



THE WHITLOCK CO.

CPAs and Consultants

COMMUNITY FOUNDATION OF THE OZARKS, INC.

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2017 AND 2016**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of the Ozarks, Inc.
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Foundation of the Ozarks, Inc.** (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Community Foundation of the Ozarks, Inc.**, as of June 30, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

THE WHITLOCK CO., LLP

Springfield, Missouri
October 11, 2017

STATEMENTS OF FINANCIAL POSITION

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 41,694,233	\$ 46,688,536
Current portion of notes receivable	<u>697,034</u>	<u>591,729</u>
Total current assets	<u>42,391,267</u>	<u>47,280,265</u>
Investments		
Diversified investment pool	184,484,993	164,889,963
Other investments	24,020,013	24,522,985
Supporting organization	<u>9,068,255</u>	<u>9,120,999</u>
Total investments	<u>217,573,261</u>	<u>198,533,947</u>
Other assets		
Contributions receivable	774,265	770,141
Notes receivable	950,358	1,801,207
Property and equipment, net of accumulated depreciation of \$592,820 at 2017 and \$543,883 at 2016	1,126,249	1,155,417
Cash surrender value of life insurance policies	1,700,936	1,833,275
Other	<u>1,100</u>	<u>1,100</u>
Total other assets	<u>4,552,908</u>	<u>5,561,140</u>
Total assets	<u>\$ 264,517,436</u>	<u>\$ 251,375,352</u>

LIABILITIES AND NET ASSETS

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Current liabilities		
Current portion of annuities payable	\$ 24,077	\$ 51,542
Current portion of notes payable	<u>154,354</u>	<u>151,772</u>
Total current liabilities	<u>178,431</u>	<u>203,314</u>
Other liabilities		
Annuities payable	296,264	289,559
Notes payable	562,057	727,654
Agency funds	<u>84,336,508</u>	<u>84,730,024</u>
Total other liabilities	<u>85,194,829</u>	<u>85,747,237</u>
Net assets		
Unrestricted	6,937,241	6,137,097
Temporarily restricted	96,070,890	85,919,250
Permanently restricted	<u>76,136,045</u>	<u>73,368,454</u>
Total net assets	<u>179,144,176</u>	<u>165,424,801</u>
Total liabilities and net assets	<u>\$ 264,517,436</u>	<u>\$ 251,375,352</u>

The accompanying notes are an integral part of the financial statements

STATEMENTS OF ACTIVITIES

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue				
Contributions	\$ 747,854	\$ 13,072,893	\$ 3,014,909	\$ 16,835,656
Investment income	597,001	2,300,164	-	2,897,165
Management fee revenue	2,274,295	4,868	-	2,279,163
Net realized gain on investment transactions	186,044	733,590	-	919,634
Net unrealized gain on investments	2,604,090	7,926,561	-	10,530,651
Annuity actuarial adjustments	-	(17,974)	-	(17,974)
Other revenues	4,740	-	-	4,740
Net assets released from restrictions	14,046,673	(14,046,673)	-	-
Total support and revenue	20,460,697	9,973,429	3,014,909	33,449,035
Expenses				
Grants	15,279,743	-	-	15,279,743
Fund administrative fees	1,798,106	-	-	1,798,106
Cash value life insurance premium expense	183,920	-	-	183,920
Interest expense	16,490	-	-	16,490
Other fund expenses	452,626	-	-	452,626
Management and general	2,021,900	-	-	2,021,900
Total expenses	19,752,785	-	-	19,752,785
Increase in net assets	707,912	9,973,429	3,014,909	13,696,250
Reclassifications	92,232	178,211	(247,318)	23,125
Net assets at beginning of year	6,137,097	85,919,250	73,368,454	165,424,801
Net assets at end of year	\$ 6,937,241	\$ 96,070,890	\$ 76,136,045	\$ 179,144,176

