

BENTON COMMUNITY FOUNDATION

Financial Statements

Years Ended December 31, 2016 and 2015

BENTON COMMUNITY FOUNDATION

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ACHIEVE MORE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Benton Community Foundation
Corvallis, Oregon

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Benton Community Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.



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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Board of Directors
Benton Community Foundation
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OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Benton Community 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.

Talbot, Kowola & Warwick LLP

Lake Oswego, Oregon
April 19, 2017

BENTON COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>		December 31,	
		<u>2016</u>	<u>2015</u>
ASSETS			
Cash		\$ 198,665	\$ 217,531
Accounts receivable		172,620	9,983
Prepays		433	1,291
Investments		19,994,783	17,432,624
Equipment, net		3,954	5,896
Other assets		4,580	4,375
		<u> </u>	<u> </u>
TOTAL ASSETS		<u>\$ 20,375,035</u>	<u>\$ 17,671,700</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable and accrued charges		\$ 2,346	\$ 16,476
Funds held as agency endowments		474,853	425,774
		<u> </u>	<u> </u>
TOTAL LIABILITIES		<u>477,199</u>	<u>442,250</u>
NET ASSETS			
Unrestricted:			
Undesignated		376,033	529,194
Board designated		292,929	127,894
		<u> </u>	<u> </u>
Total unrestricted net assets		668,962	657,088
Temporarily restricted		4,476,814	4,067,162
Permanently restricted		14,752,060	12,505,200
		<u> </u>	<u> </u>
TOTAL NET ASSETS		<u>19,897,836</u>	<u>17,229,450</u>
		<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 20,375,035</u>	<u>\$ 17,671,700</u>

The accompanying notes are an integral part of the financial statements.

BENTON COMMUNITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT				
Grants, donations and contributions	\$ 26,046	\$ 24,623	\$ 2,196,353	\$ 2,247,022
Non-cash contributions	510	-	95,171	95,681
Agency management fees	-	-	-	-
Income (loss) on investments	54,457	1,180,393	-	1,234,850
Interfund transfers	(5,743)	50,407	(44,664)	-
Net assets released from restrictions	845,771	(845,771)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	921,041	409,652	2,246,860	3,577,553
EXPENSES				
Scholarships, grants and other program expenses	598,607	-	-	598,607
General and administrative	285,194	-	-	285,194
Fundraising	25,366	-	-	25,366
TOTAL EXPENSES	909,167	-	-	909,167
CHANGE IN NET ASSETS	11,874	409,652	2,246,860	2,668,386
NET ASSETS, beginning of year	657,088	4,067,162	12,505,200	17,229,450
NET ASSETS, end of year	\$ 668,962	\$ 4,476,814	\$ 14,752,060	\$ 19,897,836

The accompanying notes are an integral part of the financial statements.

Year Ended December 31, 2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 36,615	\$ 158,141	\$ 469,001	\$ 663,757
3,500	-	5,381	8,881
4,349	-	-	4,349
13,301	(364,322)	-	(351,021)
(111,266)	42,450	68,816	-
921,622	(921,622)	-	-
<u>868,121</u>	<u>(1,085,353)</u>	<u>543,198</u>	<u>325,966</u>
667,828	-	-	667,828
297,841	-	-	297,841
60,510	-	-	60,510
<u>1,026,179</u>	<u>-</u>	<u>-</u>	<u>1,026,179</u>
<u>(158,058)</u>	<u>(1,085,353)</u>	<u>543,198</u>	<u>(700,213)</u>
<u>815,146</u>	<u>5,152,515</u>	<u>11,962,002</u>	<u>17,929,663</u>
<u>\$ 657,088</u>	<u>\$ 4,067,162</u>	<u>\$ 12,505,200</u>	<u>\$ 17,229,450</u>

BENTON COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,668,386	\$ (700,213)
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,942	2,007
Non-cash contributions	(95,681)	(8,881)
Interest and dividends restricted for long-term investment	(671,340)	(803,422)
Net realized (gains) losses	76,603	(313,962)
Net unrealized (gains) losses	(640,113)	1,468,405
Changes in operating assets and liabilities:		
Accounts receivable	(162,637)	7,017
Prepays	858	(906)
Other assets	305	-
Accounts payable and accrued charges	(14,130)	1,004
Accrued payroll expenses	-	(6,145)
Funds held as agency endowments	49,079	(84,818)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,213,272</u>	<u>(439,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	257,953	5,304,374
Purchase of investments	(1,490,091)	(4,867,454)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(1,232,138)</u>	<u>436,920</u>
NET CHANGE IN CASH	(18,866)	(2,994)
CASH, beginning of year	<u>217,531</u>	<u>220,525</u>
CASH, end of year	<u>\$ 198,665</u>	<u>\$ 217,531</u>

The accompanying notes are an integral part of the financial statements.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation:

Benton Community Foundation (the Foundation) was incorporated under Oregon law on February 27, 1953, and received determination of 501(c)(3) charitable status on December 11, 1957. Prior to 2014, the Foundation was known as The Benton County Foundation. In 2014, the Foundation elected to change its name to Benton Community Foundation to more accurately reflect the community they serve. For more than sixty years, the Foundation has been investing in its community through philanthropy to create positive, sustainable outcomes for Benton County. The Foundation is a publicly supported Community Foundation. Funds are contributed by individuals, corporations, and not-for-profit organizations. The Foundation is a member of the Council on Foundations. The Foundation is governed by a board of directors, all of whom serve without pay.

