

THE PARK CITY FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

INDEPENDENT AUDITORS' REPORT

June 23, 2016

Board of Directors of  
The Park City Foundation  
Park City, Utah

We have audited the accompanying financial statements of The Park City Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Park City Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Demant & Company*

THE PARK CITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
Cash and cash equivalents	\$ 738,083	\$ 490,639
Miscellaneous receivables	125,279	32,778
Promises to give, net	153,665	300,310
Fixed assets, net	2,953	6,462
Investments	4,880,307	3,813,530
Investments - donor restricted	1,275,852	1,231,861
Performance account cash asset	1,082,522	1,262,500
Total Assets	\$ 8,258,661	\$ 7,138,080
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ -	\$ 8,003
Agency endowment funds	1,371,768	1,158,972
Performance account liability	1,082,522	1,262,500
Total Liabilities	2,454,290	2,429,475
 Net Assets		
Unrestricted net assets:		
Unrestricted net assets - undesignated	848,619	746,554
Board-designated quasi-endowments	3,414,123	2,468,345
Total unrestricted net assets	4,262,742	3,214,899
Temporarily restricted net assets	265,777	261,845
Permanently restricted net assets	1,275,852	1,231,861
Total Net Assets	5,804,371	4,708,605
Total Liabilities and Net Assets	\$ 8,258,661	\$ 7,138,080

See accompanying notes and auditors' report

THE PARK CITY FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 2,134,458	\$ 127,202	\$ 43,991	\$ 2,305,651
Investment and dividends, net of related fees	82,024	(2,585)	-	79,439
Net realized and unrealized losses on investments	(37,480)	(16,350)	-	(53,830)
Fee revenue	46,989	-	-	46,989
Net assets released from restrictions	104,335	(104,335)	-	-
Total Revenues, Gains, and Other Support	2,330,326	3,932	43,991	2,378,249
<b>Expenses</b>				
Program	1,048,566	-	-	1,048,566
Management and general	86,987	-	-	86,987
Fund raising	146,930	-	-	146,930
Total Expenses	1,282,483	-	-	1,282,483
Change in net assets	1,047,843	3,932	43,991	1,095,766
Net assets, beginning of year	3,214,899	261,845	1,231,861	4,708,605
Net assets, end of year	\$ 4,262,742	\$ 265,777	\$ 1,275,852	\$ 5,804,371

	2014			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 1,041,234	\$ -	\$ 530,630	\$ 1,571,864
Investment and dividends, net of related fees	108,671	(2,124)	-	106,547
Net realized and unrealized gains on investments	31,960	2,062	-	34,022
Fee revenue	47,354	-	-	47,354
Net assets released from restrictions	36,347	(36,347)	-	-
Total Revenues, Gains, and Other Support	1,265,566	(36,409)	530,630	1,759,787
<b>Expenses</b>				
Program	1,653,097	-	-	1,653,097
Management and general	104,454	-	-	104,454
Fund raising	173,624	-	-	173,624
Total Expenses	1,931,175	-	-	1,931,175
Change in net assets	(665,609)	(36,409)	530,630	(171,388)
Net assets, beginning of year	3,880,508	298,254	701,231	4,879,993
Net assets, end of year	\$ 3,214,899	\$ 261,845	\$ 1,231,861	\$ 4,708,605

See accompanying notes and auditors' report

THE PARK CITY FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Total change in net assets	\$ 1,095,766	\$ (171,388)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	53,830	(34,022)
Endowment contributions	(43,991)	(530,630)
Endowment investment loss, net	18,395	62
Depreciation and amortization	4,290	4,834
Change in other assets and liabilities:		
Decrease in promises to give	146,645	55,777
Decrease (increase) in performance account asset	179,978	(87,500)
Increase in miscellaneous receivables	(92,501)	(21,191)
(Decrease) increase in accounts payable	(8,003)	7,858
Increase in agency endowment funds	212,796	548,548
(Decrease) increase in performance account liability	(179,978)	87,500
Net cash provided by (used in) operating activities	<u>1,387,227</u>	<u>(140,152)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(781)	(3,022)
Purchase of investments	(1,164,598)	(673,900)
Net cash used in investing activities	<u>(1,165,379)</u>	<u>(676,922)</u>
<b>Cash flows from financing activities:</b>		
Endowment investment loss, net	(18,395)	(62)
Endowment contributions	43,991	530,630
Net cash provided by financing activities	<u>25,596</u>	<u>530,568</u>
Net increase (decrease) in cash and cash equivalents	247,444	(286,506)
Cash and cash equivalents, beginning of period	490,639	777,145
Cash and cash equivalents, end of period	<u>\$ 738,083</u>	<u>\$ 490,639</u>

