



**THE GREATER LYNCHBURG COMMUNITY
TRUST AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**As of and for the Years Ended
June 30, 2017 and 2016**

A Charitable Community Trust

**Parent Organization
Organized Under a Resolution and Declaration of Trust
dated on October 11, 1972,
as last amended on September 16, 2008**

**Subsidiary
Incorporated in Virginia on October 15, 1999**





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

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THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

REPORT OF INDEPENDENT AUDITOR.....	1
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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3-4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-19

SUPPLEMENTAL INFORMATION

Schedules of Investments – Schedule 1	21-27
Schedules of Grants and Administration Expenses – Schedule 2	28-36





The Board of Directors
The Greater Lynchburg Community Trust and Subsidiary
Lynchburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Greater Lynchburg Community Trust and Subsidiary (the "Corporation"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Lynchburg Community Trust and Subsidiary as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of The Greater Lynchburg Community Trust and Subsidiary as of June 30, 2016, were audited by other auditors whose report dated December 9, 2016, expressed an unmodified opinion on those statements.



THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Investments and Schedule of Grants and Administration Expenses, pages 21-36, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate 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 states in all material respects in relation to the financial statements as a whole.

Davidson Doyle & Hittner, LLP

Lynchburg, Virginia
December 10, 2017





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash	\$ 145,823	\$ 102,064
Money market funds	1,541,305	1,195,421
Total cash and cash equivalents	1,687,128	1,297,485
Investments	36,113,856	32,705,605
Contributions receivable	41,856	74,023
Interests in charitable remainder trusts held by others	250,007	234,993
Property and equipment, net	4,352	7,748
Total Assets	\$ 38,097,199	\$ 34,319,854
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	\$ 568,689	\$ 533,659
Accounts payable	7,219	4,581
Accrued expenses	7,373	6,282
Charitable gift annuity payable	72,597	75,466
Total Liabilities	655,878	619,988
Net Assets:		
Unrestricted	6,636,417	5,476,846
Temporarily restricted	2,711,669	1,728,579
Permanently restricted	28,093,235	26,494,441
Total Net Assets	37,441,321	33,699,866
Total Liabilities and Net Assets	\$ 38,097,199	\$ 34,319,854

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





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	\$ 81,142	\$ 78,359	\$ 1,587,656	\$ 1,747,157
Investment income	446,036	310,578	-	756,614
Net realized and unrealized gain in value of investments	1,904,083	1,583,155	-	3,487,238
Change in value of interests in charitable remainder trusts held by others	-	3,876	11,138	15,014
Charitable gift annuity adjustment	-	(2,231)	-	(2,231)
Satisfaction of program restrictions	990,647	(990,647)	-	-
Total Revenues, Gains, and Other Support	<u>3,421,908</u>	<u>983,090</u>	<u>1,598,794</u>	<u>6,003,792</u>
Expenses:				
Program Services	2,066,202	-	-	2,066,202
Management & General	114,474	-	-	114,474
Fundraising	81,661	-	-	81,661
Total Expenses	<u>2,262,337</u>	<u>-</u>	<u>-</u>	<u>2,262,337</u>
Increase in net assets	1,159,571	983,090	1,598,794	3,741,455
Net assets at beginning of year	5,476,846	1,728,579	26,494,441	33,699,866
Net assets at end of year	<u>\$ 6,636,417</u>	<u>\$ 2,711,669</u>	<u>\$ 28,093,235</u>	<u>\$ 37,441,321</u>



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



THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	\$ 183,736	\$ 189,909	\$ 388,763	\$ 762,408
Investment income	319,691	396,158	-	715,849
Net realized and unrealized gain in value of investments	(884,011)	(322,426)	-	(1,206,437)
Change in value of interests in charitable remainder trusts held by others	-	(1,780)	(10,540)	(12,320)
Charitable gift annuity adjustment	-	(2,199)	-	(2,199)
Gain (loss) on disposal of fixed assets	(460)	-	-	(460)
Satisfaction of program restrictions	1,168,096	(1,168,096)	-	-
Total Revenues, Gains, and Other Support	<u>787,052</u>	<u>(908,434)</u>	<u>378,223</u>	<u>256,841</u>
Expenses:				
Grants	1,680,827	-	-	1,680,827
Investment and bank fees	256,012	-	-	256,012
Administration	297,468	-	-	297,468
Depreciation	3,420	-	-	3,420
Total Expenses	<u>2,237,727</u>	<u>-</u>	<u>-</u>	<u>2,237,727</u>
Increase in net assets	(1,450,675)	(908,434)	378,223	(1,980,886)
Net assets at beginning of year	6,927,521	2,637,013	26,116,218	35,680,752
Net assets at end of year	<u>\$ 5,476,846</u>	<u>\$ 1,728,579</u>	<u>\$ 26,494,441</u>	<u>\$ 33,699,866</u>