Summary of Significant Accounting Policies:

Basis of Accounting:

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues and support are recorded as earned and expenses are recorded as incurred.

Classification of Contributions and Net Assets:

The accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic *Not-for Profit Entities*. The Foundation is required to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into three classes: unrestricted, temporarily restricted and permanently restricted. This Topic provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the subtopic Uniform Prudent Management of Institutional Funds Act (UPMIFA). The subtopic also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board designated endowment funds). Accordingly, net assets of the Foundation are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations to be held in perpetuity as an endowment.

BENTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Classification of Contributions and Net Assets (Continued):

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue.

When a donor-stipulation or time restriction ends or terms of the original contribution are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction.

Unrestricted net assets consist of the following types of internally-designated funds:

Undesignated – Funds used for the general operation of the Foundation.

Board Designated – Funds established by the Board for special projects and other purposes that enable the Foundation to continue the operations and help lay the foundation for future endeavors.

Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Contributions:

Contributions are recorded at fair value at the date of receipt or unconditional promise to give. Amounts are subject to change until the contributions are actually received. For contributions due to be received in more than one year, fair value is recorded as the estimated present value of future receipts. The Foundation provides an allowance against contributions based on management's expectations to fully collect such amounts. The Foundation charges off uncollectible contributions when management determines the contribution is not collectible.

Concentration of Credit Risk:

The Foundation restricts its cash deposits with banks to financial institutions which are members of the FDIC. Cash may include amounts in excess of FDIC insurable limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

BENTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Concentration of Credit Risk (Continued):

The Foundation has promises to give which are from individuals in the Benton community, which are subject to concentrations of credit risk.

Investments:

The Foundation records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Gains and losses on investments, including changes in market value, are reported in the Statements of Activities and Changes in Net Assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Equipment:

Equipment which meets the capitalization policy criteria of useful life of one year or more and value of \$2,500 or more, is stated at cost if purchased or, if donated, at the approximate fair value at the date of donation. Costs for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 – 7 years.

Endowment Policy and Interpretation of Relevant Law:

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the UPMIFA 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 permanently restricted net assets as: (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 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 the UPMIFA.

BENTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Summary of Significant Accounting Policies (Continued):

Endowment Policy and Interpretation of Relevant Law (Continued):

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Fair Value of Financial Instruments:

The Foundation follows the provisions of the FASB ASC Topic *Fair Value Measurement*. This Topic applies to all assets and liabilities that are being measured and reported on a fair value basis and requires disclosures that establish a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. This Topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The Topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

At December 31, 2016 and 2015, the Foundation has financial assets and liabilities not required to be measured at a fair value on a recurring basis, which primarily consist of receivables and payables, the carrying value of which materially approximate their fair value.

Income Taxes:

The Foundation is exempt from federal and state income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code and comparable state law. Additionally, the Internal Revenue Service has determined the Foundation is not a private foundation. Management believes that no material activity of the Foundation would qualify as unrelated business income, and accordingly, be taxed to the Foundation. The tax years that remain open for examination by

BENTON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEARS ENDED DECEMBER 31, 2016 AND 2015

1. THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued):

Income Taxes (Continued):

the appropriate taxing authorities for the Foundation as of December 31, 2016 are 2015, 2014, and 2013, generally three years from the date the return was filed.

The Foundation follows the provisions of the FASB ASC Topic *Income Taxes*. Management evaluated the Foundation tax positions 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 Topic.

2. ENDOWMENT INVESTMENT POLICIES

The goal of the Foundation's investment program for endowment funds is to achieve the total rate of return that will allow for long-term growth and fulfill donor intent. The investment objective is to preserve capital and, if possible, purchasing power over the life of the fund. The Foundation has a conservative approach, where assets of individual funds are invested in cash and mutual funds that are likely to produce a reasonable return over a reasonable period, consistent with the objective of the fund.

Endowment fund activity recorded as permanently restricted net assets for the years ended December 31, 2016 and 2015 was as follows:

Endowment funds - December 31, 2014	\$ 11,962,002
Contributions	543,198
	<hr/>
Endowment funds - December 31, 2015	12,505,200
Contributions	2,291,524
Interfund transfer	(44,664)
	<hr/>
Endowment funds - December 31, 2016	<u>\$ 14,752,060</u>

There are several funds that made interfund transfers to other funds held by the Foundation. Transfers occur when a fund has been amended by a donor and each transfer is addressed on a case by case basis. Transfers and any associated restriction changes are initiated by management and presented to the Board for review and approval.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2016 AND 2015

3. SPENDING POLICIES

Distributions made by the Foundation are guided by prudence, current economic conditions, the donor's intent, and UPMIFA. The Foundation records each donor's gift in a separate fund. It is the Foundation's policy to not make any distributions from a new fund until it has been in existence for two full quarters. After two full quarters, the Foundation will make a distribution from each fund by applying a 12 quarter rolling average percentage of fund value.

