

APPALACHIAN COMMUNITY FUND, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015

APPALACHIAN COMMUNITY FUND, INC.

YEAR ENDED JUNE 30, 2015

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Bible Harris Smith, P.C.

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INDEPENDENT AUDITOR'S REPORT

Appalachian Community Fund, Inc.
Board of Directors
Knoxville, Tennessee

We have audited the accompanying financial statements of Appalachian Community Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 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 Appalachian Community Fund, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bible Harris Smith, P.C.
Knoxville, Tennessee
January 27, 2016

APPALACHIAN COMMUNITY FUND, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents		\$ 247,216
Funds Held for Others		736
Accounts Receivable		2,998
Short-Term Investments		5,415
Prepaid Expense		5,650
Total Current Assets		262,015

FIXED ASSETS

Office Equipment	\$ 11,979	
Less Accumulated Depreciation	(7,857)	
Total Fixed Assets		4,122

OTHER ASSETS

Endowment Investment	624,483	
Other Non-current Assets	8,576	
Total Other Assets		633,059

TOTAL ASSETS

\$ 899,196

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable		\$ 905
Grants Payable		21,000
Other Liabilities		4,714
Total Current Liabilities		26,619

NET ASSETS

Unrestricted	\$ 56,949	
Temporarily Restricted	194,087	
Permanently Restricted	621,541	
Total Net Assets		872,577

TOTAL LIABILITIES AND NET ASSETS

\$ 899,196

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

APPALACHIAN COMMUNITY FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Donor Support	\$ 126,743	\$ 103,052	\$ -	\$ 229,795
FEX Endowment	51,548	-	621,541	673,089
Interest and Dividend Income	425	5,596	-	6,021
Loss on Sale of Investments	-	(527)	-	(527)
Unrealized Gain on Investments	-	19,090	-	19,090
NET ASSETS RELEASED FROM RESTRICTIONS:				
Satisfaction of Program Restrictions	<u>107,019</u>	<u>(107,019)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT				
	<u>285,735</u>	<u>20,192</u>	<u>621,541</u>	<u>927,468</u>
EXPENSES				
Program	194,225	-	-	194,225
Fundraising	49,396	-	-	49,396
Management and General	52,836	-	-	52,836
Total Expenses	<u>296,457</u>	<u>-</u>	<u>-</u>	<u>296,457</u>
CHANGE IN NET ASSETS	(10,722)	20,192	621,541	631,011
NET ASSETS - BEGINNING	<u>67,671</u>	<u>173,895</u>	<u>-</u>	<u>241,566</u>
NET ASSETS - ENDING	<u>\$ 56,949</u>	<u>\$ 194,087</u>	<u>\$ 621,541</u>	<u>\$ 872,577</u>

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

APPALACHIAN COMMUNITY FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program	Supporting Services		Total
	Services	Fundraising	Mgmt/Gen.	Expenses
Payroll	\$ 45,414	\$ 31,828	\$ 28,666	\$ 105,908
Grant Expense	102,576	-	-	102,576
Employee Benefits	6,872	5,023	4,830	16,725
Facility Rent and Utilities	11,672	2,168	2,835	16,675
Marketing & Donor Development	7,125	6,288	2,075	15,488
Board Governance	4,507	892	2,273	7,672
Office Supplies, Equip., Ins.	4,358	930	1,240	6,528
Audit, Tax & Legal	-	-	6,476	6,476
Staff Expenses	3,181	766	367	4,314
Telephone	2,862	532	695	4,089
Memberships	1,962	364	476	2,802
Investment Fees	-	-	2,064	2,064
Depreciation	1,161	216	282	1,658
Equipment Maintenance & Rental	868	161	211	1,240
Newsletters & Annual Report	613	32	-	645
Subscriptions	397	74	97	568
Copying & Printing	386	72	94	552
Postage	271	50	66	387
Other Expenses	-	-	90	90
TOTAL EXPENSES	\$ 194,225	\$ 49,396	\$ 52,836	\$ 296,457

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

APPALACHIAN COMMUNITY FUND, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	631,011
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	1,658
In-Kind Donation of Long Term Assets	(803)
Reinvested Earnings on Endowments	(4,582)
Realized (Gains) Losses	(37)
Unrealized (Gains) Losses	(19,090)
Endowment Management Fees	1,233
(Increase) Decrease in Assets:	
Accounts Receivable	(2,304)
Funds Held for Others	(736)
Prepaid Expense	(808)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,678)
Grants Payable	(23,700)
Other Liabilities	739
	<u>579,903</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>579,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Long-term Investments	(602,007)
Purchase of Assets	(1,299)
	<u>(603,306)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(603,306)</u>
NET INCREASE (DECREASE) IN CASH	(23,403)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>270,619</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 247,216</u></u>

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

APPALACHIAN COMMUNITY FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The Appalachian Community Fund, Inc., (Fund) is an activist-controlled foundation committed to supporting progressive social change in the central states of Appalachia, which include east Kentucky, east Tennessee, West Virginia and southwest Virginia.

