribute to the Foundation an amount equal to the amount of tax due and payable by the Foundation under section 511(a)(1) of the Internal Revenue Code by reason of the Foundation's ownership in the shares. As a conditional promise to give, the contributions will be recorded when the conditions are met.