THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015 AND 2014

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC.
AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

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DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Community Foundation of Middle Tennessee, Inc.
Nashville, Tennessee

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Community Foundation of Middle Tennessee, Inc. and Subsidiaries (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

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

EMPHASIS OF A MATTER

As discussed in Note 3 to the financial statements, the Foundation adopted new accounting guidance which eliminated the need to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Our opinion is not modified with respect to this matter.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Middle Tennessee, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Kraft CPAs PLLC

Nashville, Tennessee
September 19, 2016

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash	$ 21,062,821	$ 24,299,180
Other receivables	429,611	82,536
Investments	343,325,151	342,972,762
Beneficial interest in lead trusts	6,884,892	8,747,025
Property and equipment - at cost, less accumulated depreciation	1,465,286	1,486,614
TOTAL ASSETS	$ 373,167,761	$ 377,588,117
LIABILITIES		
Accounts payable and accrued expenses	$ 91,393	$ 150,171
Grants payable	11,080	10,925
Agency funds liability	7,164,988	7,524,092
TOTAL LIABILITIES	7,267,461	7,685,188
NET ASSETS		
Unrestricted:		
Board directed	12,128,998	11,992,002
Field-of-interest	50,391,820	45,095,628
Designated	24,049,592	23,911,653
Scholarship	14,067,239	14,564,553
Donor advised	256,217,748	263,234,608
Total Unrestricted	356,855,397	358,798,444
Temporarily Restricted:		
Charitable lead trusts	6,884,892	8,747,025
Accumulated purpose restricted earnings from permanently restricted bequest	198,444	396,096
Total Temporarily Restricted	7,083,336	9,143,121
Permanently Restricted	1,961,567	1,961,364
TOTAL NET ASSETS	365,900,300	369,902,929
TOTAL LIABILITIES AND NET ASSETS	$ 373,167,761	$ 377,588,117

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE								
Contributions	$ 44,487,849	$ -	$ 203	$ 44,488,052	$ 28,915,887	$ 597,669	$ 250	$ 29,513,806
In-kind contributions	47,836	-	-	47,836	48,878	-	-	48,878
Interest, dividends and other investment income	4,734,968	31,993	-	4,766,961	4,964,940	76,240	-	5,041,180
Net realized and unrealized gains (losses) on investments	4,234,968	(73,445)	-	4,161,523	6,940,172	39,976	-	6,980,148
Change in value of split-interest gifts	-	420,745	-	420,745	-	1,220,770	-	1,220,770
Other	105,233	-	-	105,233	58,673	-	-	58,673
Net assets released resulting from satisfaction of donor restrictions	2,439,078	(2,439,078)	-	-	2,476,956	(2,476,956)	-	-
TOTAL SUPPORT AND REVENUE	56,049,932	(2,059,785)	203	53,990,350	43,405,506	(542,301)	250	42,863,455
EXPENSES								
Program services:								
Grants	50,052,079	-	-	50,052,079	41,426,541	-	-	41,426,541
Related expenses	3,580,173	-	-	3,580,173	2,966,608	-	-	2,966,608
Supporting services:								
Management and general	3,339,804	-	-	3,339,804	3,038,229	-	-	3,038,229
Investment management and custodial fees:								
Passed through from segregated investments	572,136	-	-	572,136	518,287	-	-	518,287
Other	448,787	-	-	448,787	523,244	-	-	523,244
TOTAL EXPENSES	57,992,979	-	-	57,992,979	48,472,909	-	-	48,472,909
CHANGE IN NET ASSETS	(1,943,047)	(2,059,785)	203	(4,002,629)	(5,067,403)	(542,301)	250	(5,609,454)
NET ASSETS:								
Beginning of year	358,798,444	9,143,121	1,961,364	369,902,929	363,865,847	9,685,422	1,961,114	375,512,383
End of year	$ 356,855,397	$ 7,083,336	$ 1,961,567	$ 365,900,300	$ 358,798,444	$ 9,143,121	$ 1,961,364	$ 369,902,929

See accompanying notes to consolidated financial statements.

