

THE MIAMI FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

THE MIAMI FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Miami Foundation, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Miami Foundation, Inc., which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, 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 from 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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.

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Miami Foundation, Inc. as of December 31, 2015 and 2014, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Morrison, Brown, Argiz & Farra

Miami, Florida
May 17, 2016

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2015	2014
Cash and cash equivalents	\$ 6,883,263	\$ 25,816,054
Accounts receivable, prepaid expenses and other assets	117,939	95,922
Contributions receivable, net	3,007,762	2,974,927
Investments	225,879,701	191,901,329
Assets held for charitable gift annuities	46,744,005	-
Furniture, equipment and leasehold improvements, net	852,633	475,352
TOTAL ASSETS	\$ 283,485,303	\$ 221,263,584
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable to beneficiaries	\$ -	\$ 220,000
Accounts payable, accrued expenses and other liabilities	789,706	603,504
Unrelated business income tax liability	-	3,545,000
Unfunded projected benefit obligation	132,594	113,889
Line of credit	5,694,000	5,722,000
Funds held in trust	20,149,341	20,762,795
Liabilities under charitable gift annuities	41,816,159	-
Funds held as organization endowments	13,256,888	3,822,845
TOTAL LIABILITIES	81,838,688	34,790,033
NET ASSETS		
Unrestricted		
Available for administration	6,541,189	6,110,532
Unrestricted	188,412,102	177,688,092
TOTAL UNRESTRICTED NET ASSETS	194,953,291	183,798,624
Temporarily restricted	6,693,324	2,674,927
TOTAL NET ASSETS	201,646,615	186,473,551
TOTAL LIABILITIES AND NET ASSETS	\$ 283,485,303	\$ 221,263,584

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions	\$ 54,346,111	\$ -	\$ 54,346,111	\$ 50,688,003	\$ 149,686	\$ 50,837,689
Contribution of charitable gift annuity program (NOTE 6)	-	6,097,453	6,097,453	-	-	-
Change in value of charitable gift annuities (NOTE 6)	-	(124,699)	(124,699)	-	-	-
Administration fees	2,970,753	-	2,970,753	2,687,998	-	2,687,998
Dividends and interest	4,269,592	-	4,269,592	3,738,171	-	3,738,171
Fundraising and other revenue	2,700,256	-	2,700,256	3,309,484	-	3,309,484
Net realized and unrealized (loss) gains on investments	(4,920,144)	-	(4,920,144)	5,518,388	-	5,518,388
Net assets released from restrictions	1,954,357	(1,954,357)	-	73,484	(73,484)	-
TOTAL REVENUES	61,320,925	4,018,397	65,339,322	66,015,528	76,202	66,091,730
FUNCTIONAL EXPENSES						
Grants and services to beneficiaries	46,894,537	-	46,894,537	50,366,205	-	50,366,205
Management and general	2,907,484	-	2,907,484	2,473,268	-	2,473,268
Fundraising	614,403	-	614,403	702,510	-	702,510
TOTAL FUNCTIONAL EXPENSES	50,416,424	-	50,416,424	53,541,983	-	53,541,983
UNRELATED BUSINESS INCOME TAX (CREDIT) EXPENSE	(250,166)	-	(250,166)	3,545,000	-	3,545,000
TOTAL EXPENSES	50,166,258	-	50,166,258	57,086,983	-	57,086,983
CHANGE IN NET ASSETS	11,154,667	4,018,397	15,173,064	8,928,545	76,202	9,004,747
NET ASSETS - BEGINNING OF YEAR	183,798,624	2,674,927	186,473,551	174,870,079	2,598,725	177,468,804
NET ASSETS - END OF YEAR	\$ 194,953,291	\$ 6,693,324	\$ 201,646,615	\$ 183,798,624	\$ 2,674,927	\$ 186,473,551

