



Princeton Area
COMMUNITY FOUNDATION

Financial Statements

December 31, 2015 and 2014

With Independent Auditors' Report

Princeton Area Community Foundation, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
Princeton Area Community Foundation, Inc.:

We have audited the accompanying financial statements of Princeton Area Community Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 auditors' 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 Princeton Area Community Foundation, Inc. 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.

Emphasis of Matter – Change in Accounting Principle

As disclosed in Note 2 to the financial statements, Princeton Area Community Foundation, Inc., early adopted new accounting guidance related to the disclosure of certain investments at net asset value. Our opinion is not modified with respect to this matter.



June 24, 2016

Princeton Area Community Foundation, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 20,580,028	\$ 16,900,525
Contributions receivable	3,616,736	682,336
Investments	96,867,880	89,807,451
Prepaid expenses	37,195	24,884
Beneficial interest in split interest agreements	197,292	202,387
Deposits	10,125	10,125
Property and equipment, net	<u>29,960</u>	<u>25,998</u>
 Total assets	 <u><u>\$ 121,339,216</u></u>	 <u><u>\$ 107,653,706</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 59,581	\$ 36,582
Grants and scholarships payable	576,274	527,800
Deferred rent	32,424	41,554
Custodial funds	90,989	2,581,285
Funds held for others	<u>28,401,803</u>	<u>23,124,717</u>
Total liabilities	29,161,071	26,311,938
Net assets		
Unrestricted		
Board designated long-term grant funds	37,386,642	39,176,339
Other grant funds	49,634,072	36,560,517
Operating funds	<u>4,960,139</u>	<u>4,946,934</u>
	91,980,853	80,683,790
Temporarily restricted	<u>197,292</u>	<u>657,978</u>
Total net assets	<u><u>92,178,145</u></u>	<u><u>81,341,768</u></u>
	 <u><u>\$ 121,339,216</u></u>	 <u><u>\$ 107,653,706</u></u>

The Notes to Financial Statements are an integral part of these statements.

Princeton Area Community Foundation, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Contributions	\$ 22,185,379	\$ --	\$ 22,185,379	\$ 11,828,984	\$ --	\$ 11,828,984
Investment (loss) income	(80,131)	--	(80,131)	2,083,596	--	2,083,596
Other income	180,672	--	180,672	156,854	--	156,854
Change in value of split interest agreements	(8,843)	(5,095)	(13,938)	--	5,563	5,563
Net assets released from restrictions	455,591	(455,591)	--	--	--	--
	<u>22,732,668</u>	<u>(460,686)</u>	<u>22,271,982</u>	<u>14,069,434</u>	<u>5,563</u>	<u>14,074,997</u>
Allocations and expenses						
Program services	10,677,570	--	10,677,570	8,330,243	--	8,330,243
Management and general	642,678	--	642,678	651,419	--	651,419
Fundraising	115,357	--	115,357	118,068	--	118,068
	<u>11,435,605</u>	<u>--</u>	<u>11,435,605</u>	<u>9,099,730</u>	<u>--</u>	<u>9,099,730</u>
Changes in net assets	11,297,063	(460,686)	10,836,377	4,969,704	5,563	4,975,267
Net assets, beginning of year	<u>80,683,790</u>	<u>657,978</u>	<u>81,341,768</u>	<u>75,714,086</u>	<u>652,415</u>	<u>76,366,501</u>
Net assets, end of year	<u>\$ 91,980,853</u>	<u>\$ 197,292</u>	<u>\$ 92,178,145</u>	<u>\$ 80,683,790</u>	<u>\$ 657,978</u>	<u>\$ 81,341,768</u>

The Notes to Financial Statements are an integral part of these statements.

