

# **InFaith Community Foundation**

**Financial Statements  
December 31, 2016 and 2015**

# InFaith Community Foundation

## Index

December 31, 2016 and 2015

---

	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activity and Changes in Net Assets.....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-18



## Report of Independent Auditors

To the Management and Board of Directors of Infaith Community Foundation

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 our 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, we consider internal control relevant to the Foundation'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 Foundation'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 InFaith Community Foundation as of December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

Minneapolis, Minnesota  
April 24, 2017

**InFaith Community Foundation**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 4,840,624	\$ 5,032,331
Investments		
Mutual funds	209,323,599	198,317,533
Other investment funds	107,669,486	82,592,828
Common stocks	544,768	765,025
U.S. Treasury Notes	2,727,563	3,182,399
Life insurance and annuity contracts	48,041,978	46,324,030
Real assets	1,638,800	4,298,150
	<u>369,946,194</u>	<u>335,479,965</u>
Due from brokers and others	1,043,453	425,164
Contributions and other receivables	1,436,958	707,009
Beneficial interests in trusts held by others	198,754	244,492
Prepaid general expenses	26,669	20,142
	<u>26,669</u>	<u>20,142</u>
Total assets	<u>\$ 377,492,652</u>	<u>\$ 341,909,103</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 113,229	\$ 139,012
Amounts held for the benefit of others	48,250,882	43,903,865
Gift annuities	25,833,796	24,732,453
Charitable remainder trust agreements	20,583,181	21,591,544
Retained life estates	81,519	46,949
	<u>94,862,607</u>	<u>90,413,823</u>
Total liabilities	<u>94,862,607</u>	<u>90,413,823</u>
Net assets		
Unrestricted	258,554,760	227,620,559
Temporarily restricted	24,075,285	23,874,721
	<u>282,630,045</u>	<u>251,495,280</u>
Total net assets	<u>282,630,045</u>	<u>251,495,280</u>
Total liabilities and net assets	<u>\$ 377,492,652</u>	<u>\$ 341,909,103</u>

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

**InFaith Community Foundation**  
**Statement of Activity and Changes in Net Assets**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue, gains, and other support</b>			
Contributions	\$ 32,668,266	\$ 1,387,947	\$ 34,056,213
Net investment income	16,329,642	3,155,532	19,485,174
Change in cash surrender value of life insurance contracts	3,023,720	-	3,023,720
Change in value of split-interest agreements	(1,668,851)	(1,509,995)	(3,178,846)
Miscellaneous income (loss)	860,451	(361,312)	499,139
Total revenue, gains, and other support	<u>51,213,228</u>	<u>2,672,172</u>	<u>53,885,400</u>
<b>Expenses</b>			
Programs	14,539,268	-	14,539,268
Administrative	1,785,847	-	1,785,847
Fund-raising	1,381,753	-	1,381,753
Initiatives	237,644	-	237,644
Premiums on life insurance contracts	3,570,814	-	3,570,814
Total expenses	<u>21,515,326</u>	<u>-</u>	<u>21,515,326</u>
Change in net assets	29,697,902	2,672,172	32,370,074
Net assets released to successor trustee	-	(1,235,309)	(1,235,309)
Net assets released from restriction	1,236,299	(1,236,299)	-
<b>Net assets</b>			
Beginning of year	<u>227,620,559</u>	<u>23,874,721</u>	<u>251,495,280</u>
End of year	<u>\$ 258,554,760</u>	<u>\$ 24,075,285</u>	<u>\$ 282,630,045</u>