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and scholarships	\$ 1,685,961	\$ -	\$ -	\$ 1,685,961
Investment management fees	266,729	-	-	266,729
Compensation of current officers, etc.	44,165	22,083	44,165	110,413
Other salaries and wages	29,713	29,712	14,855	74,280
Office expenses	4,301	7,251	8,728	20,280
Occupancy	-	15,112	-	15,112
Payroll taxes	5,590	2,795	5,590	13,974
Technology- software	5,563	5,563	2,782	13,908
Annual report	11,465	-	-	11,465
Accounting fees	-	9,400	-	9,400
Design and marketing services	6,362	-	-	6,362
Retirement match	2,195	2,194	1,096	5,486
Insurance	1,151	3,363	-	4,514
Development	-	-	4,445	4,445
Conferences, meetings, etc.	-	4,335	-	4,335
Depreciation	-	3,396	-	3,396
Youth Philanthropy	3,007	-	-	3,007
Dues	-	2,855	-	2,855
Travel	-	2,570	-	2,570
Property maintenance	-	1,800	-	1,800
Cleaning services	-	1,725	-	1,725
Legal fees	-	320	-	320
Total expenses	<u>\$ 2,066,202</u>	<u>\$ 114,474</u>	<u>\$ 81,661</u>	<u>\$ 2,262,337</u>



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



THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,741,455	\$ (1,980,886)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	3,396	3,420
Loss on disposal of equipment	-	460
Net (appreciation) depreciation of investments	(3,487,238)	1,206,437
Permanently restricted contributions	(1,587,656)	(388,763)
(Increase) decrease in interest in charitable remainder trusts held by others	(15,014)	36,935
(Increase) decrease in contributions receivable	32,167	61,981
Increase (decrease) in grants payable	35,030	(46,477)
(Decrease) increase in accounts payable	2,638	(10,055)
(Decrease) increase in accrued expenses	1,091	1,271
(Decrease) in charitable gift annuity payable	(2,869)	(2,901)
Net cash used in operating activities	<u>(1,277,000)</u>	<u>(1,118,578)</u>
Cash flows from investing activities:		
Cash paid for purchases of property and equipment	-	(1,646)
Proceeds from sale of property and equipment	-	617
Net sales (purchases) of investments	<u>78,987</u>	<u>530,930</u>
Net cash provided by investing activities	<u>78,987</u>	<u>529,901</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>1,587,656</u>	<u>388,763</u>
Net increase (decrease) in cash and cash equivalents	389,643	(199,914)
Cash and cash equivalents at beginning of year	<u>1,297,485</u>	<u>1,497,399</u>
Cash and cash equivalents at end of year	<u>\$ 1,687,128</u>	<u>\$ 1,297,485</u>



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



THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1—Organization and significant accounting policies

Organization – Greater Lynchburg Community Trust (the “Trust”) is a public charitable organization formed October 11, 1972, for the purpose of receiving charitable contributions from the public, administering and investing those gift resources, and distributing the expendable portions of the resources and their earnings for the benefit of charitable recipients in the City of Lynchburg and the Counties of Amherst, Appomattox, Bedford, and Campbell. Four banks presently serve as trustees of the funds. The Trust is managed and governed by a Board of Directors of 15 members. The directors are appointed for five-year terms by various organizations and groups within the Trust’s service area, as specified in the Trust resolution. The Trust consists of individual funds which are accounted for separately.

Basis of Consolidation – The consolidated financial statements include the accounts of The Greater Lynchburg Community Trust and The Greater Lynchburg Community Trust, Inc., its wholly-owned subsidiary. Significant intercompany transactions and account balances have been eliminated in the consolidation.