	Year Ended June 30, 2016			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Support and revenue				
Contributions	\$ 1,141,394	\$ 13,685,826	\$ 918,099	\$ 15,745,319
Investment income	585,734	1,701,598	-	2,287,332
Management fee revenue	2,108,502	7,302	-	2,115,804
Net realized gain on investment transactions	320,988	433,642	-	754,630
Net unrealized loss on investments	(1,764,286)	(3,998,952)	-	(5,763,238)
Annuity actuarial adjustments	-	16,904	-	16,904
Other revenues	8,019	-	-	8,019
Net assets released from restrictions	<u>12,665,831</u>	<u>(12,665,831)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>15,066,182</u>	<u>(819,511)</u>	<u>918,099</u>	<u>15,164,770</u>
Expenses				
Grants	13,645,156	-	-	13,645,156
Fund administrative fees	1,684,568	-	-	1,684,568
Cash value life insurance premium expense	101,920	-	-	101,920
Interest expense	13,943	-	-	13,943
Other fund expenses	446,216	-	-	446,216
Management and general	<u>2,197,550</u>	<u>-</u>	<u>-</u>	<u>2,197,550</u>
Total expenses	<u>18,089,353</u>	<u>-</u>	<u>-</u>	<u>18,089,353</u>
Increase (decrease) in net assets	(3,023,171)	(819,511)	918,099	(2,924,583)
Reclassifications	670,142	(6,413,959)	3,828,792	(1,915,025)
Net assets at beginning of year	<u>8,490,126</u>	<u>93,152,720</u>	<u>68,621,563</u>	<u>170,264,409</u>
Net assets at end of year	<u>\$ 6,137,097</u>	<u>\$ 85,919,250</u>	<u>\$ 73,368,454</u>	<u>\$ 165,424,801</u>

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2017	2016
Cash flows from operating activities		
Cash received from contributors	\$ 16,227,937	\$ 15,510,739
Interest and dividends received	2,897,165	2,287,332
Cash paid to grant recipients	(15,279,743)	(13,645,156)
Cash paid to employees and suppliers	(4,816,958)	(4,417,865)
Interest paid	(16,490)	(13,943)
Net cash used in operating activities	(988,089)	(278,893)
Cash flows from investing activities		
Purchase of property and equipment	(42,676)	(11,562)
Issuance of notes receivable	(417,437)	-
Proceeds from notes receivable	1,162,981	-
Purchases of investments in diversified pool	(19,412,328)	(28,735,628)
Purchases of other investments	(235,983)	(4,246,038)
Proceeds from sales of investments in diversified pool	9,706,289	29,320,773
Proceeds from sales of other investments	2,432,588	3,703,189
Net cash provided by (used in) investing activities	(6,806,566)	30,734
Cash flows from financing activities		
Payments on annuity obligations	(51,542)	(51,016)
Issuance (payment) of loans payable	(163,015)	59,605
Proceeds from contributions restricted for investment in permanent endowment	3,014,909	918,099
Net cash provided by financing activities	2,800,352	926,688
Net increase (decrease) in cash and temporary cash investments	(4,994,303)	678,529
Cash and temporary cash investments at beginning of year	46,688,536	46,010,007
Cash and temporary cash investments at end of year	\$ 41,694,233	\$ 46,688,536

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COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

(Continued)

	Years Ended June 30,	
	2017	2016
Reconciliation of increase (decrease) in net assets to net cash used in operating activities		
Increase (decrease) in net assets (including reclassifications)	\$ 13,719,375	\$ (4,839,608)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	60,014	51,487
Adjustment in actuarial liabilities	(20,760)	(60,175)
Contributions permanently restricted for long-term investments	(3,014,909)	(918,099)
Net realized and unrealized losses (gains) on investments	(11,450,285)	5,008,608
Net change in investment in supporting organization	52,744	(29,138)
Loss on sale of fixed assets	11,830	4,173
Decrease (increase) in:		
Contributions receivable	(4,124)	(4,275)
Notes receivable	-	136,371
Increase (decrease) in:		
Annuity obligations	51,542	51,016
Agency funds	(393,516)	320,747
Net cash used in operating activities	<u>\$ (988,089)</u>	<u>\$ (278,893)</u>