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

**InFaith Community Foundation**  
**Statement of Activity and Changes in Net Assets**  
**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue, gains, and other support</b>			
Contributions	\$ 30,748,410	\$ 1,257,887	\$ 32,006,297
Net investment loss	(10,061,958)	(3,148,419)	(13,210,377)
Change in cash surrender value of life insurance contracts	2,716,630	-	2,716,630
Change in value of split-interest agreements	(1,768,329)	2,276,909	508,580
Miscellaneous income (loss)	764,402	(350,146)	414,256
Total revenue, gains, and other support	<u>22,399,155</u>	<u>36,231</u>	<u>22,435,386</u>
<b>Expenses</b>			
Programs	14,939,402	-	14,939,402
Administrative	1,687,199	-	1,687,199
Fund-raising	1,318,679	-	1,318,679
Initiatives	177,295	-	177,295
Premiums on life insurance contracts	3,221,634	-	3,221,634
Total expenses	<u>21,344,209</u>	<u>-</u>	<u>21,344,209</u>
Change in net assets	1,054,946	36,231	1,091,177
Net assets released from restriction	2,343,208	(2,343,208)	-
<b>Net assets</b>			
Beginning of year	<u>224,222,405</u>	<u>26,181,698</u>	<u>250,404,103</u>
End of year	<u>\$ 227,620,559</u>	<u>\$ 23,874,721</u>	<u>\$ 251,495,280</u>

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

**InFaith Community Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Change in net assets	\$ 32,370,074	\$ 1,091,177
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net assets released to successor trustee	(1,235,309)	-
Depreciation	-	735
Net unrealized (appreciation) depreciation of investments	(19,968,549)	28,130,415
Net realized losses (gains) on investments	4,340,176	(7,834,869)
Contribution of investments	(20,410,114)	(21,477,586)
Change in cash surrender value of life insurance contracts and annuities	(1,717,948)	(2,423,360)
Changes in assets and liabilities		
Due from brokers and others	(618,289)	357,222
Contributions and other receivables	(729,949)	778,916
Beneficial interest in trust held by others	45,738	44,929
Prepaid general expenses	(6,527)	6,483
Accounts payable	(25,783)	9,531
Amounts held for the benefit of others	4,347,017	315,620
Gift annuities	1,101,343	514,265
Charitable remainder trust agreements	(1,008,363)	(2,211,365)
Retained life estate	34,570	(43,767)
Net cash used in operating activities	<u>(3,481,913)</u>	<u>(2,741,654)</u>
<b>Investing activities</b>		
Purchase of investments	(77,906,845)	(80,177,745)
Proceeds from sale of investments	<u>78,005,151</u>	<u>78,836,227</u>
Net cash provided by (used in) investing activities	<u>98,306</u>	<u>(1,341,518)</u>
<b>Financing activities</b>		
Proceeds from contributions restricted for charitable remainder trust agreements	<u>3,191,900</u>	<u>3,473,649</u>
Net cash provided by financing activities	<u>3,191,900</u>	<u>3,473,649</u>
Net decrease in cash and cash equivalents	(191,707)	(609,523)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>5,032,331</u>	<u>5,641,854</u>
End of year	<u>\$ 4,840,624</u>	<u>\$ 5,032,331</u>

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

# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2016 and 2015**

---

#### **1. Organization**

InFaith Community Foundation (the Foundation) is a Minnesota non-profit corporation operated for charitable purposes. The Foundation is dedicated to supporting the charitable, religious, and educational purposes and activities of the Foundation's congregations, institutions, and communities and benefiting society in general. The Foundation was incorporated on December 22, 1994, was organized on April 1, 1995, and began operations on September 11, 1995.

#### **2. Summary of Significant Accounting Policies**

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Certain reclassifications of prior period amounts have been made to conform to current presentation.

##### **Subsequent Events**

The Foundation evaluated events or transactions that may have occurred after December 31, 2016, that would merit recognition or disclosure in the financial statements. The Foundation is not aware of any events subsequent to December 31, 2016, that would materially affect its financial condition. This evaluation was completed through April 24, 2017, the date the financial statements were available to be issued.

##### **Adoption of New Accounting Standards**

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07, which updated the accounting standard for certain investments. Under the new guidance, investments measured at NAV, as a practical expedient for fair value, are excluded from the fair value hierarchy. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 for non-public business entities, with early adoption permitted. Reporting entities must apply the new guidance retrospectively to all periods presented. The Foundation elected to early adopt this standard in the current fiscal period. The adoption of the standard did not have a material impact on the Foundation's Statements of Financial Position or Statements of Activity and Changes in Net Assets. See Note 6 for more information.