Basis of Financial Statements – The consolidated financial statements are presented on the accrual basis of accounting and in accordance with the currently adopted principles of accounting and reporting for not-for-profit organizations. Separate accounts are maintained to monitor the activity and balances in individual funds. However, funds that have similar characteristics have been combined into categories in the accompanying consolidated financial statements as follows:

- *Unrestricted* – These resources have no external restrictions on their use or purpose and are available for the Board of Directors to expend at their discretion after payment of trust fees and administration expenses. Expenses, revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification.
- *Temporarily restricted* – These resources consist of (1) contributions received from donors with stipulations on the availability of the funds for distribution that expire by the passage of time or that can be fulfilled by action of the Trust pursuant to those stipulations and (2) unused accumulations of restricted investment income earned primarily on permanently restricted net assets.
- *Permanently restricted* – These resources are subject to the restrictions of gift instruments, which normally require that the principal be invested in perpetuity and that only the income from the endowment gift be utilized. In some instances, the gift instrument may require that the income be added to principal for a specified period of time. In other instances, the investment income may also be restricted for certain purposes or for certain charitable beneficiaries.

Accounting for Investment Earnings and Gains and Losses – Interest and dividend income from the investment of permanently restricted net assets is presently all restricted for specific purposes or specific beneficiaries and is accounted for in the temporarily restricted net asset category. Interest and dividend income from the investment of temporarily restricted net assets is also restricted for the same specific purposes or specific beneficiaries and is accounted for in the temporarily restricted net asset category. Interest and dividend income from the investment of unrestricted net assets is unrestricted and is available for the Board of Directors to expend at their discretion. Unrealized and realized gains and losses of permanently restricted net assets are accounted for in the temporarily restricted net asset category because all the income from the Trust’s endowed funds has been temporarily restricted by donors for specific purposes. However, any deficiency in the fair value of assets associated with individual donor-restricted endowment funds that fall below the level of the contribution are included in unrestricted net assets. Unrealized and realized gains and losses of temporarily restricted and unrestricted net assets are accounted for and become a part of the fund to which they apply. The investment earnings and the gains and losses attributable to each fund are currently determined by an allocation process using the fair value of the investments of each fund at the beginning of the quarterly allocation period.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1—Organization and significant accounting policies (continued)

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, the Trust considers all unrestricted instruments with an initial maturity of three months or less to be cash equivalents. As of June 30, 2017 and 2016, cash and cash equivalents consist of cash-on-demand deposits and money market accounts. The Trust places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year, the Trust from time to time may have had amounts on deposit in excess of the insured limits; however, the Trust has not experienced losses in such accounts, and does not believe it is exposed to any significant risk.

Contributions and Pledges Receivable – Contributions, including unconditional promises to give (pledges), are recognized as unrestricted, temporarily restricted, or permanently restricted revenues, depending on the existence and/or nature of any donor restrictions, in the period received. Unconditional promises to give that are expected to be received after one year are discounted at an appropriate discount rate, which approximates the Trust's estimated borrowing rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Property and Equipment – Property and equipment consists of furniture, computers, and computer software and is stated at cost. Depreciation is computed using the straight-line method over the asset's estimated useful life, ranging from three to fifteen years. Generally, it is the Trust's policy to capitalize property and equipment that have an acquisition cost of \$500 or more.

Accruals of Income and Expenses – Investment income and investment and custodial fees include those amounts credited or charged by the various trust agents during each year. Any amounts that may be accrued at the end of each year are not significant and are not included in the consolidated financial statements until credited or charged in the subsequent year.

Administration Charges – Certain expenses, such as investment and custodial fees, are allocated directly to and paid by the individual funds to which they apply. Other administrative expenses, such as the President's salary, office expenses, and professional fees, are paid from the unrestricted net assets and are allocated to the other funds based on a formula established by the Board of Directors.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Fair Value Measurements – The Trust follows the Fair Value Measurements topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820 ("ASC") which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1—Organization and significant accounting policies (continued)

The guidance describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts reflected in the consolidated statements of financial position for cash and cash equivalents, grants payable, and accounts payable approximate the respective fair values due to the short maturities of those instruments and any differences being immaterial. The carrying amounts of contributions receivable, charitable remainder trusts held by others, and annuities payable approximate fair value upon application of the discount rate used on future cash flows.

The carrying value of corporate stocks and mutual funds is fair value as amounts were derived from quoted market prices in active markets and are considered Level 1 within the fair value hierarchy.

The Trust has estimated the fair value of its investments in certain common collective trusts on the basis of the net asset value ("NAV") per share of the trusts (or its equivalent) provided by the administrator of the fund. The NAV is used as a practical expedient to measure fair value and is, therefore, excluded from the classification in the fair value hierarchy. This practical expedient would not be used if it were determined to be probable that the Trust will sell the investment for an amount different from the reported NAV.