This fund value is the average value of the fund over the most recent twelve full quarters, beginning with the quarter ending in September. In situations where funds have not been in existence for the full 12 quarters, the Foundation will use the average value of the fund over the numbers of quarters since the fund was established.

4. INVESTMENTS

Investments are measured at fair value, classified as Level 1, and consist of the following:

	<u>2016</u>	<u>2015</u>
Temporary investment cash	\$ 573,008	\$ 339,419
Mutual funds	18,826,398	17,093,205
Exchange traded products	595,377	-
	<u>\$ 19,994,783</u>	<u>\$ 17,432,624</u>

Investment earnings in the Statements of Activities and Changes in Net Assets consist of the following:

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Interest and dividend earnings	\$ 671,340	\$ 803,422
Realized gains (losses) from sales of investments	(76,603)	313,962
Increase (decrease) in fair values of investments	640,113	(1,468,405)
	<u>\$ 1,234,850</u>	<u>\$ (351,021)</u>

5. PROMISES TO GIVE

The Foundation occasionally will receive a promise to give in unique situations and will recognize such promise when it is reasonably measurable. In 2015, the Foundation received a pledge from a donor requesting to make payments over 5 years. At December 31, 2016 and 2015, the balance of the receivable was \$7,830 and \$9,833, respectively. The Foundation recorded this gift as a current contribution receivable and unrestricted contribution revenue in the years in which the promise was made.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2016 AND 2015

5. PROMISES TO GIVE (CONTINUED)

The Foundation also has one unconditional promise to give from a living trust, without restriction, that is expected to remain in existence for a number of years. Per the original trust agreement, the Trust will terminate no later than 25 years following the death of the donor. The donor passed away in 2012. At the latest, the disbursement of the gift will be in May 2037. The Foundation has not recorded the contribution as the time of its delivery is uncertain and the present value of the gift is not material to the organization as a whole.

6. FUNDS HELD AS AGENCY INVESTMENTS AND ENDOWMENT OBLIGATIONS

Various not-for-profit organizations (NFPO) have transferred funds to the Foundation and each such NFPO specified itself as the beneficiary of said fund. The FASB ASC Topic 958-20 *Not-for-Profit Entities* (FAS-136) establishes accounting and reporting standards for transactions in which a not-for-profit organization transfers assets to another organization (the recipient organization) and specifies itself as the beneficiary. Pursuant to this pronouncement, the agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation. The Foundation holds these funds as investments and recognizes an endowment obligation. At December 31, 2016 and 2015 the total amount of agency funds held by the Foundation were \$474,853 and \$425,774 respectively.

7. DONOR ADVISED, DESIGNATED AND OTHER FUNDS

Donor-advised, designated and other funds consist of the following:

	December 31,	
	2016	2015
Undesignated funds	\$ 376,033	\$ 529,194
Board designated funds	292,929	127,894
Special project funds	138,424	130,753
Donor advised funds	480,291	528,295
Designated funds	8,268,722	5,824,551
Scholarship funds	6,504,997	6,313,423
Community funds	3,836,440	3,775,340
Total funds	<u>\$ 19,897,836</u>	<u>\$ 17,229,450</u>

8. LEASE COMMITMENTS

On January 1, 2014, the Foundation entered into a lease for operating space. Monthly rent under this lease was \$1,000 through December 2016. The Foundation exercised a one year renewal option starting January 1, 2017, and the monthly rent increased to \$1,030. The Foundation has an option to extend the lease for an additional two years.

BENTON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 2016 AND 2015

8. LEASE COMMITMENTS (CONTINUED)

The future minimum lease payment required under the non-cancelable operating lease of space for 2017 is \$12,360.

Rent expense for each of the years ended December 31, 2016 and 2015 was \$12,300 and \$12,731 respectively.

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	Year Ended December 31,	
	2016	2015
Payroll and payroll related expenses	\$ 169,759	\$ 161,195
Memberships	6,940	5,749
Insurance	2,562	2,748
Occupancy	18,167	19,137
Professional fees	55,844	64,982
Office supplies	3,121	5,240
Travel and meals	3,588	7,033
Investment and bank fees	15,356	1,668
Information technology	4,951	13,821
Depreciation expense	1,942	2,007
Miscellaneous and other	2,964	14,261
Total	<u>\$ 285,194</u>	<u>\$ 297,841</u>

10. CONCENTRATIONS

The Foundation received contributions from a community member, representing approximately 89% and 15% of total grants, donations and contributions during the years ended December 31, 2016 and 2015, respectively.

11. SUBSEQUENT EVENTS

In accordance with the FASB ASC Topic *Subsequent Events*, the Foundation has evaluated subsequent events through April 19, 2017, which is the date these financial statements were available to be issued. There are no subsequent events requiring recognition as of April 19, 2017, which should be incorporated into these financial statements.