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

	2015				2014			
	Grants and Services to Beneficiaries	Management and General	Fundraising	Total	Grants and Services to Beneficiaries	Management and General	Fundraising	Total
Audit and accounting services	\$ -	\$ 66,561	\$ -	\$ 66,561	\$ -	\$ 66,898	\$ -	\$ 66,898
Administration fees	2,905,086	-	-	2,905,086	2,629,579	-	-	2,629,579
Direct support payments	12,767,613	-	-	12,767,613	13,700,632	-	-	13,700,632
General administrative	-	6,078	-	6,078	29,508	104,455	-	133,963
Banking fees	-	287,393	-	287,393	-	257,851	-	257,851
Board meetings	-	15,726	-	15,726	-	19,549	-	19,549
Conferences and travel	94,310	44,485	-	138,795	62,256	44,858	-	107,114
Local meetings and travel	90,892	29,443	-	120,335	170,106	22,638	-	192,744
Consulting	149,266	80,600	-	229,866	82,303	22,288	-	104,591
Depreciation and amortization	-	107,736	-	107,736	-	63,960	-	63,960
Disposal loss on fixed asset	-	9,826	-	9,826	-	-	-	-
Employee benefits and taxes	81,464	264,354	94,456	440,274	74,813	224,999	73,805	373,617
Give Miami Day grants	626,921	-	-	626,921	423,664	-	-	423,664
Grants	29,742,801	-	-	29,742,801	32,597,230	-	-	32,597,230
Grants returned	(1,500)	-	-	(1,500)	(8,384)	-	-	(8,384)
Insurance, interest and taxes	-	108,467	-	108,467	1,528	67,743	-	69,271
Investment management and consulting fees	-	587,691	-	587,691	-	545,187	-	545,187
Legal fees	-	99,126	-	99,126	-	9,666	-	9,666
Information technology	-	126,640	-	126,640	-	95,399	-	95,399
Marketing and advertising	-	-	76,038	76,038	-	-	136,920	136,920
Membership	-	30,129	-	30,129	-	35,012	-	35,012
Newsletter and annual report expenses	-	47,087	-	47,087	-	33,532	-	33,532
Office supplies	2,261	39,911	-	42,172	94,010	30,685	-	124,695
Other program expenses	37,024	-	-	37,024	11,933	-	-	11,933
Postage and delivery	118	8,988	-	9,106	3,842	9,144	-	12,986
Printing and copying	-	56,472	-	56,472	-	8,262	-	8,262
Publications	5,375	1,333	-	6,708	-	1,936	-	1,936
Rent and occupancy	29,682	65,094	35,026	129,802	140,689	116,202	66,152	323,043
Salaries	346,498	759,901	408,883	1,515,282	320,345	685,819	390,430	1,396,594
Special events	-	28,176	-	28,176	-	-	31,113	31,113
Telephone	-	36,267	-	36,267	4,464	7,185	4,090	15,739
Website	16,726	-	-	16,726	27,687	-	-	27,687
TOTAL FUNCTIONAL EXPENSES	\$ 46,894,537	\$ 2,907,484	\$ 614,403	\$ 50,416,424	\$ 50,366,205	\$ 2,473,268	\$ 702,510	\$ 53,541,983

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

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 15,173,064	\$ 9,004,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Discount on loan receivable	-	(266,097)
Depreciation and amortization expense	107,736	63,960
Forgiveness of loan receivable	-	5,750,000
Loss on disposal of property	9,826	-
Unrealized gain from receipt of charitable gift annuity program	(4,502,003)	-
Unrealized loss from charitable gift annuity program	198,842	-
Net unrealized loss (gains) on investments	11,274,740	(2,070,853)
Pension adjustment	18,705	100,823
(Increase) decrease in operating assets:		
Accounts receivable, prepaid expenses and other assets	(22,017)	29,610
Contributions receivable	(32,835)	(376,202)
Property held for sale	-	4,400,000
(Decrease) increase in operating liabilities:		
Grants payable to beneficiaries	(220,000)	(220,000)
Accounts payable, accrued expenses and other liabilities	186,202	352,144
Unrelated business income tax liability	(3,545,000)	3,545,000
Funds held in trust	(613,454)	2,038,276
Funds held as organization endowments	9,434,043	(1,076,361)
TOTAL ADJUSTMENTS	12,294,785	12,270,300
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,467,849	21,275,047
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of loan to Caring Foundations, LLC	-	(2,750,000)
Proceeds from assets held for charitable gift annuities	1,250,228	-
Purchases of furniture, equipment and leasehold improvements	(494,843)	(446,163)
Purchases of investments, net of proceeds	(45,253,112)	(8,173,543)
Proceeds from sale of other investment	-	7,971,878
NET CASH USED IN INVESTING ACTIVITIES	(44,497,727)	(3,397,828)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries of charitable gift annuities	(1,874,913)	-
Repayments on line of credit	(28,000)	(28,000)
Proceeds from line of credit	-	2,750,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,902,913)	2,722,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,932,791)	20,599,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,816,054	5,216,835
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,883,263	\$ 25,816,054
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 93,861	\$ 56,695
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Assets inherited from charitable gift annuity program	\$ 47,964,530	\$ -
Gain inherited from charitable gift annuity program	\$ 4,502,003	\$ -
Liabilities inherited from charitable gift annuity program	\$ 43,462,527	\$ -

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

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. GENERAL

Nature of Operations

The Miami Foundation, Inc. is a community foundation created to build permanent charitable endowments for Miami-Dade County. The Miami Foundation, Inc. administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made, usually from earnings only, but in some cases from principal.