The fair value of government obligations or bonds is determined based on a valuation model that uses inputs that include interest rate yield curves and credit spreads similar to the obligation or bond in terms of issuer, maturity, and seniority. These investments are generally categorized in Level 2 of the valuation hierarchy.

The fair value of corporate obligations is estimated using recently executed transactions, market price quotations (where observable), or credit spreads. The spread data used is for the same maturity as the obligation. Corporate obligations are generally categorized in Level 2 of the valuation hierarchy.

The Trust is party to irrevocable charitable remainder trust agreements. The Trust's interest in these charitable remainder trusts is reported at fair value which is calculated using appropriate discount rates (2.40% and 1.80% as of June 30, 2017 and 2016, respectively) and actuarial assumptions. Due to the significance of these unobservable inputs to the calculation of the fair value of the Trust's interest in the charitable remainder trusts, these assets are classified within Level 3 of the fair value hierarchy.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1—Organization and significant accounting policies (continued)

Recent Accounting Pronouncements – In May 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within fair value hierarchy investments for which fair values are estimated using the NAV practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. Disclosures about investments in certain entities that calculate NAV per share are limited under ASU 2015-07 to those investments for which the entity has elected to estimate the fair value using the NAV practical expedient. ASU 2015-07 requires retrospective application and is effective for years beginning after December 15, 2016. As permitted, the Trust has elected early adoption and has applied the ASU retrospectively for all periods presented. Accordingly, investments measured using the NAV practical expedient have been removed from the prior period disclosure of the fair value hierarchy.

On August 18, 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958). The new standards are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the ASU is permitted. The ASU, which is the first phase of a two-phase project, makes significant changes in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The Trust has elected not to apply the amendments early.

Note 2—Investments

Investments were comprised of the following at June 30:

	2017	2016
Cash and cash equivalents:		
Money market funds	\$ 1,541,305	\$ 1,195,421
Investments:		
Corporate stocks and mutual funds	25,535,861	23,230,475
Common collective trusts	518,794	623,997
Government bonds, corporate obligations, and fixed income securities	10,059,201	8,851,132
Total investments	36,113,856	32,705,604
Total	\$ 37,655,161	\$ 33,901,025





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 3—Contributions and pledges receivable

Pledges and contributions receivable at June 30 consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges	\$ 4,000	\$ 10,983
Contributions receivable	37,856	63,462
Total	<u>\$ 41,856</u>	<u>\$ 74,445</u>
Receivable in less than one year	\$ 41,856	\$ 74,445
Receivable in one to five years	-	-
	41,856	74,445
Less discounts to present value	-	(422)
Total	<u>\$ 41,856</u>	<u>\$ 74,023</u>

The Trust considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 4—Interests in charitable remainder trusts held by others

The Trust was party to four and five irrevocable charitable remainder trusts as of June 30, 2017 and 2016, respectively. Under these charitable remainder trusts, the donors established and funded trusts with specified distributions to be made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of these trusts, the Trust will receive the remaining assets. The fair market value of the assets held in the charitable remainder trusts totaled \$407,542 and \$396,613 at June 30, 2017 and 2016, respectively. The present value of the charitable remainder trusts totaled \$250,007 and \$234,993 at June 30, 2017 and 2016, respectively.

The Trust was also party to six and five revocable charitable remainder trusts as of June 30, 2017 and 2016, respectively. The fair market value of the assets held in these trusts at June 30, 2017 and 2016, was \$3,254,457 and \$3,143,431, respectively. As the Trust's interest in the charitable remainder trusts is revocable, no amounts associated with these interests has been recorded in the consolidated financial statements.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5—Fair value measurements

See “fair value measurements” in Note 1 above for discussions of the methodologies and assumptions used to determine the fair value of the Trust’s financial assets.