THE COMMUNITY FOUNDATION OF MIDDLE TENNESSEE, INC. AND SUBSIDIARIES
(A TENNESSEE NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ (4,002,629)	$ (5,609,454)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	42,115	47,204
Noncash contributions of investments	(7,100,383)	(6,797,218)
Net realized and unrealized gains on investments	(4,161,523)	(6,980,148)
Change in value of split interest gifts	(420,745)	(1,220,770)
Noncash contribution of beneficial interest in lead trusts	-	(597,669)
Distributions received from lead trusts	2,282,878	2,321,266
Decrease in other receivables	(347,075)	977
Increase (decrease) in:		
Accounts payable and accrued expenses	(58,778)	115,138
Grants payable	155	571
Agency funds liability	(359,104)	819,446
TOTAL ADJUSTMENTS	(10,122,460)	(12,291,203)
NET CASH USED IN OPERATING ACTIVITIES	(14,125,089)	(17,900,657)
INVESTING ACTIVITIES		
Purchases of property and equipment	(20,787)	(18,568)
Proceeds from sale of investments	143,742,871	115,772,510
Purchase of investments	(132,833,354)	(98,338,503)
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,888,730	17,415,439
DECREASE IN CASH	(3,236,359)	(485,218)
CASH - BEGINNING OF YEAR	24,299,180	24,784,398
CASH - END OF YEAR	$ 21,062,821	$ 24,299,180

See accompanying notes to consolidated financial statements.

NOTE 1 - ORGANIZATION AND GENERAL

The Community Foundation of Middle Tennessee, Inc. (the "Foundation") is a charitable organization whose purpose is to be a leader, catalyst and resource for philanthropy by building and holding a permanent and growing endowment for the Middle Tennessee community's changing needs and opportunities. The Foundation provides flexible and cost-effective ways for civic-minded individuals, families and companies to contribute to their community. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting the residents of Middle Tennessee in fields such as social services, education, health, the environment and the arts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements present the Foundation's financial position and changes in net assets on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The consolidated financial statements include the accounts of The Community Foundation of Middle Tennessee Properties, Nonprofit LLC, a single-member limited liability company formed to hold real estate donated to the Foundation, and Childcare Tennessee, Nonprofit LLC, a single-member limited liability company formed to ensure the accessibility and sustainability of quality child care programs serving the children and families of Tennessee. There are no significant transactions between the three entities.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donated marketable securities are recorded at their fair value at the date of contribution based on their quoted market price.

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 temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Consolidated Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

Any gifts of equipment, facilities or materials are reported as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Investments

Investments are carried at fair value (money market funds and other short-term investments, corporate bonds, equities, government securities, and mutual funds - generally at quoted market prices; investment partnership interests, private equity funds and hedge funds - based on quoted market prices of underlying securities or net asset value). Investments in property and non-investment partnership interests without a readily determinable fair value are carried at cost. Net realized and unrealized gains and losses are recognized currently in the Consolidated Statement of Activities.

Split-Interest Gifts

A charitable lead trust is an arrangement in which a donor establishes and funds a trust that provides for specific distributions to be made to the Foundation over a specified period. When a gift of this nature is received and the Foundation is not the trustee, a temporarily restricted contribution is recognized in the period in which the trust is established. The contribution and related beneficial interest are measured at the present value of the expected future cash inflows, using the interest rate for U.S. Treasury bonds of similar terms at the time the trust is established as the discount rate. The discount rate is revised at each measurement date to reflect current market conditions. Distributions from the trust are reflected as a reduction in the beneficial interest and a reclassification from temporarily restricted to unrestricted net assets. Accretion of the discount and revaluations of expected future cash flows based on changes in investment returns and discount rates used are recognized as adjustments to the beneficial interest and changes in the value of split-interest gifts in the Consolidated Statements of Activities under temporarily restricted net assets.

