

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

August 7, 2017

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

We have audited the accompanying financial statements of The Park City Foundation, dba Park City Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, 2016 and 2015, 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.

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THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,711,172	\$ 738,083
Miscellaneous receivables	19,180	125,279
Promises to give, net	90,366	153,665
Investments	5,616,528	4,880,307
Fixed assets, net	2,167	2,953
Investments - donor restricted	1,375,291	1,275,852
Performance account cash asset	832,380	1,082,522
Total Assets	<u>\$ 9,647,084</u>	<u>\$ 8,258,661</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 295	\$ -
Agency funds	853,053	1,371,768
Performance account liability	832,380	1,082,522
Total Liabilities	<u>1,685,728</u>	<u>2,454,290</u>
 Net Assets		
Unrestricted net assets:		
Undesignated	1,730,259	848,619
Board-designated quasi-endowments	4,694,161	3,414,123
Total unrestricted net assets	<u>6,424,420</u>	<u>4,262,742</u>
Temporarily restricted net assets	161,645	265,777
Permanently restricted net assets	1,375,291	1,275,852
Total Net Assets	<u>7,961,356</u>	<u>5,804,371</u>
Total Liabilities and Net Assets	<u>\$ 9,647,084</u>	<u>\$ 8,258,661</u>

See accompanying notes and auditors' report

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains, and Other Support				
Contributions	\$ 3,159,090	\$ -	\$ 99,439	\$ 3,258,529
Interest and dividends, net of related fees	139,469	-	-	139,469
Net realized and unrealized gains on investments	220,855	-	-	220,855
Fee revenue	45,142	-	-	45,142
Other revenue	36,201	-	-	36,201
Net assets released from restrictions	104,132	(104,132)	-	-
Total Revenues, Gains, and Other Support	<u>3,704,889</u>	<u>(104,132)</u>	<u>99,439</u>	<u>3,700,196</u>
Expenses				
Program	1,290,842	-	-	1,290,842
Management and general	83,880	-	-	83,880
Fund raising	168,489	-	-	168,489
Total Expenses	<u>1,543,211</u>	<u>-</u>	<u>-</u>	<u>1,543,211</u>
Change in net assets	2,161,678	(104,132)	99,439	2,156,985
Net assets, beginning of year	4,262,742	265,777	1,275,852	5,804,371
Net assets, end of year	<u>\$ 6,424,420</u>	<u>\$ 161,645</u>	<u>\$ 1,375,291</u>	<u>\$ 7,961,356</u>

	2015			Total Net Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains, and Other Support				
Contributions	\$ 2,134,458	\$ 127,202	\$ 43,991	\$ 2,305,651
Interest 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	<u>2,330,326</u>	<u>3,932</u>	<u>43,991</u>	<u>2,378,249</u>
Expenses				
Program	1,048,566	-	-	1,048,566
Management and general	86,987	-	-	86,987
Fund raising	146,930	-	-	146,930
Total Expenses	<u>1,282,483</u>	<u>-</u>	<u>-</u>	<u>1,282,483</u>
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	<u>\$ 4,262,742</u>	<u>\$ 265,777</u>	<u>\$ 1,275,852</u>	<u>\$ 5,804,371</u>

See accompanying notes and auditors' report

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Reconciliation of change in net assets to net cash provided by operating activities:		
Total change in net assets	\$ 2,156,985	\$1,095,766
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(220,855)	53,830
Endowment contributions	(99,439)	(43,991)
Endowment investment (gain) loss, net	(42,929)	18,395
Depreciation and amortization	2,070	4,290
Change in other assets and liabilities:		
Decrease in promises to give	63,299	146,645
Decrease in performance account asset	250,142	179,978
Decrease (increase) in miscellaneous receivables	106,099	(92,501)
Increase (decrease) in accounts payable	295	(8,003)
(Decrease) increase in agency endowment funds	(518,715)	212,796
Decrease in performance account liability	(250,142)	(179,978)
Net cash provided by operating activities	1,446,810	1,387,227
Cash flows from investing activities:		
Purchase of property and equipment	(1,284)	(781)
Purchase of investments, net of sales proceeds	(614,805)	(1,164,598)
Net cash used in investing activities	(616,089)	(1,165,379)
Cash flows from financing activities:		
Endowment investment gain (loss), net	42,929	(18,395)
Endowment contributions	99,439	43,991
Net cash provided by financing activities	142,368	25,596
Net increase in cash and cash equivalents	973,089	247,444
Cash and cash equivalents, beginning of period	738,083	490,639
Cash and cash equivalents, end of period	\$ 1,711,172	\$ 738,083

See accompanying notes and auditors' report

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - ORGANIZATION

The Park City Foundation, dba Park City Community Foundation (hereinafter, the "Community Foundation") is greater Park City, Utah's community foundation, serving donors (families and businesses), nonprofits, and residents of Summit County, Utah. The Community Foundation's mission is to create an enduring philanthropic community for all the people of Park City. From inception in 2004 through 2016, the Community Foundation has invested over \$13 million in its community and beyond. The Community Foundation meets the highest standard for giving. The Community Foundation has been confirmed in compliance with the National Standards for U.S. Community Foundations, which establishes legal, ethical, effective practices for community foundations nationwide.