##### **Cash and Cash Equivalents**

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

##### **Investments**

Investments in mutual and other investment funds and common stocks are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activity and changes in net assets as a component of net investment income. Net realized capital gains and losses are determined on the first in, first out cost basis method.

# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2016 and 2015**

---

U.S. Treasury Notes are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activity and changes in net assets as a component of net investment income. Net realized capital gains and losses are determined using the specific identification method.

Contributed life insurance and annuity contracts are carried at fair value which is estimated using the stated cash surrender value of the contracts and are reported as unrestricted contributions. Cash surrender value is the amount available to the contract owner for withdrawal prior to the death of the insured and is valued after taking expense charges and investment credits into account.

Investments in real assets consist of land and improvements in mineral royalty interests, which are carried at fair value as of the financial statement date.

#### **Contributions and Other Receivables**

Promises to make contributions to the Foundation that are communicated to the Foundation prior to December 31, but which are received after December 31, are recorded as contributions receivable at the cash value of the contribution. The Foundation generally does not receive multi-year promises to give. Management considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

#### **Beneficial Interests in Trusts Held by Others**

Beneficial interests in trusts held by others represent resources neither in the possession nor under the control of the Foundation, but held and administered by outside fiscal agents, with the Foundation deriving income from such funds and are reported at fair value. Fair values for beneficial interests in trusts held by others are based on the net present value of the future stream of payments receivable from a charitable lead annuity trust. Due to the short term nature of the payments, the discount rate used is equal to the rate applicable on the date of the trust agreement.

#### **Amounts Held for the Benefit of Others**

The Foundation accepts cash and other financial assets from certain donors and agrees to use those assets on behalf of or transfer those assets to specified beneficiaries. Liabilities are recorded for amounts held for the benefit of others, which represent the fair value of underlying investments. Fair values for amounts held for the benefit of others are primarily based on quoted market prices in active markets where available or are estimated using values obtained from independent pricing services that utilize market standard methodologies based on market observable inputs.

#### **Gift Annuities and Charitable Remainder Trust Agreements**

Liabilities for gift annuities and charitable remainder trust agreements represent the actuarial present value of amounts from contributed assets due to the donor. Liabilities are valued based on mortality and interest assumptions according to tables established by the Internal Revenue Service (IRS) and are calculated in a manner consistent with the assumptions underlying the American Council on Gift Annuities rates in effect at the time of issuance. The liabilities are revalued using updated IRS assumptions as of December 31 each year. The impact of the revaluation is reflected as a component of the change in value of split interest agreements on the statements of activity and changes in net assets.

# **InFaith Community Foundation**

## **Notes to Financial Statements**

### **December 31, 2016 and 2015**

---

#### **Contributions Received**

Contributions received are recognized as support revenue in the period they are communicated/received at their fair value. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and are reported in the statements of activity and changes in net assets as net assets released from restriction.

#### **Investment Income**

Net investment income is comprised of dividend and interest income and realized and unrealized gains and losses on investments. Dividend and interest income is recorded when earned. Realized gains and losses are recorded at the time of sale for the amount of the difference between the sale price and the cost basis of the investment. Unrealized gains and losses are recorded for the change in the fair value of the securities which are still held as of year-end.

#### **Expense Recognition**

Grants made by the Foundation are recorded as program expense at the time the recipient is notified. Other expenses are recognized when incurred. Certain expenses, such as compensation, other employee benefits, and space rental, are allocated among program, administrative, and fundraising expenses, as they are not directly attributable to those functions.

#### **Premiums on Life Insurance Contracts**

Premiums on life insurance contracts relate to life insurance policies which have been absolutely assigned (donated) to the Foundation. The Foundation is the beneficiary of those policies and at the time of absolute assignment, the Foundation becomes the owner of those policies. The insureds (donors) continue to make the policy premium payments. Income is recorded when the policy premiums are contributed and a corresponding expense is recorded to premiums on life insurance contracts.

#### **Income Taxes**

The Foundation has been recognized by the IRS as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986.

There are no reserves held for uncertain tax positions at December 31, 2016 and 2015. Tax years 2012 through 2016 are open under the statute of limitations and remain subject to examination by the IRS.