Princeton Area Community Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ 10,836,377	\$ 4,975,267
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Unrealized loss on investments	1,824,241	3,595,487
Realized loss (gain) on sale of investments	1,804,394	(276,383)
Change in value of split interest agreements	5,095	(5,563)
Depreciation expense	8,678	7,438
Changes in assets and liabilities		
Contributions receivable	(2,934,400)	(633,240)
Prepaid expenses	(12,311)	(3,582)
Split interest agreement	--	455,591
Accounts payable and accrued expenses	22,999	(15,811)
Grants payable	48,474	(5,645)
Custodial funds	(2,490,296)	1,044,981
Deferred rent	(9,130)	(7,728)
Net cash provided by operating activities	<u>9,104,121</u>	<u>9,130,812</u>
Cash flows from investing activities		
Property and equipment additions	(12,640)	(1,280)
Funds held for others - net additions	5,277,086	3,023,099
Sale of investments	18,038,025	167,867
Purchase of investments	<u>(28,727,089)</u>	<u>(12,131,759)</u>
Net cash used by investing activities	<u>(5,424,618)</u>	<u>(8,942,073)</u>
Net change in cash and cash equivalents	3,679,503	188,739
Cash and cash equivalents		
Beginning of year	<u>16,900,525</u>	<u>16,711,786</u>
End of year	<u>\$ 20,580,028</u>	<u>\$ 16,900,525</u>

Supplemental disclosure of cash flow information

There were no amounts paid for interest or income taxes for the years ended December 31, 2015 or 2014.

The Notes to Financial Statements are an integral part of these statements.

Princeton Area Community Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Supporting Services Management and General	Fundraising	Total	Program Services	Supporting Services Management and General	Fundraising	Total
Grant expense	\$ 10,123,458	\$ --	\$ --	\$ 10,123,458	\$ 7,809,281	\$ --	\$ --	\$ 7,809,281
Salaries and wages	344,039	338,490	69,814	752,343	310,879	305,865	63,085	679,829
Employee benefits and payroll taxes	66,173	68,069	13,462	147,704	65,177	67,044	13,260	145,481
Professional services	2,520	109,660	--	112,180	17,936	153,384	--	171,320
Occupancy	44,374	39,025	8,427	91,826	44,098	39,868	8,374	92,340
Insurance	4,609	3,936	875	9,420	3,580	3,056	680	7,316
Information technology	12,578	10,742	2,389	25,709	9,312	7,953	2,604	19,869
Travel	3,187	2,723	605	6,515	4,151	3,545	788	8,484
Office expense	14,534	31,059	2,760	48,353	15,315	18,350	2,908	36,573
Marketing	--	20,252	4,283	24,535	--	5,575	11,685	17,260
Membership dues and subscriptions	12,761	10,898	2,423	26,082	8,691	7,423	1,650	17,764
Training, conferences and events	45,091	1,219	9,513	55,823	38,184	36,065	12,343	86,592
Other	--	2,979	--	2,979	--	183	--	183
Depreciation	4,246	3,626	806	8,678	3,639	3,108	691	7,438
	<u>\$ 10,677,570</u>	<u>\$ 642,678</u>	<u>\$ 115,357</u>	<u>\$ 11,435,605</u>	<u>\$ 8,330,243</u>	<u>\$ 651,419</u>	<u>\$ 118,068</u>	<u>\$ 9,099,730</u>

The Notes to Financial Statements are an integral part of these statements.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

1. Nature of Organization

Princeton Area Community Foundation, Inc. (“the Community Foundation”) is a New Jersey not-for-profit corporation, located in Mercer County, organized and incorporated in 1991. Its primary purpose is to encourage philanthropy as an important community value and activity. The Community Foundation is a philanthropic fund which supports charitable giving through education, grant making, and by creating a network of donors, professional advisors and not-for-profit organizations to increase and improve the effectiveness of giving in the region. Significant sources of revenue are received from contributions and investment income. The Community Foundation accepts funds from unrelated nonprofit organizations who desire to have the Community Foundation provide efficient investment management, programmatic expertise, and technical assistance.

2. Summary of Significant Accounting Policies

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended December 31, 2015 and 2014, the Community Foundation had accounting transactions in two net asset categories. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions and the temporarily restricted net asset category represents net assets that are subject to donor imposed time or purpose restrictions.

Revenue and Support Recognition

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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 restrictions. However, restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the statements of activities and changes in net assets. Unrestricted contributions are recognized as revenue when they are received or unconditionally pledged. The variance power provision contained in the Community Foundation’s governing documents further provides that, absent contrary directions given in the transferring instrument regarding the use of principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board of Trustees. Therefore, such contributions are reported as unrestricted net assets.