The Community Foundation has three strategic goals.

1. Endow Summit County's Future – create an endowment to sustain and enhance the Community Foundation'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.

The Community Foundation's primary programs include the following:

Live PC Give PC – The Community Foundation leads an annual giving day event, livepcgivepc.org. The goals are to connect nonprofits to a new revenue stream and new donors and to raise awareness of local organizations. In 2016, Live PC Give PC had almost 3,700 donors in a single 24-hour period and raised over \$1,730,000 for area organizations. There were almost 3,300 donors and over \$1,340,000 raised in 2015 for the same event.

Park City Women's Giving Fund – In 2014, the Community Foundation 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 the Community Foundation's Board of Directors. The first grant was made in July 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
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Community Fund – Annually, the Community Foundation grants to local nonprofit organizations in the areas of children and families, arts and culture, conservation and environment, health and human services, sports and 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 \$1,005,815 to Park City’s nonprofit organizations.

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

Other Programming – The Community Foundation also offers individualized philanthropic services to business and families, including donor-advised and other funds. The Community Foundation has implemented a climate change initiative that resulted in the website, parkcitygreen.org. The Community Foundation 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 the Community Foundation 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

The Community Foundation presents its financial statements in accordance with U.S. generally accepted accounting principles and the standards in the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

Cash and Cash Equivalents

The Community Foundation 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 the Community Foundation’s endowment portfolio are classified as investments.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statements 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 that are due after December 31, 2017 are classified as temporarily restricted net assets. The Community Foundation uses the allowance method to determine uncollectible unconditional promises to give based on management's analysis of specific promises made. At December 31, 2016 and 2015, no allowance was deemed necessary.

Furniture, Equipment, Depreciation and Amortization

Purchased furniture and equipment 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, the Community Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Community Foundation 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. The Community Foundation's capitalization policy is to capitalize any fixed asset expenditures costing more than \$500.

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

Agency Funds

Funds received and managed by the Community Foundation that are provided by organizations which specify themselves or their affiliates as the funds' beneficiaries (agency funds) are classified as liabilities, even if the organizations explicitly granted the Community Foundation variance power. Funds disbursed to the organizations reduce these liabilities.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Net Assets

Net assets and changes therein are classified according to the existence or absence of time or donor-imposed restrictions.

Revenue Recognition

The Community 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 imposed-restrictions. With the exception of permanently restricted endowments and pledges to be received in future years, most of the Community Foundation's gift instruments explicitly grant the Community Foundation 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 the Community Foundation'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 as net assets released from restrictions. Contributions with donor-imposed restrictions that are met in the current period are recorded as unrestricted contributions. Likewise, the Community Foundation chooses to show restricted gains and investment income whose restrictions are met in the same reporting period as unrestricted support. The Community Foundation's temporarily restricted net assets are discussed in Note 9. The Community Foundation's permanently restricted net assets are discussed in Note 11.

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 the Community Foundation only accepts those gifts for which it agrees to the terms and conditions contained in the gift instrument, the Community Foundation believes this contingency is remote.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

The Community Foundation has been named in several estate documents. The gifts are dependent on unknown future events which affect timing and valuation and accordingly are not recorded as contributions until 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Community Foundation 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, the Community Foundation 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 2013 through 2016.

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.

NOTE 3 - FINANCIAL INSTRUMENTS

The Community Foundation 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, 2016 and 2015, the Community Foundation's cash balances were \$2,610,398 and \$2,360,952 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 in the statements of financial position.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 - PROMISES TO GIVE

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 53,910	\$ 77,126
Receivable in one to five years	40,000	80,000
Total unconditional pledges receivable	<u>93,910</u>	<u>157,126</u>
Less discounts to net present value	(3,544)	(3,461)
Net unconditional promises to give	<u><u>\$ 90,366</u></u>	<u><u>\$ 153,665</u></u>

Pledges receivable in more than one year are discounted at 3%. One donor represented approximately 85% of promises to give; no other donor represented more than 10% of promises to give at December 31, 2016. One donor represented approximately 76% of promises to give and no other donor represented more than 10% of promises to give at December 31, 2015.