#### **Contingencies**

The Foundation evaluates matters as they are reported and records a liability when the outcome is both probable and estimable. The Foundation is not a party to, or subject of, any pending legal, arbitration, or regulatory proceedings that would have a material adverse effect on its financial statements. No liability was recorded at either December 31, 2016 or 2015.

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

---

**3. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Charitable remainder trust agreements	\$ 23,723,664	\$ 23,758,525
Real estate remainder interest in trust	<u>351,621</u>	<u>116,196</u>
	<u>\$ 24,075,285</u>	<u>\$ 23,874,721</u>

Temporarily restricted net assets are held in trust by the Foundation. During the life of the trust, the Foundation, as trustee, makes payments to the income beneficiary/beneficiaries. Trust termination occurs upon death of the income beneficiary/beneficiaries or in accordance with the trust agreement. Upon trust termination, the restriction is lifted on the Foundation's use of principal and income remaining in accordance with the trust agreement. In each taxable year of the trusts until trust termination, the Foundation will make payments to the income beneficiary/beneficiaries in an amount determined in accordance with the trust agreement, generally a percentage of the net fair market value of the assets of each trust valued as of the first day of each taxable year or the original date of the gift for unitrusts or annuity trusts, respectively. Temporarily restricted net assets shown in the statements of financial position and above are net of a related liability to income beneficiary/beneficiaries of \$20,664,700 and \$21,638,493 at December 31, 2016 and 2015, respectively.

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**4. Investments**

Investments in mutual and other investment funds and publicly traded securities at December 31, 2016 and 2015, are comprised of the following:

	<b>December 31, 2016</b>		
	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized Appreciation (Depreciation)</b>
<b>Mutual funds</b>			
American Funds EuroPacific Growth	\$ 21,189,338	\$ 18,641,851	\$ 2,547,487
Calvert Equity Portfolio	1,827,148	2,022,723	(195,575)
Calvert Global Alternative	164,655	215,014	(50,359)
CRA Qualified Investment FD	709,164	730,011	(20,847)
Thrivent Government Bond	43,751,947	44,664,631	(912,684)
Thrivent Income Fund	21,597,796	21,979,063	(381,267)
Thrivent Large Cap Growth Fund	23,608,129	19,495,322	4,112,807
Thrivent Large Cap Value	28,715,115	25,163,432	3,551,683
Thrivent Mid Cap Stock	16,534,545	13,906,072	2,628,473
Thrivent Money Market	599,135	599,135	-
Fidelity Government Money Market	26,420	26,420	-
Thrivent Partner Worldwide Alloc.	22,977,310	23,115,702	(138,392)
Thrivent Small Cap Stock	4,724,608	4,344,426	380,182
Van Eck Global Hard Assets	11,171,994	11,247,753	(75,759)
Walden Small Cap Innovation	394,612	374,378	20,234
Wells Fargo Advantage	10,112,088	10,705,593	(593,505)
Other miscellaneous mutual funds	1,219,595	1,170,298	49,297
Total mutual funds	<u>209,323,599</u>	<u>198,401,824</u>	<u>10,921,775</u>
<b>Other investment funds</b>			
Boston Common Int'l Fund	3,410,770	2,945,193	465,577
Generation IM Asia	6,973,567	6,887,000	86,567
Generation IM Global Energy	3,180,237	2,500,000	680,237
Mahout Global Emerging Mkts. Leaders Fund	13,283,690	14,040,000	(756,310)
Nyes Ledge Horizon	36,596,592	29,017,913	7,578,679
Program-related investments	386,602	386,602	-
Sanderson International Value	22,328,531	15,253,373	7,075,158
WGI Emerging Markets Smaller Co	5,472,285	5,394,821	77,464
Wellington Trust Company	16,037,212	18,763,625	(2,726,413)
Total other investment funds	<u>107,669,486</u>	<u>95,188,527</u>	<u>12,480,959</u>
<b>Publicly traded securities</b>			
Common stocks	544,768	544,201	567
U.S. Treasury Notes	2,727,563	2,748,389	(20,826)
Total publicly traded securities	<u>3,272,331</u>	<u>3,292,590</u>	<u>(20,259)</u>
	<u>\$ 320,265,416</u>	<u>\$ 296,882,941</u>	<u>\$ 23,382,475</u>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	December 31, 2015		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
<b>Mutual funds</b>			
American Funds EuroPacific Growth	\$ 18,981,686	\$ 16,285,398	\$ 2,696,288
Calvert Equity Portfolio	1,779,012	1,848,902	(69,890)
Calvert Global Alternative	177,501	212,113	(34,612)
Causeway Emerging Markets	15,787,079	20,135,705	(4,348,626)
CRA Qualified Investment FD	702,279	710,830	(8,551)
Thrivent Government Bond	37,048,641	37,970,521	(921,880)
Thrivent Income Fund	17,875,425	18,662,958	(787,533)
Thrivent Large Cap Growth Fund	22,982,682	17,602,516	5,380,166
Thrivent Large Cap Value	23,972,151	22,559,465	1,412,686
Thrivent Mid Cap Stock	14,866,484	14,582,324	284,160
Thrivent Money Market	497,965	497,965	-
Fidelity Government Money Market	29,748	29,748	-
Thrivent Partner Worldwide Alloc.	19,327,886	19,694,019	(366,133)
Thrivent Small Cap Stock	3,472,056	3,869,303	(397,247)
Van Eck Global Hard Assets	10,678,404	16,123,133	(5,444,729)
Walden Small Cap Innovation	318,345	359,342	(40,997)
Wells Fargo Advantage	9,820,189	10,587,790	(767,601)
Total mutual funds	<u>198,317,533</u>	<u>201,732,032</u>	<u>(3,414,499)</u>
<b>Other investment funds</b>			
Boston Common Int'l Fund	3,441,794	2,969,630	472,164
ETAP Class 13-07024	4,438,361	8,983,820	(4,545,459)
Generation IM Global Energy	2,871,033	2,500,000	371,033
Nyes Ledge Horizon	35,700,704	29,017,912	6,682,792
Program-related investments	474,023	474,023	-
Sanderson International Value	21,856,868	15,400,205	6,456,663
WGI Emerging Markets Smaller Co	3,668,280	3,893,383	(225,103)
Wellington Trust Company	10,141,765	15,572,836	(5,431,071)
Total other investment funds	<u>82,592,828</u>	<u>78,811,809</u>	<u>3,781,019</u>
<b>Publicly traded securities</b>			
Common stocks	765,025	765,239	(214)
U.S. Treasury Notes	3,182,399	3,224,680	(42,281)
Total publicly traded securities	<u>3,947,424</u>	<u>3,989,919</u>	<u>(42,495)</u>
	<u>\$ 284,857,785</u>	<u>\$ 284,533,760</u>	<u>\$ 324,025</u>

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

Investments in mutual and other investment funds and publicly traded securities are shown below according to the types of agreements established between the Foundation and donors at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Donor preference fund agreements	\$ 189,075,484	\$ 163,128,271
Institution-advised fund agreements	48,051,274	43,486,175
Charitable remainder trust agreements	42,753,179	39,367,918
Gift annuity agreements	40,385,479	38,875,421
	<u>\$ 320,265,416</u>	<u>\$ 284,857,785</u>

Investment income (loss) is comprised of the following for the years ended December 31:

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Dividends and interest income	\$ 3,271,133	\$ 585,668	\$ 3,856,801
Net realized gain on investments	(3,551,304)	(788,872)	(4,340,176)
Net unrealized gain (loss) on investments	16,609,813	3,358,736	19,968,549
	<u>\$ 16,329,642</u>	<u>\$ 3,155,532</u>	<u>\$ 19,485,174</u>
	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Dividends and interest income	\$ 5,931,607	\$ 1,153,562	\$ 7,085,169
Net realized gain on investments	7,391,816	443,053	7,834,869
Net unrealized gain (loss) on investments	(23,385,381)	(4,745,034)	(28,130,415)
	<u>\$ (10,061,958)</u>	<u>\$ (3,148,419)</u>	<u>\$ (13,210,377)</u>