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

1. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

History and purpose

The Foundation was incorporated in 1973 by a group of Greene County, Missouri citizens who were interested in providing a way for the charitable desires of people to be given permanent, useful expression in furthering the welfare of the community. The Foundation receives, distributes and administers funds for charitable and public purposes for the Springfield Metropolitan area, and 49 regional community foundations serving the southern tier of Missouri.

Basis of presentation

The Foundation prepares its financial statements in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (*ASC*) 958, "*Not-for-Profit Entities*." Under *ASC* 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Investments

Investments are carried at market value. Most funds participate in either a diversified investment pool or a cash pool using the market value unit method to determine the number of shares to be issued. Realized gains and losses from the diversified investment pool are allocated based on each participating fund's pro-rata share. Funds that don't participate in the Foundation's investment pools are invested individually at other financial institutions and reviewed monthly by CFO staff.

In 2009, the CFO Board of Directors approved committing up to 2% of assets to community investment through low-interest loans when conventional financing sources are not available. This Mission-Related Investment Program and Cultural Investment Fund represents the CFO's commitment to the "double-bottom line" of investing in enterprises that produce both financial and social returns for Ozarks communities rather than investing assets solely in financial markets.

Restricted and unrestricted support and revenue

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Statement of Activities as net assets released from restrictions.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Income taxes

The Foundation is exempt from income taxes under the provisions of the Internal Revenue Code Section 501(a). For the year ended June 30, 2017, the Foundation had no taxable income as a result of unrelated business activities. Accordingly, the financial statements contain no provision for income tax.

Generally Accepted Accounting Principles (GAAP) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as the position the Foundation has taken that the organization is exempt from income taxes.

The Foundation's information return filings are subject to audit by various taxing authorities. The Foundation's open tax audit periods are 2014 through 2017. In evaluating the Foundation's tax positions, interpretations and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on current facts and circumstances.

Cash equivalents

Cash equivalents represent short-term investments with original maturities of three months or less.

Recent accounting pronouncements

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about the Foundation's liquidity, financial performance, and cash flows. The new standard is effective for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the effect that implementation of the new standard will have on their financial statements.

In February 2016, the FASB issued ASU 2016-02 *Leases*. ASU 2016-02 requires recognition of the assets and liabilities that arise from leases. The new standard is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Foundation on December 15, 2018. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on their financial statements.

2. Investments

The Foundation holds most of its investments in a diversified investment pool which consists of various mutual fund companies. The remainder of its investments are held in separate accounts at various financial institutions.

Investments are composed of the following classes of securities at June 30:

	2017			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	\$ 134,450,051	\$ 11,559,624	\$ -	\$ 146,009,675
Bonds and bond funds	17,262,632	4,336,526	-	21,599,158
Common stocks	-	3,613,958	-	3,613,958
Real estate & other	<u>32,772,310</u>	<u>4,509,905</u>	<u>9,068,255</u>	<u>46,350,470</u>
	<u>\$ 184,484,993</u>	<u>\$ 24,020,013</u>	<u>\$ 9,068,255</u>	<u>\$ 217,573,261</u>
	2016			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	\$ 112,384,372	\$ 11,389,246	\$ -	\$ 123,773,618
Bonds and bond funds	14,805,268	4,392,837	-	19,198,105
Common stocks	-	3,503,664	-	3,503,664
Real estate & other	<u>37,700,323</u>	<u>5,237,238</u>	<u>9,120,999</u>	<u>52,058,560</u>
	<u>\$ 164,889,963</u>	<u>\$ 24,522,985</u>	<u>\$ 9,120,999</u>	<u>\$ 198,533,947</u>