See accompanying notes and auditors' report

# THE PARK CITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

#### NOTE 1 - ORGANIZATION

The Park City Foundation, also known as the Park City Community Foundation (PCCF) is greater Park City, Utah's community foundation, serving donors (families and businesses), nonprofits, and residents of Summit County, Utah. PCCF's mission is to strengthen its community through collaborative giving and action. From inception in 2004 through 2015, PCCF has invested over \$9.5 million in its community and beyond. PCCF meets the highest standard for giving. PCCF has been confirmed in compliance with the National Standards for U.S. Community Foundations, which establishes legal, ethical, effective practices for community foundations nationwide.

PCCF has three strategic goals.

1. Endow Summit County's Future – create an endowment to sustain and enhance PCCF's ability to serve the community.
2. Support Nonprofits - promote the Park City nonprofit community by providing grant, education, and networking opportunities.
3. Achieve Long-term Community Gains – collaborate with partners and align resources to accomplish shared goals.

PCCF's primary programs include:

*Live PC Give PC* – PCCF leads an annual giving day event, [livepcgivepc.org](http://livepcgivepc.org). The goals are to connect nonprofits to a new revenue stream and new donors and to raise awareness of local organizations. In 2015, Live PC Give PC had almost 3,300 donors in a single 24-hour period and raised over \$1,340,000 for area organizations. There was over 2,500 donors and over \$1,008,000 raised in 2014 for the same event.

*Park City Women's Giving Fund* – In 2014, PCCF concluded a campaign to raise a \$1 million endowment by engaging more than 1,000 people to make a \$1,000 contribution. The endowment is for nonprofit organizations that serve women and children of Summit County, Utah. The fund's 1,200+ members consist of those donors contributing to the fund. Annually, each member is given the opportunity to vote for a single grant recipient. The finalists are selected by a committee of members and approved by PCCF's Board of Directors. The first grant was made in July of 2015. Additionally, Women's Giving Fund members gather together and commit their time and resources to local causes. Specifically, the group formed a mentoring program for local girls which was implemented in 2015.

## THE PARK CITY FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

*Community Fund* – Annually, PCCF grants to local nonprofit organizations in the areas of children & families, arts & culture, conservation & environment, health & human services, sports & recreation and more. The organizations are well governed and have excellent programs. They meet Park City’s pressing needs and/or keep the community unique and vibrant. Since inception, the program has granted \$910,000 to Park City's nonprofit organizations.

*Nonprofit Education* – Annually, PCCF provides affordable, accessible, high quality continuing education to area nonprofit professionals. The result is more effective and efficient nonprofits. Quarterly, PCCF facilitates Executive Director Roundtables to help foster collaboration and share best practices. PCCF also hosts topical seminars; past topics include: fiscal sustainability, boards and governance, major gift fundraising and more.

*Other Programming* – PCCF also offers individualized philanthropic services to business and families, including donor-advised and other funds. PCCF has implemented a climate change initiative that resulted in the website, parkcitygreen.org. PCCF is an active leader in Promise Park City, a collaboration among school, government, and nonprofits to help all children achieve their potential.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of PCCF have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

##### Financial Statement Presentation

PCCF presents its financial statements in accordance with U.S. generally accepted accounting principles and the related standards whereby net assets and changes therein are classified according to the existence or absence of time or donor-imposed restrictions.

In accordance with the standards in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), funds received and managed by the reporting entity that are created by organizations which specify themselves or their affiliates as the funds' beneficiaries (agency funds) are classified as liabilities, even though the fund holders have explicitly granted PCCF variance power. Grants disbursed from donor directed and agency funds reduce these liabilities.



THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Cash and Cash Equivalents

PCCF considers financial instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held as a portion of PCCF's endowment portfolio are classified as investments and are not considered to be cash equivalents.

Investments

In accordance with the standards in FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Promises to Give

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current receivables. Promises to give due in subsequent years are reflected as long-term receivables and are classified as temporarily restricted net assets. PCCF uses the allowance method to determine uncollectible unconditional promises to give based on management's analysis of specific promises made. At December 31, 2015 and 2014, no allowance was deemed necessary.

Furniture, Equipment, Depreciation and Amortization

Purchased furniture, equipment, and improvements are carried at cost. Donated equipment is recorded at its estimated fair market value on the date of contribution. Gifts of long-term assets are reported as unrestricted support 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 equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, PCCF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. PCCF reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation and amortization of property and equipment is provided over the estimated useful lives of 3 to 7 years for the respective assets on a straight-line basis. PCCF's capitalization policy is to capitalize any fixed asset expenditures costing more than \$500.

There are no restrictions or limitations on the use of PCCF's capitalized furniture and equipment.

THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Revenue Recognition

PCCF is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed-restrictions. With the exception of permanently restricted endowments and pledges to be received in future years, most of the PCCF's gift instruments explicitly grant PCCF variance power to redirect the use of assets. As a result, most contributions are recorded as unrestricted. Net assets are internally designated by type of fund and managed according to PCCF's respective administrative and investment policies.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the current period are recorded as unrestricted contributions. PCCF's temporarily restricted net assets are discussed in Note 9. PCCF's permanently restricted net assets are discussed in Note 12.

Contributions, which may include non-cash assets, unconditional promises to give and beneficial interests in irrevocable trusts or other legally-binding agreements, are recognized as revenue at fair value in the period pledged or received. Contributions receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributions and bequests may include donor-imposed restrictions or require the fulfillment of certain conditions as set forth in the gift instrument. Failure to fulfill these conditions could require the return of funds to donors. As PCCF only accepts those gifts for which it agrees to the terms and conditions contained in the gift instrument, PCCF believes this contingency is remote.

During the year ended December 31, 2015 a contribution of \$1,010,000 was made to a donor advised fund which was approximately 44% of total contributions received.

Functional Allocation of Expenses

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

THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Income Taxes

PCCF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, PCCF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) of the Code. Tax years that remain open to examination by the Internal Revenue Service are years 2012 through 2015.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

PCCF received a \$1,000,000 contribution to a donor advised fund subsequent to December 31, 2015.

Management has evaluated subsequent events through June 23, 2016, the date when the financial statements were available to be issued.

NOTE 3 - FINANCIAL INSTRUMENTS

PCCF maintains its cash balances at two financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2015 and 2014, PCCF's cash balances were \$2,360,952 and \$1,932,641 in excess of the insured limits, respectively. The calculation of the amounts in excess of the insured limits includes cash in the performance account and the cash component of investments and investments-donor restricted, in each case, as presented on the statement of financial position.

THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give at December 31, are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 77,126	\$ 184,738
Receivable in one to five years	80,000	122,500
Total unconditional pledges receivable	<u>157,126</u>	<u>307,238</u>
Less discounts to net present value	(3,461)	(6,928)
Net unconditional promises to give	<u><u>\$ 153,665</u></u>	<u><u>\$ 300,310</u></u>

Pledges receivable in more than one year are discounted at 3%. One donor represented approximately 76% of promises to give; no other donor represented more than 10% of promises to give at December 31, 2015. One donor represented approximately 65% of promises to give and one donor represented approximately 10% of promises to give at December 31, 2014; no other donor represented more than 10% of promises to give at December 31, 2014.

NOTE 5 - PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

A summary of property and equipment and accumulated depreciation and amortization at December 31 follows:

	<u>2015</u>	<u>2014</u>
Web creation	\$ 27,665	\$ 27,665
Database software	15,639	15,639
Furniture and fixtures	4,065	4,065
Equipment	26,989	26,208
Total property and equipment	<u>74,358</u>	<u>73,577</u>
Accumulated depreciation and amortization	(71,405)	(67,115)
Fixed assets, net	<u><u>\$ 2,953</u></u>	<u><u>\$ 6,462</u></u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014, totaled \$4,290 and \$4,834, respectively.

THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - INVESTMENTS

Investments are carried at market or appraised value, and realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets. Investment income was reported net of \$7,118 and \$0 of related investment expense for the years ended December 31, 2015 and 2014, respectively. Investment earnings available for distribution are recorded in unrestricted net assets. All long-term investments have readily determinable fair values. Investments as of December 31, are summarized as follows:

	2015	2014
Cash and money market funds	\$ 826,813	\$ 576,337
Fixed income	1,987,676	1,790,476
Equities	3,341,670	2,678,578
Investments at fair value	\$6,156,159	\$5,045,391

PCCF holds all of its investments in the custody of one financial institution. The financial institution carries out investment and securities transactions through its broker affiliate. At December 31, 2015 and 2014, PCCF's uninsured non-cash investments were \$5,329,346 and \$4,469,054, respectively.

NOTE 7 - FAIR VALUE MEASUREMENTS

The fair value of assets reported in the financial statements are measured as follows:

Assets measured at fair value on a recurring basis -

<u>Description</u>	<u>Carrying Amount at 12/31/2015</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
		<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Other Unobservable Inputs</u>
Fixed income securities	\$ 1,987,676	\$ 279,675	\$ 1,708,001	\$ -
Equity securities	3,341,670	3,341,670	-	-
Fair value of investments	\$ 5,329,346	\$ 3,621,345	\$ 1,708,001	\$ -

THE PARK CITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>Description</u>	<u>Carrying Amount at 12/31/2014</u>	<u>Fair value measurements at reporting date using</u>		
		<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
		<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Other Unobservable Inputs</u>
Fixed income securities	\$ 1,790,476	\$ 282,532	\$ 1,507,944	\$ -
Equity securities	2,678,578	2,678,578	-	-
Fair value of investments	<u>\$ 4,469,054</u>	<u>\$ 2,961,110</u>	<u>\$ 1,507,944</u>	<u>\$ -</u>

The fixed income securities reported under level II were valued using the quoted price from the investment custodian, J.P. Morgan.

NOTE 8 - PERFORMANCE ACCOUNT FUND

PCCF entered into an agreement during the year ended December 31, 2013 in which PCCF will hold cash funds on behalf of, and received from, another nonprofit organization. The cash funds are in a bank account separate from all other PCCF cash funds as required by the agreement. As the other nonprofit organization meets certain criteria in regards to its projects, PCCF will distribute the cash funds to a third party. The agreement is long term and may last up to twelve years. Although the funds are in PCCF's name, PCCF is holding the funds as a nominee and is reliant upon third parties to indicate when a disbursement is to be made and to whom it shall be made. PCCF receives annually a nominal fee for managing the fund. Any remaining funds when the agreement is terminated are to be returned to the other nonprofit organization. Funds received and relating to the agreement are classified in the statement of financial position as both an asset and liability titled "Performance account."

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Time-restricted unconditional promises to give:		
Summit Community Power Works program	\$ 138,575	\$ 240,358
Park City Giving Guide	66,702	-
Long Term Strategic Planning	10,500	-
Unappropriated net endowment earnings - See Note 12 and Note 13	50,000	-
	-	21,487
Total temporarily restricted net assets	<u>\$ 265,777</u>	<u>\$ 261,845</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Reconciliation to promises to give - See Note 4:

	<u>2015</u>	<u>2014</u>
Time-restricted unconditional promises to give	\$ 138,575	\$ 240,358
Permanently restricted unconditional promises to give	15,090	59,952
Net unconditional promises to give	<u>\$ 153,665</u>	<u>\$ 300,310</u>

Reconciliation to unappropriated net endowment earnings available:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 21,487	\$ 21,945
Total investment return	(18,935)	(62)
Net appropriation	(2,552)	(396)
Ending balance	<u>\$ -</u>	<u>\$ 21,487</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consist of the following:

	<u>2015</u>	<u>2014</u>
Reduction in time restricted unconditional promises to give	\$ 101,783	\$ 35,951
Appropriation of endowment earnings		
Appropriation	30,000	396
Appropriation in excess of unappropriated funds available	(27,448)	-
Net appropriation from endowment earnings	<u>2,552</u>	<u>396</u>
Total release from restrictions	<u>\$ 104,335</u>	<u>\$ 36,347</u>

NOTE 11 - ENDOWMENT POLICY OBJECTIVES

The long term financial objective of the funds is to provide PCCF's ongoing programs with a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. If this objective is to be achieved over the long term, the value of the funds, net of withdrawals, must also increase at least as fast as the rate of inflation.

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In order to achieve the aforementioned financial objective, the long term return objective for the funds is to attain an inflation-adjusted total returns (net of investment management fees) at least equal to the contemplated spending rate which is expected to average 5% over time, within the agreed PCCF risk parameters. As investment returns are cyclical, the funds will have to exceed this objective substantially during some periods in order to compensate for shortfalls during other periods; hence evaluation of progress toward this objective is made with a long term perspective. It is recognized that this objective implies an investment portfolio with a material component of equity securities and consequent market price volatility.

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2015 and 2014, are restricted to investment in perpetuity, the income from which is expendable as specified below.

PCCF has interpreted state law and the Uniform Management of Institutional Funds Act (UPMIFA) as requiring PCCF to preserve the historical dollar value of permanently restricted endowments and to appropriate an amount of net appreciation as is prudent. As a result, the original value of initial contributions and the original value of subsequent contributions to the permanent endowments are classified as permanently restricted net assets. Absent any specific donor stipulations, investment earnings are classified as temporarily restricted net assets until appropriated.

PCCF may appropriate up to 7% annually of the fair market value of permanently restricted endowments to fund operations for the respective endowment beneficiaries (Leadership Park City, Park City Performing Arts, and Park City Film) and to fund program grants from the Women's Giving Fund. The appropriations are calculated on the basis of quarterly market values averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made. In the event a permanently restricted endowment fund has been in existence fewer than three years, the fair market value of the endowment fund shall be calculated for the period of time the endowment fund has been in existence. Any return in excess of these appropriations is reinvested in the endowment and is shown on the statement of financial position as temporarily restricted net assets. PCCF may charge up to 2.25% of the fair market value of a permanently restricted endowment calculated on a pro-rata monthly basis for administrative oversight and program management costs. Additional services provided by PCCF may result in additional charges to those funds.



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In such years when a deficiency occurs (resulting from an appropriation that is larger than the available endowment investment return and thus reducing the investments that comprise the permanently restricted portion of the endowment), such deficiencies are offset against unrestricted net assets on the statement of financial position. Endowment investment return in subsequent years should eliminate the deficiency. The deficiency was \$27,448 at December 31, 2015. There was no such deficiency for the year ended December 31, 2014.

Appropriation decisions within the above policy parameters are recommended by the Investment and Finance Committee with final approval by the Board of Directors. For the year ended December 31, 2015 and 2014, in accordance with the policy described in the preceding paragraph, the Board appropriated 0% and 5% respectively, of the fair market value of the permanently restricted endowments for use by the endowment beneficiaries. For the year ended December 31, 2015 there was an approximate 3% appropriation in the amount of \$30,000 for the Women's Giving Fund. For the year ended December 31, 2014 no amount was appropriated for the Women's Giving Fund.

As of December 31, historical dollar value of permanently restricted net assets are as follows:

	<u>2015</u>	<u>2014</u>
Leadership Park City	\$ 5,739	\$ 5,630
Park City Performing Arts	500	500
Park City Film	500	500
Women's Giving Fund	1,269,113	1,225,231
Total	<u>\$ 1,275,852</u>	<u>\$ 1,231,861</u>

NOTE 13 - BOARD-DESIGNATED QUASI-ENDOWMENTS

Board designated quasi-endowments, included in unrestricted net assets, consist of the following at December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
PCCF Operating quasi-endowment	\$ 304,433	\$ 317,342
Candy Erickson Fund for the Betterment of Park City	70,515	70,264
Donor advised funds (DAF) managed as endowments	3,039,175	2,080,739
Total Board-Designated net assets	<u>\$ 3,414,123</u>	<u>\$ 2,468,345</u>

Similar to PCCF's permanently restricted endowments, PCCF appropriates up to 7% annually of the fair market value of its own Operating quasi-endowment to PCCF operations, calculated on the basis of

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quarterly market values averaged over a period of three years immediately preceding the year in which the appropriation for expenditure is made. PCCF appropriated approximately 5% of its Operating quasi-endowment for the years ended December 31, 2015 and 2014.