NOTE 5 - PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

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

	<u>2016</u>	<u>2015</u>
Web creation	\$ 27,665	\$ 27,665
Database software	15,639	15,639
Furniture and fixtures	4,065	4,065
Equipment	24,492	26,989
Total property and equipment	<u>71,861</u>	<u>74,358</u>
Accumulated depreciation and amortization	(69,694)	(71,405)
Fixed assets, net	<u><u>\$ 2,167</u></u>	<u><u>\$ 2,953</u></u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, totaled \$2,070 and \$4,290, respectively.

NOTE 6 - INVESTMENTS

Investments are carried at market, and realized and unrealized gains and losses are reflected in the statements of activities. Investment income was reported net of \$9,958 and \$7,118 of related investment

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

expense for the years ended December 31, 2016 and 2015, respectively. Investment earnings available for distribution are recorded in unrestricted net assets. All investments have readily determinable fair values. Investments as of December 31, are summarized in Note 7.

The Community Foundation 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, 2016 and 2015, the Community Foundation's uninsured non-cash investments were \$6,476,946 and \$5,329,346, 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</u> <u>at 12/31/2016</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</u> <u>Active Markets for</u> <u>Identical Assets</u>	<u>Significant Other</u> <u>Observable Inputs</u>	<u>Significant Other</u> <u>Unobservable Inputs</u>
Fixed income securities	\$ 2,344,962	\$ 354,821	\$ 1,990,141	\$ -
Equity securities	4,131,984	4,131,984	-	-
Fair value of investments	<u>6,476,946</u>	<u>4,486,805</u>	<u>1,990,141</u>	<u>-</u>
Cash and money market funds	514,873			
Total Investments	<u>\$ 6,991,819</u>			

<u>Description</u>	<u>Carrying Amount</u> <u>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</u> <u>Active Markets for</u> <u>Identical Assets</u>	<u>Significant Other</u> <u>Observable Inputs</u>	<u>Significant Other</u> <u>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	<u>5,329,346</u>	<u>3,621,345</u>	<u>1,708,001</u>	<u>-</u>
Cash and money market funds	826,813			
Total Investments	<u>\$ 6,156,159</u>			

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

NOTE 8 - PERFORMANCE ACCOUNT FUND

The Community Foundation entered into an agreement during the year ended December 31, 2013 in which the Community Foundation 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 Community Foundation cash funds as required by the agreement. As the other nonprofit organization meets certain criteria in regards to its projects, the Community Foundation 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 the Community Foundation's name, the Community Foundation 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. The Community Foundation 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 statements 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, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Time restricted unconditional promises to give	\$ 85,492	\$ 138,575
Summit Community Power Works program	59,480	66,702
Park City Giving Guide	2,345	10,500
Long Term Strategic Planning	14,328	50,000
Unappropriated net endowment earnings - See Note 11	-	-
Total temporarily restricted net assets	<u>\$ 161,645</u>	<u>\$ 265,777</u>

Reconciliation to promises to give - See Note 4:

	<u>2016</u>	<u>2015</u>
Time restricted unconditional promises to give	\$ 85,492	\$ 138,575
Permanently restricted unconditional promises to give	4,874	15,090
Net unconditional promises to give	<u>\$ 90,366</u>	<u>\$ 153,665</u>

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

Reconciliation to unappropriated net endowment earnings (deficiency) - See Note 11:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ (27,448)	\$ 21,487
Total investment return	42,929	(18,935)
Appropriations	(25,000)	(30,000)
Ending balance	<u>\$ (9,519)</u>	<u>\$ (27,448)</u>

Total investment return of \$42,929 and \$(18,935) for the year ended December 31, 2016 and December 2015 is the sum of realized and unrealized gains, interest and dividends, administrative fees, and other investment and fund expenses as shown in Note 13.

NOTE 10 - ENDOWMENT POLICY OBJECTIVES

The long term financial objective of the funds is to provide the Community Foundation'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.

In order to achieve the aforementioned financial objective, the long term return objective for the funds is to attain 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 Community Foundation 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 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2016 and 2015, are restricted to investment in perpetuity, the income from which is expendable as specified below.

The Community Foundation has interpreted state law and the Uniform Management of Institutional Funds Act (UPMIFA) as requiring the Community Foundation 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 PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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.

The Community Foundation 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 and to fund operations from the Operating endowment. 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 in the statements of financial position as temporarily restricted net assets. The Community Foundation 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 the Community Foundation may result in additional charges to those funds.

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 in the statements of financial position. Endowment investment return in subsequent years should eliminate the deficiency. The deficiency was \$9,519 at December 31, 2016. The deficiency was \$27,448 at December 31, 2015.