3. Notes receivable

Notes receivable at June 30, consists of the following:

	<u>2017</u>	<u>2016</u>
Note receivable from Gainsville Biomass dated April 8, 2011 in the original amount of \$1,064,894 to assist the school district with the purchase of a Biomass HVAC Unit. Note is paid in monthly installments of \$9,682, including interest at 1%. Note is scheduled to mature on March 1, 2022.	\$ 512,836	\$ 642,713
Note receivable from Chadwick School District dated April 23, 2015 in the original amount of \$65,250 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of \$862, including interest at 1%. Note is scheduled to mature on March 23, 2022.	47,931	57,791
Note receivable from Licking School District dated June 5, 2015 in the original amount of \$205,672 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of \$1,802, including interest at 1%. Note is scheduled to mature on June 5, 2025.	166,166	186,018
Note receivable from Blansit Investment Group dated January 6, 2016 in the original amount of \$72,000 to assist the group with the infill of some property. Note is paid in monthly installments of \$702, including interest at 3.250%. Note is scheduled to mature on March 6, 2021.	63,022	69,378
Note receivable of \$165,000 dated September 21, 2011 from Drury University to provide leasehold improvements and equipment for expansion of academic programs on Commercial Street, with a maturity of June 1, 2017. Payments are made monthly at an original amount of \$3,082 with an initial interest rate of 2.75%, floating annually at the published prime rate minus 50 basis points. Final loan payment was made on 2/24/2017, and the loan was paid off.	-	21,925

<p>Note receivable from Sigma House dated December 20th, 2011 in the amount of \$375,000 to assist with the purchase of apartments used by their clients. Note was paid monthly with installments of \$2,142, at an original rate of 2.75%, or published prime rate minus 50 basis points floating annually. A final payment was made on 12/19/2016, and the loan was paid off.</p>	-	185,291
<p>Note receivable from Ozarks Medical Center in West Plains dated July 6, 2009 in the original amount of \$1,000,000 to expand the emergency room, with a maturity of July 6, 2019. Note was paid quarterly in approximate amounts of \$11,900, at an original interest rate of 3.25%, floating annually at the published prime rate. A balloon payment was made on 3/1/2017 in the amount of \$753,979, and the loan was retired.</p>	-	789,820
<p>Note receivable from Friends of the Zoo dated April 5, 2017 in the original amount of \$100,000 to assist Dickerson Park Zoo in mainting operations. Note is paid in monthly installments of accrued interest at 2.50%. Note is scheduled to mature on October 31, 2017.</p>	100,000	-
<p>Note receivable from the City of Marshfield dated June 23, 2017 in the original amount of \$317,437 to assist the city in purchasing a building. Note is paid in monthly installments \$1,857, including interest at 3.50%. Note is scheduled to mature on June 30, 2022.</p>	317,437	-
<p>Note receivable from History Museum on the Square dated October 15, 2014 in the original amount of \$440,000 to provide the museum with funds to help with construction costs. Note was to paid on maturity date with one payment of \$440,000, including interest at 0.85%. Note matured on April 1, 2017. The note was paid in full subsequent to June 30, 2017.</p>	440,000	440,000

Note receivable from History Museum on the Square dated October 15, 2014 in the original amount of \$790,000 for the purchase of the museum building. Note is expected to be forgiven on the completion of the history museum which is expected for October 2021. An allowance for the entire amount has been established as management believes that this loan will be forgiven.

	-	-
	1,647,392	2,392,936
Less current portion	697,034	591,729
	<u>\$ 950,358</u>	<u>\$ 1,801,207</u>

4. Supporting organizations

The Foundation is the beneficiary of assets consisting primarily of real estate held by a supporting organization. Under the terms of the supporting organization, the Foundation has the irrevocable right to receive all of the income earned on the assets. The Foundation has recorded its interest in these assets based on the fair value of assets held by the supporting organization. Net gain (loss) on assets held by the supporting organization of (\$52,744) and \$29,138 were recognized in 2017 and 2016, respectively.