**5. Management and Administrative Contracts and Others**

The Foundation reimbursed Thrivent Financial for Lutherans for certain management and administrative services provided to the Foundation, including marketing, accounting, payroll, rent, and other related expenses of \$203,100 and \$222,043 for the years ended December 31, 2016 and 2015, respectively. Additionally, the Foundation invests approximately 51% of its investments in mutual and other investment funds advised by and held by Thrivent Asset Management, LLC, and Thrivent Investment Management, Inc., wholly owned subsidiaries of Thrivent Financial for Lutherans, and financial representatives of Thrivent Financial for Lutherans are involved in the generation of contributions to the Foundation.

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2016 and 2015

---

#### 6. Fair Value of Financial Instruments

In estimating the fair values of financial instruments carried at fair value, the amount of observable and unobservable inputs used to determine fair value is taken into consideration. Each of the financial instruments has been classified into one of three categories based on that evaluation.

Level 1 – Fair value based on quoted prices for identical assets in active markets that are accessible.

Level 2 – Fair value based on quoted prices for similar instruments in active markets that are accessible or quoted prices for identical or similar instruments in markets that are not active.

Level 3 – Fair value based on significant value driver inputs that are not observable.

#### **Cash and Cash Equivalents**

The carrying amounts for these instruments approximate fair value due to the short-term nature of these instruments.

#### **Mutual and Other Investment Funds, Common Stocks and U.S. Treasury Notes**

The fair values are primarily based on quoted market prices in active markets where available, or are estimated using values obtained from independent pricing services that utilize market standard methodologies based on market observable inputs.

#### **Marketable Alternatives**

The fair value of marketable alternatives is reported using the practical expedient. The practical expedient allows for the use of NAV as reported by the investee fund.

#### **Real Assets**

The fair values for real assets are based on estimates using values obtained from independent pricing services that utilize market standard methodologies.

The fair values for mineral interests are based on estimates using values obtained from an independent appraisal service using the geosciences matrix approach, the royalty stream approach and the comparable sales approach.

#### **Gift Annuities and Charitable Trusts**

Using IRS assumptions, the fair value of gift annuities, charitable remainder trust agreements, and retained life estate liabilities are valued based on mortality and interest assumptions according to tables established by the Internal Revenue Service (IRS) and are calculated in a manner consistent with the assumptions underlying the American Council on Gift Annuities rates in effect at the time of issuance.

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

The carrying value and estimated fair value of the Foundation's financial instruments carried at fair value as of December 31 were as follows:

	2016 Estimated Fair Value			Total
	Quoted Market Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Financial instruments carried at fair value</b>				
Assets				
Common stocks	\$ 544,768	\$ -	\$ -	\$ 544,768
Mutual and other investment funds				
Large cap equities	54,667,441	-	-	54,667,441
Mid cap equities	16,647,880	-	-	16,647,880
Small cap equities	5,223,192	-	-	5,223,192
Global equities	44,231,553	-	-	44,231,553
Marketable alternatives	21,517,426	-	-	21,517,426
Fixed income equities	67,036,107	386,602	-	67,422,709
U.S. Treasury Notes	2,727,563	-	-	2,727,563
Real assets	-	-	1,638,800	1,638,800
	<u>\$ 212,595,930</u>	<u>\$ 386,602</u>	<u>\$ 1,638,800</u>	<u>\$ 214,621,332</u>

	2015 Estimated Fair Value			Total
	Quoted Market Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Financial instruments carried at fair value</b>				
Assets				
Common stocks	\$ 765,025	\$ -	\$ -	\$ 765,025
Mutual and other investment funds				
Large cap equities	48,733,845	-	-	48,733,845
Mid cap equities	14,866,484	-	-	14,866,484
Small cap equities	3,790,401	-	-	3,790,401
Global equities	38,309,572	-	-	38,309,572
Emerging market equities	15,787,079	-	-	15,787,079
Marketable alternatives	20,676,094	-	-	20,676,094
Fixed income equities	56,154,058	474,022	-	56,628,080
U.S. Treasury Notes	3,182,399	-	-	3,182,399
Real assets	-	-	4,298,150	4,298,150
	<u>\$ 202,264,957</u>	<u>\$ 474,022</u>	<u>\$ 4,298,150</u>	<u>\$ 207,037,129</u>