Property and Equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at date of gift, if donated, less accumulated depreciation. The Foundation’s policy is to capitalize purchases with a cost of $1,000 or more and an estimated useful life greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (building - 39 years; furniture, fixtures and equipment - 5 to 7 years). When depreciable assets are sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

Unconditional promises to give are recognized as grants payable and expenses in the period the grant award is approved by the Foundation.

Agency Funds Liability

The Foundation maintains certain funds to benefit other nonprofit agencies. Such funds are pooled with other funds for investment. A pro rata share of the investment income or loss and a fee retained by the Foundation are debited or credited to each agency fund each year.

Fair Value Measurements

The Foundation classifies its assets and liabilities measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Money market funds, short-term investments and equities - These investments are valued at closing price reported on the active market on which the individual funds are traded.

Corporate bonds, government securities and international bond funds - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded. These investments also include securities valued on the basis of information provided by pricing services that employ valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

Mutual funds (excluding international bond funds included in level 2 valuation hierarchy) - Investments in these funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

Partnership interests and private equity funds - These investments are valued at the Foundation's capital account balance as reported by the fund's general partner. The capital account balance represents the net asset value of the Foundation's share in the fund, which approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Hedge funds - Hedge funds are reported at the net asset value (or its equivalent) of the Foundation's share in the fund as calculated in the fund's audited financial statements, which approximates fair value.

Beneficial interest in lead trusts - The measurement of the Foundation's beneficial interest in charitable lead trusts was determined at the date of the gift and is adjusted annually for the change in present value of the estimated future cash flows. The valuation is based on the term of the trust or the actuarial life expectancy of the donor.

Agency funds liability - The value of the agency funds liability is determined based on the fair value of underlying investments held by the Foundation on behalf of participating agencies.

There have been no changes in the methodologies used at December 31, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services - includes grants and the cost of activities carried out to fulfill the Foundation's mission to provide support to nonprofit organizations.

Supporting Services - relates to the overall direction of the organization. These expenses are not identifiable with a particular program, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, investment management, fundraising and other administrative activities.

Income Taxes

The Foundation qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2015 and 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Foundation files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. The Community Foundation of Middle Tennessee Properties, Nonprofit LLC and Childcare Tennessee, Nonprofit LLC are disregarded entities for tax purposes and any activities of the subsidiaries are included in the Form 990 filed by the Foundation. In addition, the Foundation files a Tennessee state income tax return.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Foundation's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Unrestricted Net Assets

The following unrestricted net asset classifications are included in the accompanying consolidated financial statements:

Board Directed - The Board of Directors is responsible for approving distributions of income and, where permitted, principal, solely for those charitable purposes established by the Foundation.

Field-of-Interest - The donor may designate a functional area or field of interest, within which specific projects or beneficiaries are selected by the Foundation's Board.

Designated - Represents funds given by a donor who is committed to a specific charitable organization(s). The Foundation gives the donor assurance that the spirit of the gift is protected and the assets given are prudently managed.

Scholarship - Scholarships or loans can be provided so that deserving young people can get an education they might not otherwise receive. Through these funds the donor can, for example, specify the schools the young people are to come from or the ones they are to attend.

Donor Advised - The donor has the privilege of making recommendations relating to distributions. Such recommendations are taken into consideration by the Board when grants are decided upon but are advisory only and non-binding.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets (Continued)

The Foundation has the ultimate authority and control over all net assets of these funds, and income derived therefrom (variance power), for the charitable purposes of the Foundation; therefore, the net assets of the above funds are classified as unrestricted.

All funds can be created with a minimum gift of $5,000, except Scholarship Funds, which have a $10,000 minimum gift.

Temporarily Restricted Net Assets

The following temporarily restricted net asset classifications are included in the accompanying consolidated financial statements:

Charitable Lead Trusts - The donor establishes and funds a trust with specific distributions to be made to the Foundation, over a specified period, based on the trust's fair market value as determined annually. Upon termination of the trust, the remainder of the trust assets is paid to the donor or to beneficiaries designated by the donor.