5. Notes payable

Notes payable at June 30, consist of the following:

	<u>2017</u>	<u>2016</u>
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the original amount of \$740,000 with funds used to assist the Gainesville School District with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of \$6,852, including no interest. Note is scheduled to mature on July 31, 2021.	\$ 335,732	\$ 424,808
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the original amount of \$360,000 with funds used to assist the Gainesville School District with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of \$3,334, including no interest. Note is scheduled to mature on July 31, 2021.	163,294	206,636
Note payable to Intercounty Electric Coop Assoc. dated October 1, 2015 in the original amount of \$206,000 with funds used to assist the Licking School District with the purchase of ground source heat pumps. Note is payable in monthly installments of \$1,717, including no interest. Note is scheduled to mature on October 1, 2025.	168,233	188,833

Note payable to White River Valley Electric Cooperative, Inc. dated March 23, 2015, in the original amount of \$65,250 with funds used to assist the Chadwick School District with the purchase of ground source heat pumps. Note is payable in monthly installments of \$833, including interest at 2.00%. Note is scheduled to mature on May 23, 2022.

	49,152	59,149
	<u>716,411</u>	<u>879,426</u>
Less current portion	154,354	151,772
	<u>\$ 562,057</u>	<u>\$ 727,654</u>

The maturities of the notes payable during future fiscal years are as follows:

2018	\$ 154,354
2019	152,162
2020	152,350
2021	152,542
2022	39,771
Thereafter	<u>65,232</u>

Total notes payable maturities \$ 716,411

6. Agency funds

Agency funds represent funds held by the Foundation on behalf of other entities that have retained the right to designate the recipients of the earnings and principal of funds. See the accompanying supplemental information for changes in agency funds for the years ended June 30, 2017 and 2016.

7. Net assets

At June 30, 2017, temporarily restricted net assets consisting of gifts and other unexpended revenue and gains totaling \$96,070,890 are available for grants in the areas of human services, education, arts and culture, health, and community betterment. Permanently restricted net assets consist of \$76,136,045 of endowment funds, the earnings from which are spendable for human services, education, arts and culture, health, and community betterment.

Due to investment performance, some of the individual donor restricted endowment funds have fair values that are cumulatively less than the amount of the corpus by approximately \$600,000. Corpus includes the aggregate of gift additions to the funds and investment return required to be retained. Such endowments are commonly referred to as “underwater” endowments. The Foundation intends to continue to invest its endowment funds prudently so that these funds are restored to their historical corpus amounts and subsequently produce positive earnings that can be used consistent with the purpose of the funds.

8. Pension plans

The Foundation has a defined contribution plan covering the participating employees who make contributions to the Plan. The Foundation makes a contribution to the Plan each month equal to the amount of the participants' contributions, not to exceed an annual contribution of 5% of the participants' annual salaries. Total expense for the years ended June 30, 2017 and 2016, were approximately \$51,001 and \$50,014, respectively.

9. Disclosure about fair value of assets and liabilities

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "*Fair Value Measurements and Disclosures*," establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include investments in hedge funds and real estate investment trusts. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include other less liquid securities.