For those financial instruments carried on the statements of financial position at fair value and whose fair value is categorized as Level 3, the following table shows the changes in fair value for the years ended December 31:

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	<b>Real Assets</b>	<b>Total</b>
<b>Balances at January 1, 2016</b>	\$ 4,298,150	\$ 4,298,150
Sales	(6,192,048)	(6,192,048)
Contributions/purchases	3,645,462	3,645,462
Expenses	-	-
Realized losses	(87,164)	(87,164)
Unrealized gains (losses)	(25,600)	(25,600)
<b>Balances at December 31, 2016</b>	<u>\$ 1,638,800</u>	<u>\$ 1,638,800</u>

	<b>Real Assets</b>	<b>Total</b>
<b>Balances at January 1, 2015</b>	\$ 5,037,800	\$ 5,037,800
Sales	(1,809,653)	(1,809,653)
Contributions/purchases	1,932,500	1,932,500
Expenses	-	-
Realized losses	(587,820)	(587,820)
Unrealized gains (losses)	(274,677)	(274,677)
<b>Balances at December 31, 2015</b>	<u>\$ 4,298,150</u>	<u>\$ 4,298,150</u>

There were no significant transfers into or out of Level 2 or Level 3 in 2016 or 2015. Transfers between fair value hierarchy levels are recognized at the date of the event or change in circumstance that caused the transfer.

The following tables include information related to our investments in certain other invested assets whose fair value is measured on a recurring basis using the NAV per share as an expedient to measure fair value. The investments in the tables are excluded from the fair value hierarchy in accordance with adoption of the accounting standard discussed in Note 2.

	<b>December 31, 2016</b>		
	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice</b>
<b>Global equities</b>			
Boston Common Int'l Fund <sup>(1)</sup>	\$ 3,410,770	Monthly	10 days
Generation IM Global <sup>(2)</sup>	3,180,237	Quarterly	90 days
Sanderson International Fund <sup>(3)</sup>	22,328,531	Monthly	6 days
<b>Emerging market equities</b>			
Generation IM Asia <sup>(4)</sup>	6,973,567	Quarterly	90 days
Mahout Global Emerging Markets Leaders Fund <sup>(5)</sup>	13,283,690	Monthly	10 days
WGI Emerging Markets Smaller Co <sup>(6)</sup>	5,472,285	Monthly	30 days
<b>Marketable alternatives</b>			
Nyes Ledge Horizon <sup>(7)</sup>	36,596,592	Every two years	90 days
Wellington Trust Company <sup>(8)</sup>	16,037,212	Monthly	8 days
<b>Total</b>	<u>\$ 107,282,884</u>		

**InFaith Community Foundation**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

	December 31, 2015		
	Fair Value	Redemption Frequency	Redemption Notice
<b>Global equities</b>			
Boston Common Int'l Fund <sup>(1)</sup>	\$ 3,441,794	Monthly	10 days
Generation IM Global <sup>(2)</sup>	2,871,033	Quarterly	90 days
Sanderson International Fund <sup>(3)</sup>	21,856,868	Monthly	6 days
<b>Emerging market equities</b>			
WGI Emerging Markets Smaller Co <sup>(6)</sup>	3,668,280	Monthly	30 days
<b>Marketable alternatives</b>			
ETAP Class 13-07024	4,438,361	Monthly	5 days
Nyes Ledge Horizon <sup>(7)</sup>	35,700,704	Every two years	90 days
Wellington Trust Company <sup>(8)</sup>	10,141,765	Monthly	8 days
<b>Total</b>	<b>\$ 82,118,805</b>		