Purpose Restricted Earnings from Permanently Restricted Bequest - Consist of unexpended earnings from permanently restricted bequests.

Permanently Restricted Net Assets

The Foundation's permanently restricted net assets consist of bequests and other gifts from donors which stipulate that the principal is to be invested in perpetuity by the Foundation. Income from the invested funds may be restricted to a specific field of interest and, therefore, is classified as temporarily restricted until applicable restrictions are met.

Donated Goods and Services and In-Kind Contributions

Donated facilities and materials are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Foundation if not donated. Such services are recognized at fair value as support and expense in the period the services are performed and primarily include professional services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services and In-Kind Contributions (Continued)

A number of unpaid volunteers have made significant contributions of their time to assist the Foundation in implementing various programs. The value of contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Fundraising Expenses

Fundraising expenses, which are included in management and general expenses on the Consolidated Statements of Activities, amounted to approximately $2,000,000 for 2015 ($1,600,000 for 2014).

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between December 31, 2015 and September 19, 2016, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (Topic 820) which eliminates the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Disclosures are required by class of investment and should include a description of any redemption terms and conditions and any significant restriction on the ability to sell the investments. This ASU is to be applied retrospectively to all periods presented and is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Foundation has elected early adoption of this ASU.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Foundation's cash balances generally exceed statutory limits. The Foundation has not experienced any losses in such accounts and management considers this to be a normal business risk.

The Foundation also maintains investment balances at various brokerage and investment companies. These investments consist of money market funds and other short-term investments, various mutual funds, stocks and bonds. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), a nonprofit membership corporation funded by its member securities broker dealers. SIPC covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms up to $500,000 per broker (including $250,000 of cash).

NOTE 5 - INVESTMENTS

Foundation investments are generally pooled. Segregated accounts are created at the Foundation's discretion, generally at the request of the donor or due to the nature of the gift.

NOTE 5 - INVESTMENTS (CONTINUED)

Investments consisted of the following as of December 31:

	2015	2014
Investments at fair value		
Money market funds and other short-term investments	$ 17,452,766	$ 19,311,307
Corporate bonds	3,307,747	3,852,062
Equities	81,193,110	86,605,024
Government securities	86,036	1,363,581
Mutual funds:		
Domestic equity funds	14,790,802	14,389,436
Domestic bond funds	4,505,926	6,826,558
International equity funds	32,744,592	31,511,681
International bond funds	51,271,147	47,855,734
Other	1,030,704	490,773
Alternative investments:		
Partnership interests	24,082,104	22,866,223
Private equity funds	15,578,630	14,152,230
Hedge funds	97,245,974	93,646,471
	343,289,538	342,871,080
Investments at cost		
Property	24,711	26,803
Partnership interests	10,902	74,879
	35,613	101,682
	$ 343,325,151	$ 342,972,762

NOTE 6 - CHARITABLE LEAD TRUSTS

The Foundation is named beneficiary of various irrevocable charitable lead trusts as of December 31, 2015. The Foundation is not the trustee and does not exercise control over the trusts' assets; therefore, the Foundation recognizes a receivable for its beneficial interest in those assets in the period the trust is created, with a corresponding credit to temporarily restricted contributions, based on the present value of the expected future cash inflows. The trust instruments provide for distributions to be made to the Foundation in amounts ranging from four to eighteen percent of the trust assets each year for periods of two years or more. Total cash distributions received by the Foundation from these trusts amounted to $2,282,878 and $2,321,266 for the years ended December 31, 2015 and 2014, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2015	2014
Land	$ 892,800	$ 892,800
Building	656,900	656,900
Furniture, fixtures and equipment	749,542	728,755
	2,299,242	2,278,455
Less accumulated depreciation	(833,956)	(791,841)
	$ 1,465,286	$ 1,486,614

Depreciation expense recognized on property and equipment amounted to: 2015 - $42,115; 2014 - $47,204.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Foundation has a Simplified Employee Pension Plan covering eligible employees age 21 years or older who have been employed by the Foundation for at least one year, and received more than $300 compensation during the plan year. The Foundation contributed approximately $63,000 and $61,000 to the plan during 2015 and 2014, respectively.