The Candy Erickson Fund for the Betterment of Park City and the Donor advised funds managed as endowments do not have appropriation policies, rather PCCF approves the disbursement from such quasi-endowments for grants as advised.

NOTE 14 - ENDOWMENT RECONCILIATION

	2015		
	Donor Restricted	Board Designated	Total Endowments
Fair market value:			
Beginning balance	\$ 1,253,348	\$ 2,468,345	\$ 3,721,693
Contributions	43,991	1,137,701	1,181,692
Realized and unrealized losses	(16,350)	(36,448)	(52,798)
Interest and dividends	26,807	53,365	80,172
Administrative fees	(24,807)	(25,215)	(50,022)
Other investment and fund expenses	(4,585)	(4,663)	(9,248)
Grants	-	(163,963)	(163,963)
Appropriated	(30,000)	(15,000)	(45,000)
Ending balance	<u>\$ 1,248,404</u>	<u>\$ 3,414,122</u>	<u>\$ 4,662,526</u>

	2015		
	Donor Restricted	Board Designated	Total Endowments
Unrestricted	\$ (27,448)	\$ 3,414,122	\$ 3,386,674
Permanently restricted	1,275,852	-	1,275,852
Totals	<u>\$ 1,248,404</u>	<u>\$ 3,414,122</u>	<u>\$ 4,662,526</u>

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	2014		
	<u>Donor Restricted</u>	<u>Board Designated</u>	<u>Total Endowments</u>
Fair market value:			
Beginning balance	\$ 723,176	\$ 3,182,844	\$ 3,906,020
Contributions	530,630	178,319	708,949
Realized and unrealized gains	2,062	30,610	32,672
Interest and dividends	28,057	74,651	102,708
Administrative fees	(20,922)	(25,709)	(46,631)
Other investment and fund expenses	(9,259)	(1,423)	(10,682)
Grants	-	(204,855)	(204,855)
DAF closing transfer to another foundation	-	(619,373)	(619,373)
Reclassification from DAF quasi endowed	-	(131,719)	(131,719)
Appropriated	(396)	(15,000)	(15,396)
Ending balance	<u>\$ 1,253,348</u>	<u>\$ 2,468,345</u>	<u>\$ 3,721,693</u>

	2014		
	<u>Donor Restricted</u>	<u>Board Designated</u>	<u>Total Endowments</u>
Unrestricted	\$ -	\$ 2,468,345	\$ 2,468,345
Temporarily restricted with purpose restrictions	21,487	-	21,487
Permanently restricted	1,231,861	-	1,231,861
Totals	<u>\$ 1,253,348</u>	<u>\$ 2,468,345</u>	<u>\$ 3,721,693</u>

NOTE 15 - LEASES

Effective May 1, 2012 PCCF entered into a lease agreement for rent at \$750 per month through July 31, 2015. The rent charged is discounted approximately \$30,000 on an annual basis resulting in the \$750 per month agreement. Consequently, both contribution revenue and rent expense have been increased by \$17,500 through July 31, 2015. Effective August 1, 2015 PCCF entered into a two year lease agreement (with an additional two year lease option) for office space at market rates payable monthly in the amount of \$1,025.

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NOTE 16 - RELATED PARTIES

All board members and management are donors to PCCF. Board and management contributed \$374,963 and \$195,236 for the years ended December 31, 2015 and 2014, respectively. Current board members and management have 14 donor advised funds at PCCF. The balance of board and management donor advised funds were \$1,460,037 and \$1,838,016 at December 31, 2015 and 2014, respectively.