- (1) The Foundation has a noncontrolling equity interest in the Boston Common International Social Fund, which provides diversified exposure to mission-related, non-U.S. equities. The product's philosophy places equal emphasis on investment fundamentals and Environmental, Social, and Governance (ESG) factors with a bottom-up strategy to invest in socially-responsible, non-U.S. companies that appear undervalued relative to their long-term fundamental outlook. The fair value has been determined using the net asset value of the holdings of the fund.
- (2) The Foundation has a noncontrolling equity interest in the Generation IM Global, which offers diversified exposure to mission related equities around the globe with a focus on high quality, sustainable companies. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (3) The Foundation has a noncontrolling equity interest in the Sanderson International Value Fund, which was formed for the purpose of achieving long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located in any country other than Canada and the United States. Sanderson provides relatively concentrated, diversified exposure to value stocks in the developed markets of Europe, Asia, and the Far East. It is combined with the Foundation's other Global ex-U.S. equity managers to produce a diversified Global ex-U.S. equity portfolio. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (4) The Foundation has a noncontrolling equity interest in Generation Asia, which offers dedicated exposure to Asian equities. Generation has successfully integrated sustainability criteria into its fundamental company research. The team's approach stands out because the ESG research is not an overlay, but part of their long-term assessment of companies. The strategy focuses on identifying high-quality companies that meet Generation's sustainability criteria and suit a long-term investment horizon. Generation's preference for companies with dominant market positions, barriers to entry, and pricing power narrows down the universe significantly. From there, companies meeting their valuation targets with at least 30% upside potential are eligible for inclusion in the portfolio of 15 to 45 stocks. The portfolio tends to be focused on mid- and large-cap companies and the top ten holdings make up approximately 40% to 50% of the portfolio. There are no formal limits on country or sector exposures, but single stock positions cannot exceed 15% of the portfolio and cash cannot exceed 30%. The reference benchmark for the strategy is the MSCI All Country Asia ex Japan Index, though the portfolio is constructed in a

# InFaith Community Foundation

## Notes to Financial Statements

### December 31, 2016 and 2015

---

benchmark agnostic manner. Generation's unique approach results in a portfolio of high-quality Asian companies with attractive long-term growth prospects, spread across a mix of sectors and countries

- (5) The Foundation has a noncontrolling equity interest in Mahout Global Emerging Markets Leaders Fund, which provides concentrated and low-volatility growth-at-a-reasonable-price exposure to Emerging Markets equities. It is combined with the Foundation's other Global ex-U.S. equity managers to produce a diversified Global ex-U.S. equity portfolio. The team manages a concentrated portfolio of about 50 stocks that is built without regard to a particular benchmark. Their focus on investing in high quality companies with sustainable growth trajectories reduces absolute risk and leads to a lower beta profile. Sustainable investment has always been an integral part of the investment philosophy and bottom-up stock-picking process. The team actively uses ESG initiatives as a qualitative tool to assess the risks and/or opportunities a company might face and how management is addressing them.
- (6) The Foundation has a noncontrolling equity interest in the WGI Emerging Markets Smaller Co Fund, which provides concentrated and differentiated exposure to emerging markets equities with a focus on smaller capitalization companies. It is combined with the Foundation's other global ex-U.S. equity managers to produce a diversified global ex-U.S. equity portfolio. The fair value has been determined using the net asset value of the holdings of the fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (7) The Foundation has a noncontrolling equity interest in the Nyes Ledge Capital Horizon Fund (the Fund), which is an exempted fund under the laws of the Cayman Islands. The Fund's investment objective is to provide attractive absolute and relative returns that exhibit moderate volatility and a low correlation to overall stock and bond markets. The Fund provides relatively conservative, diversified exposure to hedge fund strategies. Its fund-of-funds structure allows the Foundation to gain diversification across hedge fund strategies and managers and as such is the Foundation's sole hedge fund investment. The fair value has been determined using the net asset value of the holdings of the Fund. Redemptions would occur estimated at the net asset value on the redemption date, less applicable management and performance fees.
- (8) The Foundation has a noncontrolling equity interest in the Wellington Diversified Inflation Hedges (DIH) Fund, which provides diversified exposure to several sub-asset classes within real assets (long-only natural resources equities, commodities, and TIPS). It is combined with the Foundation's other liquid real asset managers to produce a diversified liquid real asset portfolio. The Foundation's liquid real asset portfolio plays an integral role in the Foundation's long-term strategic asset allocation.