Allocation of Expenses

Expenses are allocated among program services, management and general and fundraising using the direct cost method, historical percentages or other reasonable basis consistent with the benefit derived by each program. Program services include grantmaking and all activities that facilitate philanthropy in the central New Jersey region, including education and the creation and maintenance of networks among donors, nonprofits and professional advisors.

Program Services

The Community Foundation is an active grantmaker through two competitive grant programs, Greater Mercer Grants and the Fund for Women and Girls, and grantmaking from donor-advised, designated, nonprofit, and field-of-interest funds. Its primary focus is central New Jersey, but grants from donor-advised funds are made regionally and nationally as well. Competitive grants address the needs of low-income people in greater Mercer County, provide operating support for nonprofits working with low-income people, and provide support for work to build the social capital of the region. The Community Foundation’s grantmaking touches many programmatic areas including education, basic services, health, arts and culture, housing, the environment, historic preservation, civil rights, and animal welfare. The Community Foundation also administers over a dozen scholarship funds which grant scholarships and awards through competitive processes to support college study by local students; and to honor achievement in the arts, music, graphic design, and community service.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

The Community Foundation actively engages its donors, grantees, and the professional advisors in the region to encourage charitable giving broadly, and to build over time a community-wide commitment to philanthropy. It sponsors seminars and workshops on topics such as endowment-building, good governance, grant-seeking best practices, risk management, and investing. The Community Foundation positions itself as a resource to the region and regularly responds to requests for information and guidance. In addition, the Community Foundation partners with other organizations such as the Council of NJ Grantmakers to expand its educational offerings.

Donated Services

The Community Foundation receives donated services from unpaid volunteers, officers and trustees which support fundraising, administrative and program efforts. The value of all donated services is not included in these financial statements as they do not meet the criteria for recognition. The Community Foundation received approximately 1,000 hours of donated services during each of the years ended December 31, 2015 and 2014.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Community Foundation considers all money market funds and certificates of deposit with a maturity date of three months or less at the time of acquisition to be cash equivalents. Included as cash and cash equivalents are money market funds which are part of the investment pool, which are intended for long term investment and a component of the investment portfolio of the Community Foundation.

Investments

Investments in equity securities with readily determinable values, and all investments in debt securities are measured at fair value in the statements of financial position. The Community Foundation has invested funds in alternative investments. The investments are established as limited partnerships but are not traded on any public exchange or market. The alternative investments invest in various investment vehicles, including publicly traded equities and bonds traded in the United States and internationally, privately held companies, and closely held limited partnerships and investment companies or on the tax basis of the limited partnership. Those investments that are traded in the United States or on foreign exchanges are valued based on current traded value.

Estimates of fair value for certain investments have been used for those investments that are not readily traded. The investments in limited partnerships include some which allow for limited or no rights of redemption until the termination of the partnership. These limited partnerships, whose financial statements are prepared in accordance with US GAAP, are generally valued at the net asset value provided by the manager of such investments.

Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by the donor or the law. Except for those funds which have specifically identified investments associated with them, the majority of the investments are held in pooled funds at the Community Foundation. Each fund is assigned a certain unit value and its ownership interest is based on the allocation of the fair value of the fund's units to the total fair value of the investment pool. The pool is revalued monthly and income and gains or losses are allocated to each fund based on its units.

Foreign Currency

Investment securities denominated in foreign currencies are translated into United States dollars at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into United States dollars on the respective dates of such transactions. Realized gains and losses and changes in unrealized gains and losses resulting from changes in foreign exchange rates are including in realized and unrealized gain/loss on investments and foreign currency transactions in the statement of activities and changes in net assets.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
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Distributions of Investment Returns

The Community Foundation's policy for annual distributions from Board designated long-term grant funds is calculated at an annual amount equal to approximately 5 percent (4 percent grants, 1 percent fees) of the average trailing eight-quarter market values of each fund. Other donor funds make grants in varying amounts annually. Grants distributed were \$10,123,458 and \$7,809,281 for the years ended December 31, 2015 and 2014, respectively, from all funds with the Community Foundation. Fees earned for investment management services are recorded in other income on the statements of activities and changes in net assets.

The total net return, which includes interest and dividend payments plus net capital appreciation earned by the pooled investments, are allocated across the days of the cycle based on the relative value of the pool. The total net return, which includes interest and dividend payments plus net capital appreciation earned by the pooled investments, are allocated to the funds based on a daily average balance, relative to the pool.