NOTE 9 - FAIR VALUE MEASUREMENTS

The following table sets forth the Foundation’s major categories of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

2015	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Financial Assets:				
Investments:				
Money market funds and other short-term investments	$ 17,452,766	$ 17,452,766	$ -	$ -
Corporate bonds	3,307,747	-	3,307,747	-
Equities:				
Basic materials	5,733,780	5,733,780	-	-
Consumer goods	12,889,902	12,889,902	-	-
Financial	15,575,654	15,575,654	-	-
Healthcare	13,950,292	13,950,292	-	-
Industrial goods	7,861,463	7,861,463	-	-
Others	2,430,501	2,430,501	-	-
Services	7,685,501	7,685,501	-	-
Technology	13,578,965	13,578,965	-	-
Utilities	1,487,052	1,487,052	-	-
Government securities	86,036	-	86,036	-
Mutual funds:				
Domestic equity funds	14,790,802	14,790,802	-	-
Domestic bond funds	4,505,926	4,505,926	-	-
International equity funds	32,744,592	32,744,592	-	-
International bond funds	51,271,147	21,966,762	29,304,385	-
Other	1,030,704	1,030,704	-	-
Total investments in the fair value hierarchy	206,382,830	173,684,662	32,698,168	-
Partnership interests	24,082,104			
Private equity	15,578,630			
Hedge funds	97,245,974			
Total investments measured at net asset value (a)	136,906,708			
Total Investments at Fair Value	343,289,538	173,684,662	32,698,168	-
Beneficial interest in lead trusts	6,884,892	-	6,884,892	-
Total Financial Assets	$ 350,174,430	$ 173,684,662	$ 39,583,060	$ -
Financial Liabilities:				
Agency funds liability	$ (7,164,988)	$ -	$ (7,164,988)	$ -

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

2014	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Financial Assets:				
Investments:				
Money market funds and other short-term investments	$ 19,311,307	$ 19,311,307	$ -	$ -
Corporate bonds	3,852,062	-	3,852,062	-
Equities:				
Basic materials	7,181,476	7,181,476	-	-
Consumer goods	9,383,328	9,383,328	-	-
Financial	16,112,335	16,112,335	-	-
Healthcare	13,425,410	13,425,410	-	-
Industrial goods	5,868,993	5,868,993	-	-
Others	4,776,842	4,776,842	-	-
Services	13,568,320	13,568,320	-	-
Technology	14,617,973	14,617,973	-	-
Utilities	1,670,347	1,670,347	-	-
Government securities	1,363,581	-	1,363,581	-
Mutual funds:				
Domestic equity funds	14,389,436	14,389,436	-	-
Domestic bond funds	6,826,558	6,826,558	-	-
International equity funds	31,511,681	31,511,681	-	-
International bond funds	47,855,734	20,732,784	27,122,950	-
Other	490,773	490,773	-	-
Total investments in the fair value hierarchy	212,206,156	179,867,563	32,338,593	-
Partnership interests	22,866,223			
Private equity	14,152,230			
Hedge funds	93,646,471			
Total investments measured at net asset value (a)	130,664,924			
Total Investments at Fair Value	342,871,080	179,867,563	32,338,593	-
Beneficial interest in lead trusts	8,747,025	-	8,747,025	-
Total Financial Assets	$ 351,618,105	$ 179,867,563	$ 41,085,618	$ -
Financial Liabilities:				
Agency funds liability	$ (7,524,092)	$ -	$ (7,524,092)	$ -

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

(a) In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or the equivalent) 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 investments at fair value presented in Note 5.