The following table summarizes the valuation of the Trust’s financial assets measured at fair value on a recurring basis as of June 30, 2017, based on the level of input utilized to measure fair value:

	As of June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash equivalents:				
Money market funds	\$ 1,541,305	\$ -	\$ -	\$ 1,541,305
Investments:				
Corporate obligations	-	3,961,221	-	3,961,221
Government bonds	-	2,229,309	-	2,229,309
Corporate stock	17,296,726	-	-	17,296,726
Mutual funds	12,107,806			12,107,806
Common/collective trusts, at net asset value ^(a)	-	-	-	518,794
Total investments	29,404,532	6,190,530	-	36,113,856
Interests in charitable remainder trusts held by others	-	-	250,007	250,007
Total	\$ 30,945,837	\$ 6,190,530	\$ 250,007	\$ 37,905,168





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5—Fair value measurements (continued)

The following table summarizes the valuation of the Trust's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016, based on the level of input utilized to measure fair value:

	As of June 30, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Cash equivalents:				
Money market funds	\$ 1,195,421	\$ -	\$ -	\$ 1,195,421
Investments:				
Corporate obligations	-	3,351,847	-	3,351,847
Government bonds	-	2,369,326	-	2,369,326
Corporate stock	15,892,611	-	-	15,892,611
Mutual funds	10,467,824			10,467,824
Common/collective trusts, at net asset value ^(a)	-	-	-	623,997
Total investments	26,360,435	5,721,173	-	32,705,605
Interests in charitable remainder trusts held by others	-	-	234,993	234,993
Total	\$ 27,555,856	\$ 5,721,173	\$ 234,993	\$ 34,136,019

- (a) In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

Investments Measured Using NAV per Share Practical Expedient – The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of June 30, 2017 and 2016.

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
June 30, 2017				
Common/collective trusts	\$ 518,794	N/A	Weekly	N/A
June 30, 2016				
Common/collective trusts	\$ 623,997	N/A	Weekly	N/A





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5—Fair value measurements (continued)

The table below sets forth a summary of changes in the fair value of the Trust's Level 3 investment assets for the year ended June 30, 2017:

	Interests in Charitable Remainder Trusts Held by Others
Beginning fair value	\$ 234,993
Distribution of interest in trust	-
Actuarial adjustments	15,014
Ending fair value	<u>\$ 250,007</u>

The table below sets forth a summary of changes in the fair value of the Trust's Level 3 investment assets for the year ended June 30, 2016:

	Interests in Charitable Remainder Trusts Held by Others
Beginning fair value	\$ 271,928
Distribution of interest in trust	(24,615)
Actuarial adjustments	(12,320)
Ending fair value	<u>\$ 234,993</u>

Note 6—Property and equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	2017	2016
Computers, furniture, and equipment, at cost	\$ 52,780	\$ 52,780
Less accumulated depreciation	(48,428)	(45,032)
	<u>\$ 4,352</u>	<u>\$ 7,748</u>

Depreciation expense was \$3,396 and \$3,420 for the years ended June 30, 2017 and 2016, respectively.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 7—Tax status

The Trust is a Section 501(c)(3) organization under the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Code.

GAAP requires Trust management to evaluate tax positions taken by the Trust and recognize a tax liability (or asset) if the Trust has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Trust management has analyzed the tax positions taken by the Trust, and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Trust is subject to audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 8—Endowment

The Trust has adopted the provisions of the Presentation of Financial Statements for Not-for-Profit Entities topic 958 of the FASB ASC, which provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Trust's endowment consists of approximately 240 individual funds established for a variety of purposes including both donor-restricted endowment funds and a fund designated by the Trust's Board of Directors (the "Board") to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of the Trust has interpreted 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 stipulation to the contrary. As a result of this interpretation, the Trust classifies as permanently restricted net assets (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 Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

1. The duration and preservation of the fund
2. The purposes of the Trust 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 Trust
7. The investment policies of the Trust





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 8—Endowment (continued)

Endowment net assets consist of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (695,571)	\$ 2,003,743	\$ 28,093,235	\$ 29,401,407
Board-designated endowment funds	29,474	-	-	29,474
Total endowed net assets	<u>\$ (666,097)</u>	<u>\$ 2,003,743</u>	<u>\$ 28,093,235</u>	<u>\$ 29,430,881</u>

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2016	\$ (1,352,554)	\$ 1,122,574	\$ 26,494,441	\$ 26,264,461
Investment return:				
Investment income	302,393	300,032	-	602,425
Net realized and unrealized gain	1,206,197	1,522,576	-	2,728,773
Total investment return	1,508,590	1,822,608	-	3,331,198
Contributions	-	-	1,587,656	1,587,656
Net unrealized gain, trusts	-	-	11,138	11,138
Appropriation of endowment assets for expenditure	(822,133)	(941,439)	-	(1,763,572)
Endowment net assets, June 30, 2017	<u>\$ (666,097)</u>	<u>\$ 2,003,743</u>	<u>\$ 28,093,235</u>	<u>\$ 29,430,881</u>