New funds or additional contributions to an existing fund that have been at the Community Foundation for less than one year will not make a full distribution. A pro rata calculation is used based on the date of receipt of the contribution. The calculation for the distributions for funds that have been at the Community Foundation for more than one year but less than two years is based on the dates the contribution was received and the ending market values for each quarter.

Property and Equipment

Property and equipment is recorded at cost, except for donated items, which are recorded at fair value on the date of donation. Improvements are capitalized, while repairs and maintenance expenditures are expensed in the statements of activities and changes in net assets.

Donated property and equipment is recorded as restricted support when donors stipulate how long the assets must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided over the estimated useful lives of the assets using the straight-line method which ranges from 3 to 10 years.

Leasehold Improvements

Costs incurred for leasehold improvements are amortized over the extended term of the lease which expires in 2018; the improvement allowance received has been treated as deferred rent and will be amortized as a reduction of periodic rent expense over the extended term of the lease.

Funds Held for Others

The Community Foundation receives and distributes assets under certain agency and intermediary arrangements. When the Community Foundation accepts a deposit from a not-for-profit organization ("NPO") to establish a fund that specifies itself or its affiliate as the beneficiary of that fund, the Community Foundation will account for the transfer of such assets as a liability. The liability is established at the fair value of the funds received, adjusted for investment earnings and fees, gains and losses and net of any funds returned which is generally equivalent to the present value of future payments expected to be made to the NPOs. These funds are reflected as "Funds Held for Others" in the accompanying statements of financial position. Upon written request, full liquidations occur at the discretion of the Community Foundation, following the monthly reconciliation or at the end of the following quarter when the portfolio is rebalanced. Timing of liquidations is determined by the Community Foundation to ensure no adverse impact on the performance of the investment pool.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including contributions receivable, and accounts payable and accrued expenses approximate fair value because of the relatively short maturity of these instruments. Custodial funds and funds held for others approximate fair value as they are adjusted regularly to reflect the change in fair value of the associated investments. Grants and scholarships payable approximate fair value as the long term grants and scholarships payables are discounted using a market rate of interest.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

Valuation of Long-Lived Assets

The Community Foundation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no impairment charge was required for the periods presented in these financial statements.

Concentration of Credit Risks

Financial instruments which potentially subject the Community Foundation to concentrations of credit risk are cash and cash equivalents, investments, contributions and contributions receivable. The Community Foundation places cash and its investments in high quality securities with several financial and investment institutions which helps limit the Community Foundation's exposure to concentrations of credit risk. However, the Community Foundation is subject to the inherent risks associated with market fluctuations which it attempts to minimize by holding a diversified portfolio. Cash balances at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Community Foundation may have cash balances which exceed the insured limit of \$250,000. Approximately 53 percent and 21 percent of total contributions for the years ended December 31, 2015 and 2014, respectively, were from two donors. Contributions receivable are received from a wide donor base which limits the concentration of credit risk.

Income Taxes

The Community Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. The Community Foundation follows the pronouncement related to accounting for uncertainty in income taxes and there were no uncertain tax positions at December 31, 2015 and 2014. In addition, no income tax related penalties or interest have been recorded for the years ended December 31, 2015 and 2014.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The value of alternative investments includes estimates of fair value for instruments that are not publicly traded, which is a significant estimate. It is reasonably possible that these estimates could change in the near future.

Change in Accounting Principle

The Community Foundation elected to early adopt Accounting Standards Update 2015-07, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This change was applied retrospectively to the 2014 financial statements and resulted in a decrease in investments with unobservable measurement criteria (Level 3) of \$5,816,773 and \$7,768,204 at December 31, 2015 and 2014, respectively. These investments are categorized as investments valued at net asset value in Note 4. The change had no effect on previously reported net assets or changes in net assets.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications had no effect on the changes in net assets.