The following tables presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

Fair Value Measurements Using

	06/30/17 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	\$ 2,001,079	\$ 2,001,079	\$ -	\$ -
Mission related investments	104,480	-	-	104,480
Vanguard 500 Inst'l Index Fund	14,172,837	14,172,837	-	-
Vanguard Value Index Fund	6,429,982	6,429,982	-	-
Vanguard Total Bond Fund	13,324,428	13,324,428	-	-
Vanguard Energy Fund	4,760,006	4,760,006	-	-
Vanguard Inflation PS Fund	5,306,175	5,306,175	-	-
Vanguard Dividend Growth Fund	6,708,722	6,708,722	-	-
Vanguard Extended Index Fund	12,897,472	12,897,472	-	-
Victory Sycamore Mid Cap Fund	5,460,832	5,460,832	-	-
Westfield HSBC	5,950,544	5,950,544	-	-
Artisan International	15,281,559	15,281,559	-	-
Dodge & Cox	7,960,424	7,960,424	-	-
Met West Total Return	13,162,472	13,162,472	-	-
Voya Real Estate Fund	5,476,265	5,476,265	-	-
Parametric Emerging Markets	15,557,254	15,557,254	-	-
Polaris	7,928,386	-	7,928,386	-
Colchester	4,656,264	-	4,656,264	-
Mondrian	4,677,982	-	4,677,982	-
Anchorage Capital	3,677,597	-	-	3,677,597
TAPS Fund	4,970,580	-	-	4,970,580
Blackstone Partners Invest. Fund	7,259,094	-	-	7,259,094
Farallon Capital	4,185,516	-	-	4,185,516
Knighthead Offshore Fund	4,458,659	-	-	4,458,659
Highline Capital, Ltd.	4,295,187	-	-	4,295,187
Valinor Capital Partners Offshore	3,821,197	-	-	3,821,197
Other investment portfolios:				
Mutual funds and common stock	15,173,582	15,173,582	-	-
Bonds	4,336,526	-	4,336,526	-
Real estate and other investment property	4,509,905	-	-	4,509,905
Supporting Organization	<u>9,068,255</u>	<u>-</u>	<u>-</u>	<u>9,068,255</u>
	<u>\$ 217,573,261</u>	<u>\$ 149,623,633</u>	<u>\$ 21,599,158</u>	<u>\$ 46,350,470</u>

Fair Value Measurements Using

	06/30/16 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	\$ 1,823,365	\$ 1,823,365	\$ -	\$ -
Mission related investments	104,480	-	-	104,480
Vanguard 500 Inst'l Index Fund	10,816,343	10,816,343	-	-
Vanguard Value Index Fund	5,353,439	5,353,439	-	-
Vanguard Total Bond Fund	13,187,544	13,187,544	-	-
Vanguard Energy Fund	4,808,320	4,808,320	-	-
Vanguard Inflation Protected Fund	5,348,071	5,348,071	-	-
Vanguard Dividend Growth Fund	5,585,801	5,585,801	-	-
Vanguard Extended Index Fund	9,926,639	9,926,639	-	-
Victory Sycamore Mid Cap Fund	5,377,794	5,377,794	-	-
Westfield HSBC	4,516,015	4,516,015	-	-
Artisan International	10,950,959	10,950,959	-	-
Dodge & Cox	5,340,638	5,340,638	-	-
Parametric Emerging Markets	10,648,059	10,648,059	-	-
Met West Total Return	13,130,185	13,130,185	-	-
Voya Real Estate Fund	5,571,200	5,571,200	-	-
Polaris	5,621,582	-	5,621,582	-
Colchester	4,522,575	-	4,522,575	-
Mondrian	4,661,111	-	4,661,111	-
Archstone Equity Strategies Fund	5,171,314	-	-	5,171,314
Anchorage Capital	3,478,907	-	-	3,478,907
TAPS Fund	4,263,583	-	-	4,263,583
Blackstone Partners Invest. Fund	6,754,912	-	-	6,754,912
Farallon Capital	3,790,000	-	-	3,790,000
Knighthead Offshore Fund	3,687,504	-	-	3,687,504
Highline Capital, Ltd.	3,768,277	-	-	3,768,277
Valinor Capital Partners Offshore	3,013,001	-	-	3,013,001
Crestwood Capital International	3,668,345	-	-	3,668,345
Other investment portfolios:				
Mutual funds and common stock	14,892,910	14,892,910	-	-
Bonds	4,392,837	-	4,392,837	-
Real estate and other investment property	5,237,238	-	-	5,237,238
Supporting Organization	<u>9,120,999</u>	<u>-</u>	<u>-</u>	<u>9,120,999</u>
	<u>\$ 198,533,947</u>	<u>\$ 127,277,282</u>	<u>\$ 19,198,105</u>	<u>\$ 52,058,560</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level 3) inputs:

	<u>Hedge funds</u>	<u>Real estate and other</u>	<u>Total</u>
Balance, beginning of year	\$ 37,700,323	\$ 14,358,237	\$ 52,058,560
Transfers in and out of Level 3	-	-	-
Total realized and unrealized gains and losses included in change in net assets	2,124,923	(222,525)	1,902,398
Purchases, issues, sales, and settlements:			
Purchases	1,875,000	564,062	2,439,062
Sales	<u>(8,927,936)</u>	<u>(1,121,614)</u>	<u>(10,049,550)</u>
Balance, end of year	<u>\$ 32,772,310</u>	<u>\$ 13,578,160</u>	<u>\$ 46,350,470</u>
Change in unrealized gains or losses for the period included in changes in net assets for assets held at the end of the reporting period	\$ 2,124,923	\$ 126,855	\$ 2,251,778

Quantitative information about significant unobservable inputs used in the measurement of fair value for Level 3 investments is not developed by the Foundation and is not considered reasonably available. Therefore, the Foundation is not subject to the disclosure requirements under FASB Codification Topic 820 *Fair Value Measurement* regarding quantitative information about significant unobservable inputs used in Level 3 fair value measurement.

Additional disclosures as required per FASB Codification Topic 820 set forth in the following table are certain private equity funds' redemption frequency and redemption notice periods:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Anchorage Capital	\$ 3,677,597	monthly	90 days
TAPS Fund	4,970,580	monthly	5 days
Blackstone Partners Invest. Fund	7,259,094	monthly	95 days
Farallon Capital	4,185,516	monthly	60 days
Knighthead Offshore Fund	4,458,659	monthly	90 days
Highline Capital, Ltd.	4,295,187	monthly	60 days
Valinor Capital Partners Offshore	3,821,197	monthly	30 days

10. Endowments

The Foundation's endowment consists of approximately 1,504 individual funds. Most are donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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 as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) 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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Interpretation of relevant law

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

Return objectives and risk parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy

Spending is guided by several factors; most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and distributions from endowment funds to 4% of the value of fund assets based on a 12-quarter rolling average. The spending amount will be calculated by multiplying the 12-quarter rolling average of fund assets times 4%, divided by 4 (to arrive a quarterly spending).

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), spending shall comply with the evolving “prudent spending” guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Endowment net assets composition by type of fund and changes in endowment net assets

For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, 7/01/16	\$ -	\$ 46,383,662	\$ 73,368,454	\$ 119,752,116
Contributions	-	3,852,592	3,014,909	6,867,501
Other income	-	145,834	-	145,834
Investment return:				
Interest and dividends	-	798,374	-	798,374
Net appreciation	-	3,766,149	-	3,766,149
Reclassifications	-	(60,151)	(247,318)	(307,469)
Released from restrictions	-	(2,969,084)	-	(2,969,084)
Net assets, 6/30/17	<u>\$ -</u>	<u>\$ 51,917,376</u>	<u>\$ 76,136,045</u>	<u>\$ 128,053,421</u>

Endowment net assets composition by type of fund and changes in endowment net assets

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, 7/01/15	\$ -	\$ 44,364,404	\$ 68,621,563	\$ 112,985,967
Contributions	-	5,305,315	918,099	6,223,414
Other income	-	78,851	-	78,851
Investment return:				
Interest and dividends	-	675,631	-	675,631
Net depreciation	-	(1,522,139)	-	(1,522,139)
Reclassifications	-	(60,846)	3,828,792	3,767,946
Released from restrictions	-	(2,457,554)	-	(2,457,554)
Net assets, 6/30/16	<u>\$ -</u>	<u>\$ 46,383,662</u>	<u>\$ 73,368,454</u>	<u>\$ 119,752,116</u>