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 years ended December 31, 2016 and 2015, there were no appropriations for use by the endowment beneficiaries and for operating use. For the year ended December 31, 2016 there was an approximate 2.7% appropriation in the amount of \$25,000 for the Women's Giving Fund. Matching funds of \$5,000 for the Women's Giving Fund were raised so the actual Women's Giving Fund grant for the December 31, 2016 year was \$30,000. 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.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	<u>2016</u>	<u>2015</u>
For The Love Of Park City	\$ 35,000	\$ -
Women's Giving Fund	1,332,952	1,269,113
Other	7,339	6,739
Total Permanently restricted net assets	<u>\$ 1,375,291</u>	<u>\$ 1,275,852</u>

NOTE 12 - BOARD-DESIGNATED QUASI-ENDOWMENTS

Board designated quasi-endowments, included in unrestricted net assets, consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Community Foundation Operating quasi-endowment	\$ 306,584	\$ 304,433
Candy Erickson Fund for the Betterment of Park City	74,004	70,515
Donor advised funds (DAF) managed as endowments	4,313,573	3,039,175
Total Board-Designated quasi-endowments	<u>\$ 4,694,161</u>	<u>\$ 3,414,123</u>

Similar to the Community Foundation's permanently restricted endowments, the Community Foundation appropriates up to 7% annually of the fair market value of its own Operating quasi-endowment to the Community Foundation operations, calculated on the basis of quarterly market values averaged over a period of three years immediately preceding the year in which the appropriation for expenditure is made. The Community Foundation appropriated approximately 5% of its Operating quasi-endowment for the years ended December 31, 2016 and 2015.

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

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 13 - ENDOWMENT RECONCILIATION

	2016		
	Donor Restricted	Board Designated	Total Endowments
Fair market value:			
Beginning balance	\$ 1,248,404	\$ 3,414,123	\$ 4,662,527
Contributions	99,439	1,268,215	1,367,654
Realized and unrealized gains	39,770	184,071	223,841
Interest and dividends	32,239	113,039	145,278
Administrative fees	(25,358)	(46,470)	(71,828)
Other investment and fund expenses	(3,722)	(7,600)	(11,322)
Grants	-	(216,217)	(216,217)
Appropriated	(25,000)	(15,000)	(40,000)
Ending balance	<u>\$ 1,365,772</u>	<u>\$ 4,694,161</u>	<u>\$ 6,059,933</u>

	2016		
	Donor Restricted	Board Designated	Total Endowments
Unrestricted	\$ (9,519)	\$ 4,694,161	\$ 4,684,642
Permanently restricted	1,375,291	-	1,375,291
Totals	<u>\$ 1,365,772</u>	<u>\$ 4,694,161</u>	<u>\$ 6,059,933</u>

	2015		
	Donor Restricted	Board Designated	Total Endowments
Fair market value:			
Beginning balance	\$ 1,253,348	\$ 2,468,345	\$ 3,721,693
Contributions	43,991	1,137,702	1,181,693
Realized and unrealized gains	(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>\$ 3,414,123</u>	<u>\$ 4,662,527</u>

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2015</u>		
	<u>Donor</u> <u>Restricted</u>	<u>Board</u> <u>Designated</u>	<u>Total</u> <u>Endowments</u>
Unrestricted	\$ (27,448)	\$ 3,414,123	\$ 3,386,675
Permanently restricted	1,275,852	-	1,275,852
Totals	<u>\$ 1,248,404</u>	<u>\$ 3,414,123</u>	<u>\$ 4,662,527</u>

NOTE 14 - LEASES

Effective May 1, 2012 the Community Foundation entered into a lease agreement for rent at \$750 per month through July 31, 2015. The rent charged was 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 the Community Foundation 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. Lease expense was \$12,300 and \$27,875 for the year ended December 31, 2016 and 2015, respectively. Subsequent to year end the Community Foundation moved to different office space within the same building resulting in a new lease effective April 1, 2017 with monthly payments of \$2,783 and a three year lease term with two three year extensions at the option of the Community Foundation. Monthly rents increase 3% each year.

NOTE 15 - CONCENTRATIONS

During the year ended December 31, 2016 a contribution of \$1,000,000 was made to a donor advised fund which was approximately 31% of total contributions received for the same year. 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 for the same year.

NOTE 16 - RELATED PARTIES

All board members and management are donors to the Community Foundation. Board and management contributed \$1,944,086 and \$374,963 for the years ended December 31, 2016 and 2015, respectively. Current board members and management have 14 donor advised funds at the Community Foundation. The balance of board and management donor advised funds were \$2,407,502 and \$1,460,037 at December 31, 2016 and 2015, respectively.

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 7, 2017, the date when the financial statements were available to be issued, and no events were identified that were required to be recognized or disclosed in these financials statements.