3. Recurring Fair Value Measurements

The Community Foundation values assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Community Foundation values such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Community Foundation develops measurement criteria based on the best information available.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

The Community Foundation has provided fair value disclosure information for relevant assets and liabilities in these financial statements which have been accounted for at fair value on a recurring basis as of December 31, 2015 and 2014, along with the basis for the determination of fair value:

	2015			
	Total	Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria
Investments				
Domestic equity				
Consumer discretionary	\$ 2,290,081	\$ 2,290,081	\$ --	\$ --
Consumer staples	6,359,307	6,359,307	--	--
Energy	682,022	682,022		
Financials	2,260,876	2,260,876	--	--
Healthcare	4,382,560	4,382,560	--	--
Industrial	1,871,477	1,871,477	--	--
Information technology	8,550,554	8,550,554	--	--
Materials	675,508	675,508	--	--
Telecom services	193,042	193,042	--	--
Real estate	645,599	645,599	--	--
Utilities	1,300,164	1,300,164	--	--
Real assets	4,057,555	4,057,555	--	--
Government bonds	10,009,418	10,009,418		
Alternative investments				
Multi-strategy (a)	10,672,893	--	--	10,672,893
Multi-strategy (b)	9,561,357	--	--	9,561,357
Multi-strategy (c)	142,481	--	--	142,481
Multi-strategy (d)	1,750,751	--	--	1,750,751
Multi-strategy (e)	194,513	--	--	194,513
Long/short strategy (f)	4,497,408	--	--	4,497,408
Equity funds (g)	10,125,491	--	--	10,125,491
Equity funds (h)	3,903,139	--	--	3,903,139
Real assets (i)	1,721,221	--	--	1,721,221
Equity funds (j)	5,143,133	--	--	5,143,133
	90,990,550	43,278,163	--	47,712,387
Privately held stock	60,557	--	--	60,557
Beneficial interest in split interest agreements	197,292	--	197,292	--
	91,248,399	<u>\$ 43,278,163</u>	<u>\$ 197,292</u>	<u>\$ 47,772,944</u>
Investments measured at NAV	5,816,773			
	<u>\$ 97,065,172</u>			

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

	2014			
	Total	Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria
Investments				
Domestic equity				
Consumer discretionary	\$ 1,424,917	\$ 1,424,917	\$ --	\$ --
Consumer staples	6,030,454	6,030,454	--	--
Energy	229,005	229,005	--	--
Healthcare	5,699,670	5,699,670	--	--
Industrial	1,933,816	1,933,816	--	--
Information technology	9,516,413	9,516,413	--	--
Materials	330,784	330,784	--	--
Telecom services	279,894	279,894	--	--
International developed equity	1,756,457	1,756,457	--	--
International emerging equity	8,631,323	8,631,323	--	--
Real assets	3,985,482	3,985,482	--	--
Government bonds	5,001,961	5,001,961		
Alternative investments				
Multi-strategy (a)	10,356,986	--	--	10,356,986
Multi-strategy (b)	9,590,641	--	--	9,590,641
Multi-strategy (c)	143,805	--	--	143,805
Multi-strategy (d)	1,376,272	--	--	1,376,272
Long/short strategy (f)	4,456,513	--	--	4,456,513
Equity funds (g)	10,246,295	--	--	10,246,295
Real assets (i)	979,159	--	--	979,159
	81,969,847	44,820,176	--	37,149,671
Privately held stock	69,400	--	--	69,400
Beneficial interest in split interest agreements	202,387	--	202,387	--
	82,241,634	\$ 44,820,176	\$ 202,387	\$ 37,219,071
Investments measured at NAV	7,768,204			
	<u>\$ 90,009,838</u>			

The Community Foundation uses the Net Asset Value (“NAV”) to determine the fair value of all the underlying investments in funds which do not have readily determinable fair value. The following table lists investments by class and investment strategy as of December 31, 2015:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Commitment	Redemption Notice Period
Equity funds (k)	1	\$ 4,985,579	\$ --	None	25% 30 days, 75% five years
Real assets (l)	1	831,194	--	None	90 days- see below
	2	<u>\$ 5,816,773</u>	<u>\$ --</u>		

- a) This fund pursues multiple investment strategies on an opportunistic basis, which includes credit investments, value investments, merger arbitrage, real estate-related investments, and direct investments. Each investment is evaluated independently on a fundamental basis. This fund invests globally, focusing on developed and emerging markets alike. Investments are made in public and private debt and equity securities, and direct investments in private companies and real estate. The partnership will continue until December 31, 2025 and may elect to extend the term to a date no later than March 31, 2026. Redemptions may be made at December 31 with 45-day notice or at any time with consent of the General Partner.