The Fund exists to be a source of new money for social justice movements in the region, leverage money into the region (whether or not it comes through the Fund) for organizations addressing the root causes of social problems, and provide technical assistance in fundraising and organizational development to grass roots organizations in the region.

General - The accompanying financial statements are presented on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

To ensure observance of limitations and restrictions placed on the use of resources available to the Fund, the accounts of the Fund are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

The accompanying financial statements, under the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB) ASC 958-210, focus on the organization as a whole and report the change in net assets for the following:

Unrestricted net assets, which are not subject to donor-imposed restrictions.

Temporarily restricted net assets, which are subject to restrictions for support of particular operating activities, for use in a specified future period, or for acquisition of long-lived assets. Cash or other assets subject to donor-imposed restrictions are classified separately from cash or other assets that are unrestricted and available for current use.

Permanently restricted net assets, which are subject to the donor's stipulation that the principal be maintained intact, with only the income to be expended currently.

Property and Equipment – The Fund's policy is to capitalize all asset purchases of \$500 or more. Property and equipment are carried at cost. Donated property or equipment is recorded as a capital addition at fair value. Depreciation is computed using the straight-line method over three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in that period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Cash and Cash Equivalents - The Fund's cash and cash equivalents include money market funds and certificates of deposit held at various financial institutions. For purposes of the statement of cash flows, the Fund considers certificates of deposits and highly liquid debt instruments to be cash equivalents, unless permanently restricted. The fair value of cash equivalents does not differ materially from the carrying value due to the short maturities of the instruments.

Short-Term Investments – Short-term investments as of June 30, 2015 consist of the HEAD Community Loan Fund. The HEAD Community Loan Fund is a short-term loan that is renewed annually and earns a fixed rate of return that is renegotiated each renewal. Management considers the carrying value of the investment to approximate the fair value due to the short term maturity of the investment.

Grants Payable – The Fund finalizes grants to be paid during the fourth quarter of the fiscal year. Grant award notifications are then sent to the grantees. Grant checks are not released until the grantee submits a signed grant agreement and required reports if applicable (see Note 5).

Income Tax Status - The Fund qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no expense has been recognized for income taxes. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Fund adopted the authoritative guidance related to accounting for uncertainty in income taxes included in the ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribe a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Fund performed an evaluation of uncertain tax positions for the year ended June 30, 2015, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. The Fund is generally not subject to U.S. federal, state, or local examinations by tax authorities for tax years prior to 2011. It is the Fund’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2015 the Fund had no accruals for interest and/or penalties.

In-Kind Contributions - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

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. Accordingly, actual results could differ from those estimates.

Donor-Imposed Restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase to temporarily restricted or permanently restricted net assets.

Note 2 – Endowments

In January 2015, the Fund received in cash its portion of the Funding Exchange (FEX) endowment that includes donor-restricted funds as part of the dissolution of FEX (see Note 14). As required by generally accepted accounting principles, 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 Fund has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization 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 Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment 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 Fund, and (7) the Fund's investment policies.

The Fund has adopted investment and spending policies, approved by the Board of Directors, for endowment assets as follows:

Investment Goals – The Fund has two primary investment goals:

1. To achieve a high rate of return (measured by market standards) through socially screened market securities.
2. To support financial institutions and market activities that enhances the well-being of individuals, communities, and the environment.

At times, the goals may be in conflict, reflecting the ambiguities of our economy as well as the Fund's need to grow financially, while staying true to its purpose and vision. In recognition of these conflicts, the Fund seeks to find an appropriate balance between financial and business considerations as well as social and environmental.

General Objective – The general objective for the Fund is to manage a reasonable growth of principal over time that will, at some future time, produce income to support the work of the Fund. The staff and board of the Fund will use a standard of care, skill, prudence and due diligence under the circumstances then prevailing that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims.