11. Reclassifications

From time to time, the Foundation reviews its classifications of temporarily and permanently restricted net assets. As part of the review process, funds are analyzed and reclassified if needed. This year, the Foundation identified a more accurate way to report funds. The Foundation also noted the need to reclassify contra accounts to cash and cash equivalents, investments, and notes receivable. The intention of those accounts were adjusted based on Foundations needs and payback of loans.

12. Litigation

The Foundation is currently involved in litigation with a nonprofit organization concerning a dispute of a charitable funds transfer of \$500,000 which occurred in 2004. The Foundation is also involved in a separate dispute with a liability insurance carrier regarding the coverage and defense of the charitable transfer dispute. Because the Foundation has not formed a conclusion on the outcomes of these disputes, they express no opinion on the outcome or the range of potential losses.

The Foundation is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material effect on the financial position of the Foundation.

13. Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 11, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

COMMUNITY FOUNDATION OF THE OZARKS, INC.
SCHEDULE OF COMBINED FOUNDATION AND AGENCY FUNDS ACTIVITY

	<u>Year Ended June 30, 2017</u>			<u>Year Ended June 30, 2016</u>		
	Foundation Funds	Agency Funds	Total	Foundation Funds	Agency Funds	Total
Support and revenue						
Contributions	\$ 16,835,656	\$ 21,452,313	\$ 38,287,969	\$ 15,745,319	\$ 31,117,100	\$ 46,862,419
Investment income	2,897,165	1,092,313	3,989,478	2,287,332	987,459	3,274,791
Management fee revenue	2,279,163	-	2,279,163	2,115,804	-	2,115,804
Net realized gain on investment transactions	919,634	358,620	1,278,254	754,630	234,168	988,798
Net unrealized gain (loss) on investments	10,530,651	3,504,115	14,034,766	(5,763,238)	(2,243,941)	(8,007,179)
Other revenues	4,740	-	4,740	8,019	-	8,019
Annuity actuarial adjustments	(17,974)	-	(17,974)	16,904	-	16,904
Total support and revenue	<u>33,449,035</u>	<u>26,407,361</u>	<u>59,856,396</u>	<u>15,164,770</u>	<u>30,094,786</u>	<u>45,259,556</u>
Expenses						
Grants	15,279,743	25,597,727	40,877,470	13,645,156	30,916,077	44,561,233
Fund administrative fees	1,798,106	667,740	2,465,846	1,684,568	631,384	2,315,952
Cash value life insurance premium expense	183,920	-	183,920	101,920	-	101,920
Interest expense	16,490	-	16,490	13,943	-	13,943
Other fund expenses	452,626	171,489	624,115	446,216	141,603	587,819
Management and general	2,021,900	-	2,021,900	2,197,550	-	2,197,550
Total expenses	<u>19,752,785</u>	<u>26,436,956</u>	<u>46,189,741</u>	<u>18,089,353</u>	<u>31,689,064</u>	<u>49,778,417</u>
Increase (decrease) in available funds	13,696,250	(29,595)	13,666,655	(2,924,583)	(1,594,278)	(4,518,861)
Reclassifications	23,125	(363,921)	(340,796)	(1,915,025)	1,915,025	-
Total - beginning of year	<u>165,424,801</u>	<u>84,730,024</u>	<u>250,154,825</u>	<u>170,264,409</u>	<u>84,409,277</u>	<u>254,673,686</u>
Total - end of year	<u>\$ 179,144,176</u>	<u>\$ 84,336,508</u>	<u>\$ 263,480,684</u>	<u>\$ 165,424,801</u>	<u>\$ 84,730,024</u>	<u>\$ 250,154,825</u>

See independent auditor's report.