Princeton Area Community Foundation, Inc.
Notes to Financial Statements
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- b) This fund invests in a wide range of public and private companies across a variety of industries. It has a long-term, value-based investment focus, with a preference for opportunities that allow investment alongside successful management teams with an owner-operator orientation. This partnership will terminate on December 31, 2028, unless terminated earlier. Redemptions may be made at December 31 with 90-day notice. Redemptions pertaining to extraordinary circumstances may also be permitted at the discretion of the General Partner.
- c) This fund invests in a wide range of public and private companies across a variety of industries. It has a long-term, value-based investment focus, with a preference for opportunities that allow investment alongside successful management teams with an owner-operator orientation. This partnership will terminate on November 1, 2018, unless otherwise extended or terminated pursuant to the terms of the Partnership Agreement. There is no provision for redemptions and distributions will be made at the end of the partnership term or earlier as determined by the General Partner. Generally, proceeds from sales of individual portfolio holdings tend to be distributed soon after the sale.
- d) This fund invests in a wide range of public and private companies across a variety of industries. It has a long-term, value-based investment focus, with a preference for opportunities that allow investment alongside successful management teams with an owner-operator orientation. There is no provision for redemptions and distributions will be made at the end of the partnership term or earlier as determined by the General Partner. Generally, proceeds from sales of individual portfolio holdings tend to be distributed soon after the sale. The commitment period is scheduled to terminate on July 1, 2021, unless otherwise extended or terminated pursuant to the terms of the Partnership Agreement.
- e) This fund invests in a wide range of asset classes, including but not limited to equity or debt securities of, or interest in, public or private companies, trade claims, derivatives, direct or indirect interests in real estate, investments in partnerships managed by others and litigations. The Partnership will terminate on July 1, 2025, unless otherwise extended or terminated pursuant to the terms of the Partnership Agreement. The commitment period is scheduled to terminate on July 1, 2019. There is no provision for redemptions and distributions will be made at the end of the partnership term or earlier as determined by the General Partner. Generally, proceeds from sales of individual portfolio holdings tend to be distributed soon after the sale.
- f) This fund takes advantage of long and short term market opportunities. Its primary focus and greatest strength is its fundamental equity research. They intend for "long" investments to remain in the portfolio for significant periods of time and do not look for short-term trading positions. On the "short" side, they look for triggers that may cause valuations to decrease. This partnership will terminate on December 31, 2050. Redemptions may be made semi-annually at June 30 and December 31 with 60-day notice.
- g) This fund focuses on long-only funds investing in primarily common stock equity and equity-related securities based on bottom-up, fundamental analysis. The partnership's legal life span is perpetual and subject to (i) the determination by the General Partner that the Partnership should be dissolved or (ii) the termination, bankruptcy, insolvency or dissolution of the General Partner. Redemptions may be made with 30-day notice prior to the end of initial commitment period on December 31, 2013. At the end of this initial commitment period, shares are automatically locked-up for a new 3-year commitment period if not converted to another class at that time.
- h) This fund's investment objective is long-term capital appreciation by pursuing a fundamentally-driven approach to life sciences investing. The partnership takes large, concentrated positions in the securities of life sciences companies with the potential for significant value creation over the long term. Given its large, concentrated and relatively long-term investment strategy, the partnership expects its returns to be volatile. Upon 90 days written notice to the partnership, prior to the applicable anniversary date, each Limited Partner has the right to request the withdrawal of a percentage of the balance in its capital account, as of the close of business on each anniversary date up to a maximum withdrawal percentage.