Investment Management – Professional investment management will be employed to manage the assets of the Fund. The Finance Committee will make recommendations to the Board as to the selection and termination of investment managers, the level of allocation, investment policy guidelines and the operational strategy of the endowment program. Specific investment goals, in harmony with stated general objectives, will be reviewed annually by the Board of Directors.

Social Responsibility – To keep the Fund's investment policy related to the overall purpose of its character and the programs of the Fund.

Risk Strategy – The assets of the endowment will be diversified among different investment managers or funds in order to minimize the possibility of large losses. It is suggested that diversification in percentages at cost should fall within the following ranges:

Bonds	5 – 50%
Cash and cash equivalents	5 – 45%
Equities	30 – 70% (primarily mid to large cap growth stock funds and mutual funds)

When market conditions warrant, asset allocation levels may be exceeded at the discretion of the Finance Committee of the Board of Directors.

Spending Policy – The Board of Directors is currently deliberating the following spending policy. The actual spending policy could change in the near term.

Upon disbursement of the Endowment to the Fund from the Funding Exchange (FEX), the Board of Directors has agreed to preserve the principal balance as permanently restricted net assets in accordance with donor restrictions and SPMIFA. Investment earnings on the principal balance will be used at the Board’s discretion, but will be set aside as temporarily restricted net assets until approved and appropriated for expenditure. Disbursements will include grant making to organizations that support the Fund’s mission and, if necessary, to supplement budget deficits.

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor Restricted Endowment Funds	\$ -	\$ 17,836	\$ 621,541	\$ 639,377
Total Funds	<u>\$ -</u>	<u>\$ 17,836</u>	<u>\$ 621,541</u>	<u>\$ 639,377</u>

Changes in Endowment net assets as of June 30, 2015:

Contributions, Transfers, and Change in Discount	\$ -	\$ -	\$ 621,541	\$ 621,541
Investment Income	-	4,006	-	4,006
Realized Gains (Losses)	-	37	-	37
Net Appreciation (Depreciation)	-	15,567	-	15,567
Fiduciary Fees	-	(1,774)	-	(1,774)
Endowment Net Assets, Ending	<u>\$ -</u>	<u>\$ 17,836</u>	<u>\$ 621,541</u>	<u>\$ 639,377</u>

Note 3 – Investments

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs include quoted prices for similar assets in active markets, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurement: The fair value of the endowment's mutual funds and fixed income securities are based on quoted net asset values of the shares held by the Fund at year-end.

Level 3 Fair Value Measurement: The Fund holds a short-term loan through HEAD that is automatically renewed each year in March. The note pays 2% APR each annum to the Fund and is not reinvested in the loan amount. The note is not actively traded and significant observable inputs are not available. Thus, the fair value of the short-term loan is equal to the value stated on the Promissory Note.

The Fund's investments reported at fair value in the accompanying statement of financial position as of June 30, 2015:

	Fair Value	Fair Value Measurement Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Donor Restricted Endowment	\$ 518,375	\$ 518,375	\$ -	\$ -
Hearthstone	74,270	74,270		
FOCIS	31,838	31,838	-	-
Total Mutual Funds	624,483	624,483	-	-
Short-term Loan Fund:				
HEAD Loan	5,415	-	-	5,415
Total Investments	<u>\$ 629,898</u>	<u>\$ 624,483</u>	<u>\$ -</u>	<u>\$ 5,415</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	HEAD Loan Fund
Balance as of June 30, 2014	<u>5,415</u>
Balance as of June 30, 2015	<u>\$ 5,415</u>

Note 4 - Other Non-Current Assets

Other non-current assets consist of:

Non-Operational Asset	7,500
Security Deposit	1,076
Total Other Assets	<u>\$ 8,576</u>

Note 5 – Other Liabilities

Other liabilities consist of:

Accrued Vacation Leave	1,904
Payroll Liabilities	2,044
Fiscal Agency Payable	766
Total Other Liabilities	<u>\$ 4,714</u>

Note 6 – Grants Payable

The Fund distributes grants from restricted and unrestricted funds as follows:

Restricted Grants and Funds	
Alexander Fund	21,000
Total Grants Payable	<u>\$ 21,000</u>

Note 7 – Temporarily & Permanently Restricted Net Assets

The temporarily restricted net assets balance consists of the following amounts:

	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Liabilities</u>	<u>Total</u>
Donor-Advised Investments:					
Alexander Fund	\$ 21,000	\$ -	\$ -	\$ (21,000)	\$ -
Hearthstone	44,658	-	74,270	-	118,928
FOCIS	20,948	-	31,838	-	52,786
LGBTQ	4,537	-	-	-	4,537
Total Donor-Advised Investments	<u>91,143</u>	<u>-</u>	<u>106,108</u>	<u>(21,000)</u>	176,251
Restricted Endowment Return on Investment (See Note 2)					<u>17,836</u>
Total Temporarily Restricted Net Assets					<u>194,087</u>

The permanently restricted net assets balance consists of the following amounts:

	<u>Contributions</u>	<u>Total</u>
Donor-Advised Investments:		
Restricted Endowment (See Note 2)	621,541	621,541
Total Permanently Restricted Net Assets	<u>621,541</u>	<u>621,541</u>

Note 8 – In-Kind Contributions

In-kind contributions, included in unrestricted donor support, consist of the following:

Note 8

Donated Software Licensing		
Recorded at Fair Market Value		\$ 803
Specialized Donated Consultant Services		1,900
Board In-kind Fundraising		559

Note 9 – Retirement Plan

The Fund has designated SEP-IRA accounts for full-time employees who are over 21 with one year of service. The Board determines annual contributions. Expense of \$4,000 was included in Employee Benefits for this purpose in the year ended June 30, 2015.

Note 10 – Functional Allocations of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 11 – Related Parties

The Board of Directors makes all decisions concerning grant making, program, and future directions. The Board consists of members who represent the region economically, racially, sexually, and culturally, and who are local activists. There were grants awarded totaling \$11,000 during the year ended June 30, 2015 to organizations with which board members or staff are associated. The Board has a stated policy and practice that, when a request for funds is being considered, anyone who is an employee or board member of the prospective grantee will leave the board room and not participate in the final discussion and vote related to that grant. In addition, a member of the Fund's board of directors is a board member of the Funding Exchange, a national organization of which the Fund is a member and from which the Fund received endowment monies.

In March 2015 the Fund entered into a fiscal agent/sponsorship agreement with Knoxville Community Radio (KCR). Under the agreement the Fund has established a bank account to deposit all contributions and fees received, and make disbursements, on behalf of KCR. KCR agrees not to use funds in any way which would jeopardize the Fund's tax-exempt status. The Fund is part of a 3-agency consortium that founded KCR and has elected to forego any agency fees.

Note 12 – Commitments

In August 2014, the office lease was automatically renewed for an additional five years. Future minimum lease payments under the lease, as of June 30, 2015, are:

June 30, 2016	\$	15,130
June 30, 2017	\$	15,435
June 30, 2018	\$	15,746
June 30, 2019	\$	16,063
August 31, 2019	\$	2,686

For the year ended June 30, 2015, total rent expense is \$14,831.

Note 13 – Concentration of Contributions and Grants

The Fund receives approximately 80% of its donor support from four sources.

Note 14 – Contingencies

The Fund became a member of the Funding Exchange (FEX) in 1989. FEX is a national membership organization that channels donor advised funds via grants and endowment disbursements to its member foundations that support progressive social justice. The Fund uses the unrestricted grants from FEX to make grants to other nonprofit organizations focused on issues and causes that support their mission of social justice movements.

On March 1, 2013, the FEX board of directors unanimously voted to dissolve FEX due to structural challenges and declining revenue. In December 2014, the Fund received a disbursement of \$621,541 of donor restricted funds that were deposited into an investment fund (see note 2). Another unrestricted disbursement is expected before fiscal year end June 30, 2016. A final disbursement will come upon the sale of the building, which is currently in legal dispute between FEX and the building's tenants.

Note 15 – Subsequent Events

One of the Fund's largest contributors, The New York Community Trust (NYC Trust), has been providing restricted and unrestricted grant money exclusively to the Fund through the Alexander Fund. In 2014, the NYC Trust had verbally notified management that they will no longer support the Fund based on its decision to provide funds to two new initiatives including workforce development and the environment. This will have an overall impact on the restricted grant making for the period of June 30, 2016. The Fund will seek grants from other private foundations.

During a subsequent board meeting the Board of Directors approved obtaining a line of credit to resolve cash flow issues related to the loss of unrestricted funding through FEX and the declining support from the New York fundraiser. The line of credit has been established using the FEX endowment as collateral (see note 2). Loans made against the endowment are based on a percentage of the securities market value at the time the loan is approved by the financing company. Interest rates are set by the Federal Reserve's basis rate, not to exceed the maximum interest rate or total fees permitted by law.

Management has evaluated subsequent events through January 27, 2016 the date the financial statements were available to be issued.