Principles of Consolidation

The consolidated financial statements include the accounts of The Miami Foundation, Inc. and The College Assistance Program, Inc., as well as its supporting organizations, Dade Fund, Inc. and MLM Fund III, Inc., collectively referred to as the "Foundation." All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The College Assistance Program seeks to assist the diverse multi-cultural, economically disadvantaged population of Miami-Dade County Public High School graduates, who have exhausted all available means of financial assistance (institutional, federal, and state) to attend the college of their choice through the award of "last dollar" grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

Net assets and revenues, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three classes of net asset categories are as follows:

Unrestricted:

Unrestricted - Available for Administration - Net assets that are available for use in carrying on the mission of the Foundation.

Unrestricted - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations but expendable only for grant making purposes recommended by the grantor or donor.

Temporarily Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire within a certain period of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted - Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has no permanently restricted net assets at December 31, 2015 and 2014.

Management Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates (Continued)

The consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The most significant estimates include the fair value of financial instruments, the split-interest agreements and the discount on contributions receivable. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Risks and Uncertainties

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation places its deposits with financial institutions and has not experienced losses in any such accounts. The Foundation places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities. The Foundation's Finance Committee is responsible for oversight of the Foundation's investing activities.

Concentrations

The majority of the Foundation's donors are located in South Florida. Two donors and one donor accounted for 71% and 67% of contributions during the years ended December 31, 2015 and 2014, respectively. Two beneficiaries accounted for 48% of grants awarded during the year ended December 31, 2014.

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when acquired are considered cash equivalents. Cash and cash equivalents temporarily held by financial institutions for investment purposes are included within investments in the consolidated statements of financial position.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Investments in alternative investments are valued using the most recent valuation available from the respective external fund manager.

Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are stated at cost, if purchased or at estimated market value at date of receipt if acquired by donation. Fixed assets with a value in excess of \$500 and with a useful life in excess of one year are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Computer and office equipment	3 years
Furniture	5 years
Leasehold improvements	Shorter of useful life or lease term

Funds Held in Trust and Funds Held as Organization Endowments

It is the Foundation's policy to hold assets given as endowment funds until such time (if ever) as the governing body deems it prudent and appropriate to spend some part of the principal or appreciation. Accordingly, these consolidated financial statements classify net assets received from non-governmental sources as unrestricted, but segregate the portion that is held as endowment funds from the funds that are currently available for grants and administration.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions

The Foundation recognizes contributions received as revenue in the period received. The Foundation considers all contributions to be available for unrestricted use unless they are received with donor stipulations that limit the use of the assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as "Net assets released from restrictions."

Administration Fees

Administration fees are charged to funds in accordance with fund agreements and are recognized quarterly over the term of the fund agreement.

Fundraising and Other Revenue

Fundraising and other revenue is recognized in the period the event occurs, or cash is received from fiscal agents.

Give Miami Day

The Foundation sponsors a 24-hour online giving event annually, in which the Foundation matches, on a percentage basis, the total donations made during the 24-hour donation period. Donations received by the Foundation for Give Miami Day are specified for other beneficiaries and are not recognized in the consolidated statements of activities. Total contributions raised on behalf of others under this program totaled approximately \$7,151,000 and \$4,992,000 during the years ended December 31, 2015 and 2014, respectively.

Split-Interest Agreements

Charitable gift annuities are recorded at fair value on the date received. The Foundation records a liability for the present value of the annuities payable using Internal Revenue Service ("IRS") actuarial assumptions, discounted using a rate of 4.5%. A contribution is recorded for the difference between the fair value of the gift and the liability recorded. Assets are liquidated as needed to fund the pool and annuity payments are charged to the liability account. Periodically, an adjustment is made to the liability to record the gain or loss due to recomputation of the liability based upon the revised life expectancy. These are recorded in the accompanying consolidated financial statements as "Change in value of charitable gift annuities." Upon the death of the donor annuitant, the Foundation recognizes the existing liability as a change in the value of the annuity and the related asset is available for use by the Foundation.

Charitable lead trusts and charitable remainder trusts, in which the Foundation is not the trustee, are recorded in the temporarily restricted net assets class as a receivable at the present value of the expected future cash inflows and contribution revenue is recognized for the same amount. In the event that the trust has an income beneficiary other than the Foundation, the contribution revenue is reduced by the amount of the present value of the estimated liability due to the income beneficiary.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. The Foundation is subject to unrelated business income tax on net income from certain investment activities. Unrelated business income is subject to income taxation at corporate tax rates. Unrelated business income tax for the year ended December 31, 2014 was estimated at approximately \$3,545,000, resulting from the sale of a 4.7% ownership interest in the common stock of Bayview Financial Holdings, a closely held corporation. There is no unrelated business income for the year ended December 31, 2015.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Foundation files income tax returns. The Foundation is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2012.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred were approximately \$75,000 and \$78,000 for the years ended December 31, 2015 and 2014, respectively.