Fair value of investments in certain entities that calculate net asset value per share (or its equivalent) are as follows:

	Fair Value 2015	Fair Value 2014	Unfunded Commitments	Redemption Frequency	Redemption Notice
Partnership interests	$24,082,104	$ 22,866,223	$ 2,313,019	quarterly, annually	30-90 days
Private equity	$15,578,630	$ 14,152,230	$ 6,050,356	quarterly, annually	30-90 days
Hedge funds	$97,245,974	$ 93,646,471	$ 16,074,329	quarterly, annually	30-90 days

A summary of the investment strategies for significant investments follows:

Partnership interests

The Foundation holds an investment with a fair value of approximately $5,252,000 in 2015 ($5,174,000 in 2014) in Davidson Kempner Institutional Partners, L.P. The investment objective of the fund is to achieve capital appreciation through event-driven investments which seek to exploit situations in which announced or anticipated events create inefficiencies in the pricing of investments.

The Foundation holds an investment with a fair value of approximately $5,960,000 in 2015 ($5,554,000 in 2014) in Pointer Offshore, Ltd. The investment objective of the fund is to trade and invest in various securities, private investment companies and other investments.

The Foundation holds an investment with a fair value of approximately $2,924,000 in 2015 ($3,178,000 in 2014) in FCA Venture Fund IV. The investment objective of the fund is to achieve long-term capital gain, primarily through privately negotiated equity and equity-related investments in private companies through the Southeastern United States with an emphasis in healthcare, healthcare-related services and healthcare technology industries.

The Foundation holds an investment with a fair value of approximately $2,804,000 in 2015 ($2,890,000 in 2014) in Seavest Properties III, LLC. The investment objective of the fund is to make investments in existing and to-be-developed medical office properties.

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

Private equity funds

The Foundation holds an investment with a fair value of approximately $3,641,000 in 2015 ($3,994,000 in 2014) in HC PR Offshore Fund VII. The investment objective of the fund is to realize long-term total returns by investing in a diversified group of pooled investment vehicles.

In addition to the above funds, the Foundation invests in approximately 45 other investments in certain entities that calculate net asset value per share or its equivalent (ranging in value up to approximately $2,000,000) which engage in multi-strategy approaches for both domestic and international investments in public and private companies and other objectives.

Hedge funds

The Foundation holds an investment with a fair value of approximately $65,672,000 in 2015 ($58,826,000 in 2014) in Courage Special Situations Offshore Fund, Ltd. The investment objective of the fund is to achieve significant capital gains while minimizing risks associated with the broad security markets. The fund invests in a master fund which employs an investment strategy that focuses on event-driven, special situations and value oriented investment opportunities.

The Foundation holds an investment with a fair value of approximately $8,426,000 in 2015 ($6,959,000 in 2014) in Courage Credit Opportunities Offshore Fund II, L.P. The investment objective of the fund is to achieve investment returns while emphasizing distressed investments in financially troubled companies, including those of companies that may or have become involved in reorganization or bankruptcy proceedings.

The Foundation holds an investment with a fair value of approximately $3,931,000 in 2015 ($3,914,000 in 2014) in Courage Credit Opportunities Offshore Fund III, L.P. The investment objective of the fund is to achieve investment returns while emphasizing distressed investments in financially troubled companies, including those of companies that may or have become involved in reorganization or bankruptcy proceedings.

The Foundation holds an investment with a fair value of approximately $5,827,000 in 2015 ($5,817,000 in 2014) in Titan Masters International Fund, Ltd. The objective of the fund is to achieve capital appreciation through the use of a fund of funds, multi-manager investment strategy by allocating its assets around limited liability companies and/or separate investment accounts which utilize a variety of investment strategies.

The Foundation held an investment with a fair value of approximately $2,197,000 in 2014 (sold during 2015) in Overlook Partners, Ltd. The investment objective of the fund was to achieve long-term capital appreciation through investing primarily in listed securities of companies operating in the economies of the Asian region, excluding Japan.