Endowment net assets consist of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,379,949)	\$ 1,122,574	\$ 26,494,441	\$ 26,237,066
Board-designated endowment funds	27,395	-	-	27,395
Total endowed net assets	<u>\$ (1,352,554)</u>	<u>\$ 1,122,574</u>	<u>\$ 26,494,441</u>	<u>\$ 26,264,461</u>





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 8—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ (242,388)	\$ 2,100,420	\$ 26,116,218	\$ 27,974,250
Investment return:				
Investment income	186,692	387,324	-	574,016
Net realized and unrealized gain	(656,698)	(315,182)	-	(971,880)
Total investment return	(470,006)	72,142	-	(397,864)
Contributions	-	-	388,763	388,763
Net unrealized gain, trusts	-	-	(10,540)	(10,540)
Appropriation of endowment assets for expenditure	(640,160)	(1,049,988)	-	(1,690,148)
Endowment net assets, June 30, 2016	<u>\$ (1,352,554)</u>	<u>\$ 1,122,574</u>	<u>\$ 26,494,441</u>	<u>\$ 26,264,461</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$579,793 and \$1,379,949 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters – The Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Trust's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to cover the current spending requirements, while at the same time achieving in the long-term the highest total return that is consistent with this policy.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Trust 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 Trust targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 8—Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The spending policy calculates the amount of money annually distributed from the Trust's various endowment funds, for grant-making and administration. The current spending policy is to distribute an amount equal to 5.00% of the fair market value of the fund based on a trailing 12-quarter average. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment assets to grow. This is consistent with the Trust's objectives to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Note 9—Charitable gift annuity

The Trust is party to a charitable gift annuity agreement under which a donor has contributed assets to the Trust in exchange for its commitment to make distributions to the donor or other beneficiary for a specified period of time or until the death of the beneficiary. Assets received were recorded at fair value on the date of gift and a liability equal to the present value of the future distributions was also recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiary is recognized as contribution revenue in the period the gift is made. On an annual basis, the Trust revalues the liability to make distributions to the designated beneficiary using a discount rate established at the inception of the agreement and appropriate actuarial assumptions. The net present value of the charitable gift annuity agreement was \$72,597 and \$75,466 at June 30, 2017 and 2016, respectively. A summary of the changes in the value of the charitable gift annuity for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Beginning fair value	\$ 75,466	\$ 78,367
Annuity payments	(5,100)	(5,100)
Actuarial adjustments	2,231	2,199
Ending fair value	<u>\$ 72,597</u>	<u>\$ 75,466</u>

Note 10—Leases

Beginning January 1, 2008, the Trust acquired office space under a 5-year operating lease agreement. During the fiscal year ending June 30, 2012, the lease was renewed for an additional 5-year term. Lease payments amounted to \$12,000 for the years ended June 30, 2017 and 2016. Subsequent to the fiscal year ending June 30, 2017, the lease was renewed for an additional 6-month term beginning January 1, 2018 with lease payments amounting to \$7,200.

Future minimum lease payments under the non-cancelable operating lease are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2018	\$ 13,200





THE GREATER LYNCHBURG COMMUNITY TRUST AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 11—Retirement plan

The Trust has established a SIMPLE IRA plan for employees meeting the eligibility requirements. The Trust contributes up to 3% of eligible compensation. During the years ended June 30, 2017 and 2016, the Trust contributed \$5,486 and \$5,388, respectively.

Note 12—Related parties

The Trust received contribution revenue from members of the Board in the amount of \$15,950 and \$18,279 for the years ended June 30, 2017 and 2016, respectively. The amount of contributions receivable due from members of the Board totaled \$4,000 and \$3,846 at June 30, 2017 and 2016, respectively.

In the ordinary course of business, the Trust has certain business relationships with companies in which members of the Board are related parties. Transactions with such companies for the years ended June 30, 2017 and 2016, were as follows:

	2017	2016
Bank and management fees	\$ 3,832	\$ 2,739
Legal fees	320	1,804
	<u>\$ 4,152</u>	<u>\$ 4,543</u>

Note 13—Risks and uncertainties

The Trust invests in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Note 14—Subsequent events

Management of the Trust has evaluated subsequent events through December 10, 2017, which is the date the consolidated financial statements were available to be issued. Effective December 5, 2017, the Trust changed its name to The Greater Lynchburg Community Foundation.