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- i) This real asset fund targets income-producing, but mismanaged properties in strong markets. Working with local operating partners to reposition the properties to boost their values. The fund utilizes modest leverage at the property level (60-65 percent) to minimize risk, and will also limit investments in non-income producing land and hospitality assets (which carry higher risk). The commitment can be called over 3 years starting in 2014, with the fund having a total life of 10 years (including the investment period).
- j) The fund's objective is to generate returns for shareholders by investing in companies that are trading substantially below their intrinsic value and supporting management-led positive change to catalyze the Fund's public market value to that intrinsic value. Shares may be redeemed on any redemption date at the request of the shareholder. Redemption day means the first business day in January, April, July and October and any such other day or days as the Director may from time to time determine.
- k) This fund seeks to achieve its investment objective by taking long positions in equity and debt securities as well as certain derivatives with a focus on European companies of all sizes and capitalizations. The fund emphasizes intensive fundamental research to identify undervalued companies which are misunderstood by the market. 25 percent of the investment can be redeemed monthly. The remaining 75 percent is only allowed a full redemption in 5 years, although in the interim period 10 percent of the share class can be redeemed each year.
- l) This fund was organized for the purpose of seeking long-only funds investing in a diversified portfolio of equities of small and micro capitalization companies within the global metals and mining industries based on bottom-up, fundamental analysis. Redemptions may be made with 90-day notice prior to the redemption date after the initial "lock-up" period of one year. For complete redemption of funds, one-third the value of participating shares may be redeemed as of the initial redemption date, one-half of the remaining balance as of the following redemption date and the remaining balances as of the third consecutive redemption date. In January 2015, the investment advisor announced it was downsizing and would close the fund. The manager focused efforts during 2015 on an orderly liquidation and wind-down of the fund.

The following is a summary of activity for the years ended December 31, 2015 and 2014 for assets (liabilities) measured at fair value based on unobservable measure criteria:

	Alternative Investments				Privately Held Stock
	Multi-Strategy	Long/Short Strategy	Equity Fund	Real Assets	
Balance, January 1, 2014	\$ 20,791,800	\$ 4,050,389	\$ 9,946,432	\$ --	\$ 84,719
Realized and unrealized gains (losses) included in earnings	544,619	406,124	299,863	(672)	(15,319)
Purchases	400,000	--	--	979,831	--
Sales	(299,205)	--	--	--	--
Income	30,490	--	--	--	--
Balance, January 1, 2015	21,467,704	4,456,513	10,246,295	979,159	69,400
Realized and unrealized gains (losses) included in earnings	402,922	40,895	949,239	247,032	(8,843)
Purchases	521,281	--	7,976,229	680,199	--
Sales	(69,912)	--	--	(185,169)	--
Income	--	--	--	--	--
	<u>\$ 22,321,995</u>	<u>\$ 4,497,408</u>	<u>\$ 19,171,763</u>	<u>\$ 1,721,221</u>	<u>\$ 60,557</u>

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All investments categorized in Level 3 within the fair value hierarchy have fair values based on unobservable but non-qualitative inputs. Such investments include financial instruments for which the determination of fair value is determined by third party pricing information without adjustment and financial instruments for which fair value is determined by net asset value.

Investment return was comprised of the following:

	2015	2014
Dividend and interest income	\$ 3,566,675	\$ 6,097,063
Net realized and unrealized losses on investments	(3,627,835)	(3,304,809)
Asset management fees	(91,554)	(5,432)
Realized losses on contributed stock	(800)	(14,295)
Earnings, fees and gains shared with funds held for others	58,984	(732,950)
Interest income on money market accounts	14,399	44,019
Total investment return	<u>\$ (80,131)</u>	<u>\$ 2,083,596</u>

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Furniture and office equipment	\$ 69,196	\$ 56,556
Leashold improvements	63,318	63,318
Accumulated depreciation	<u>(102,554)</u>	<u>(93,876)</u>
	<u>\$ 29,960</u>	<u>\$ 25,998</u>

Depreciation expense was \$8,678 and \$7,438 for the years ended December 31, 2015 and 2014, respectively.

5. Beneficial Interest in Split Interest Agreements

The Community Foundation is the irrevocable beneficiary of three charitable remainder trusts. Upon establishment of the trusts, the Community Foundation's interest is recorded as a contribution at its net present value based on the estimated life expectancy of the donors and discounted at a risk free rate of return determined at the respective dates of the original contributions. The portion of the trust attributable to the future interest of the Community Foundation is recorded in the statements of activities and changes in net assets as a temporarily restricted contribution in the period the trust is established. Assets held in split interest agreements are recorded at fair value in the Community Foundation's statements of financial position. Subsequent to the receipt of such trusts, the Community Foundation's interest in these trusts is recorded by its net present value determined at market value on December 31. The difference between the original contribution and the market value on December 31 is recorded as an unrealized gain or loss. These trusts for 2015 and 2014 were valued at \$197,292 and \$202,387, respectively.