NOTE 9 - FAIR VALUE MEASUREMENTS (CONTINUED)

Hedge funds (continued)

The Foundation holds an investment with a fair value of approximately $917,000 in 2015 ($2,072,000 in 2014) in GEM Realty Securities, Ltd. The investment objective of the fund is to achieve attractive risk-adjusted rates of return with the goal of less volatility than the broader equity markets, generally through investments in publicly traded national, international and multi-national companies.

The Foundation holds an investment with a fair value of approximately $5,874,000 in 2015 ($4,837,000 in 2014) in Ironwood Institutional Multi-Strategy Fund LLC. The investment objective of the fund is capital appreciation with limited variability of returns.

The Foundation holds an investment with a fair value of approximately $1,435,000 in 2015 ($2,819,000 in 2014) in Ivory Offshore Flagship Fund. The investment objective of the fund is to deliver high risk-adjusted absolute returns with low correlation to market indices.

Estimated Fair Value of Other Financial Instruments

The Foundation estimates that the fair value of all other financial instruments at December 31, 2015 and 2014, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Consolidated Statement of Financial Position. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies.

NOTE 10 - CERTAIN BEQUESTS

The Foundation’s endowment consists of five permanently restricted bequests for donor restricted funds established for a variety of purposes. The Foundation’s permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee’s State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

Interpretation of applicable law - The Board of Directors 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 stipulations to the contrary. As a result of this interpretation, the Foundation 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 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending policy - The Foundation has a policy of appropriating for distribution each year a payout range of 4% to 6% of total fund assets as determined annually by the Investment and Finance Committee. This payout will approximate 5% but may be adjusted by the committee at its sole discretion.

Investment return objective, risk parameters and strategies - The Foundation holds the assets in endowment funds to apply income there, both for long-term development purposes as well as for responding to current and changing charitable needs in Middle Tennessee. These circumstances require a growing asset base as well as a growing annual return on that base and dictate the following general philosophy guiding the Foundation’s investments:

- Primary emphasis shall be placed on safety of principal by minimizing risks from either market or credit factors, and

- Moderate growth of principal and total return will be expected consistent with maintaining safety of principal.

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

The objective of the Foundation's investment management is to earn a real total rate of return averaging at least 4% per annum measured over a full market cycle (usually three to five years). The total fund objective is to compare favorably with the upper end performance (that is, the top 40%) of balanced fund managers, averaged over a full market cycle.

Investments of the Foundation are diversified to prevent adverse effects of any given investment from unduly penalizing the overall portfolio performance. Diversification is interpreted to include different types, characteristics, and numbers of investments.

Asset allocation between equities and fixed income instruments is one method of diversification of investments of endowment funds. The portfolio is structured to consist of 40% to 80% equity securities and 60% to 20% fixed income securities, with the normal range being 65% equities and 35% fixed income.

A schedule of endowment net asset composition by type of fund as of December 31 follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 198,444	$ 1,961,567	$ 2,160,011

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 396,096	$ 1,961,364	$ 2,357,460

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 SUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, such deficiencies are reported in unrestricted net assets. There were no such deficiencies at December 31, 2015 or 2014.

NOTE 10 - CERTAIN BEQUESTS (CONTINUED)

A schedule of changes in endowment net assets follows for the years ended December 31:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	$ -	$ 396,096	$ 1,961,364	$2,357,460
Contributions	-	-	203	203
Investment income	-	31,993	-	31,993
Net appreciation (realized and unrealized)	-	(73,445)	-	(73,445)
Amounts appropriated for expenditure	-	(156,200)	-	(156,200)
Endowment net assets, December 31, 2015	$ -	$ 198,444	$ 1,961,567	$2,160,011

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ -	$ 435,570	$ 1,961,114	$2,396,684
Contributions	-	-	250	250
Investment income	-	76,240	-	76,240
Net appreciation (realized and unrealized)	-	39,976	-	39,976
Amounts appropriated for expenditure	-	(155,690)	-	(155,690)
Endowment net assets, December 31, 2014	$ -	$ 396,096	$ 1,961,364	$2,357,460