6. Custodial Funds

Custodial funds comprise payments received for which the Community Foundation acts as the fiscal agent. These funds are under the direction of outside parties. The Community Foundation receives a fee for the processing of the payments under these grant funds. Custodial funds were \$90,989 and \$654,918 at December 31, 2015 and 2014, respectively.

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7. Employee Benefit Plan

The Community Foundation maintains a salary reduction 403(b)(7) benefit plan, (“the Plan”), which includes all full time employees. The Plan allows employees to defer up to the statutory maximums of their salary on a pre-tax basis. The Community Foundation does not match the employee’s contributions. The Plan provides for a discretionary contribution. In 2015 and 2014, the discretionary contributions totaled \$26,256 and \$32,164, respectively.

8. Commitments and Contingencies

Operating Leases

During November 2007, the Community Foundation extended its non-cancelable lease agreement for office space through September 2018. There is one additional five year renewal option under the terms of the agreement. The lease requires monthly payments of approximately \$5,175 per month, subject to certain escalations.

The following is a schedule of the future minimum lease payments as of December 31:

Year	Amount
2016	\$ 72,927
2017	74,385
2018	<u>56,619</u>
	<u>\$ 203,931</u>

9. Related Party Transactions

The Board of Trustees consists of 19 voting members. During the years ended December 31, 2015 and 2014, contributions from these trustees and members of the Community Foundation’s staff totaled \$649,113 and \$476,806, respectively.

10. Net Assets

Unrestricted

Unrestricted net assets consisted of contributions to donor funds that are available to be granted for charitable and educational purposes including:

	2015	2014
Board designated long-term grant funds – assets held by the Community Foundation for long-term grantmaking; subject to limited annual distributions	\$ 37,386,642	\$ 39,176,339
Other grant funds – assets held by the Community Foundation for grantmaking not subject to a limited annual distribution	49,634,072	36,560,517
Operating funds – assets in support of the Community Foundation operations	<u>4,960,139</u>	<u>4,946,934</u>
Total unrestricted net assets	<u>\$ 91,980,853</u>	<u>\$ 80,683,790</u>

Temporarily Restricted

Temporarily restricted net assets at December 31, consisted of:

Time restrictions:		
Beneficial interest in split interest agreements	<u>\$ 197,292</u>	<u>\$ 657,978</u>

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11. Endowment Funds

Interpretation of Relevant Law

The Board of Trustees of the Community Foundation has designated that long-term assets be held in a manner consistent with the standard of prudence prescribed by state law. As a result of this interpretation, the Community Foundation considers the following factors in making a determination to distribute or accumulate long-term asset funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the long-term asset funds
- (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 Community Foundation
- (7) The investment policies of the Community Foundation

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies for long-term assets that attempt to provide a predictable stream of funding to programs supported by its long-term assets while seeking to maintain the purchasing power of these assets. Under this policy, as approved by the Board of Trustees, long-term assets are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, corporate bonds and limited partnerships, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community Foundation has a policy of distributing annually each year 5 percent of its long-term assets' average fair value over the prior ending eight quarters through the calendar year-end of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on its assets. This is consistent with the Community Foundation's objective to maintain the purchasing power of the long-term assets held, as well as to provide additional real growth through new gifts and investment return.

The following table provides information regarding the change in board designated endowment net assets for the years ended December 31:

	2015	2014
Endowment net assets, beginning of year	\$ 39,176,339	\$ 37,970,828
Investment return		
Investment income	1,185,187	2,471,485
Realized (losses) gains	(570,862)	39,887
Unrealized gains	(457,652)	(1,390,205)
	<u>39,333,012</u>	<u>39,091,995</u>
Contributions received	112,713	1,535,733
Interfund transfers	(908,809)	(453,300)
Appropriated for expenditure	(1,150,274)	(998,089)
	<u>\$ 37,386,642</u>	<u>\$ 39,176,339</u>

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12. Subsequent Events

The Community Foundation has evaluated subsequent events occurring after the statement of financial position date through the date of June 24, 2016, which is the date the financial statements were available to be issued. Based on this evaluation, the Community Foundation has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.