Recent Accounting Pronouncements

Fair Value Measurement

In May 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that removes the requirement to include investments in the fair value hierarchy for which fair value is measured at net asset value using the practical expedient. The update also changes certain disclosure requirements. The update is effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early application is permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. The Foundation is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the Foundation's financial condition due to the recognition of a right-of-use asset and related lease liability. The Foundation does not anticipate the update having a material effect on the Foundation's results of operations or cash flows, though such an effect is possible. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through May 17, 2016, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain items in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Charitable remainder trust	\$ 1,346,080	\$ 1,346,080
Contributions receivable	1,651,739	1,618,904
Other receivables	300,000	300,000
Present value discount	<u>(290,057)</u>	<u>(290,057)</u>
Contributions receivable, net	<u>\$ 3,007,762</u>	<u>\$ 2,974,927</u>

Under the terms of the charitable remainder trust, the Foundation will receive a 28.5% remainder interest in a residence in Coconut Grove, Florida, upon termination of the grantors life estate in the residence. The amount reflected in the consolidated financial statements is 28.5% of management's estimate of the fair value of the property at the date of receipt.

Contributions receivable consist of two unitrusts, a charitable lead trust and the net cash surrender value of three life insurance policies which name the Foundation as a remainder beneficiary. Under the terms of the unitrusts, the Foundation is to receive 50% of the trust's assets upon the death of the last surviving beneficiary. The present value discount of future distributions has been estimated using a single life and last survivor expectancy and totaled \$290,000 as of December 31, 2015 and 2014. The Foundation has not set up reserves for these contributions receivable as management anticipates they are fully collectible.

4. INVESTMENTS

The Finance Committee of the Foundation has the responsibility to ensure that the assets of the Foundation's various funds are managed in a manner consistent with its policies and objectives. The Finance Committee has established five investment pools for the investment management of the Foundation's assets. Donors that establish funds with the Foundation choose one of the investment pools based on their investment objectives and risk tolerance level. The Finance Committee will permit the investment pools to experience an overall level of risk consistent with the risk generally associated with the Finance Committee's policy asset allocation and similar to that of the market opportunity available to institutional investors with similar return objectives.

The Foundation's general investment philosophy is as follows:

Asset allocation is a crucial factor in the ongoing management of risks facing the investment funds. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political, or social developments is expected. Therefore, the general policy is to diversify investments to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. The diversification does not necessarily depend upon the number of industries or companies in a portfolio or their particular location, but rather upon the broad nature of such investments and the factors that influence them. A globally diversified portfolio, with uncorrelated returns from various asset classes, should reduce the variability of returns over time. In determining the appropriate asset allocation, the inclusion or exclusion of asset classes and investments within each class is based on the impact on the funds, rather than judging asset classes and investments on a standalone basis. At all times, liquidity within the pools will be maintained at a level that will minimize the possibility of a loss occasioned by the sale of an investment vehicle forced by the need to meet a required distribution.

The following is a description of the Foundation's investment pools at December 31, 2015 and 2014:

The Long-Term Pool— This pool is the most broadly diversified. It is designed to accept more downside short-term risk to achieve a higher level of long-term growth. The primary financial objective is to preserve the purchasing power of the investments after withdrawals are taken. The pool has adopted a total return investment approach including capital appreciation, dividends and interest income. The objective is based on a ten-year time horizon.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

4. INVESTMENTS (CONTINUED)

The Balanced Pool - The Balanced Pool is designed to achieve moderate risk adjusted returns with an emphasis on total returns, which is the aggregate return from capital appreciation, dividend and interest income. The objective is based on a five to ten-year investment horizon.

The Environmental, Social and Governance (“ESG”) Pool - The investment strategy for the ESG Pool is similar to the Balanced Pool. The ESG concept is intimately linked to responsible investing and is designed to invest in companies that strive to have a positive societal impact, including, but not limited to, mitigating climate change, reducing waste, using clean energy and employing sound corporate governance and labor practices. The objective is based on a five to ten-year investment horizon. The Foundation created the ESG pool during the year ended December 31, 2015.

The Capital Preservation Pool – Also referred to as the Income Pool, the objective of the Capital Preservation Pool is protection of principal and liquidity. As such, investment parameters will be limited to short and intermediate term, high-quality, fixed-income instruments or cash equivalent. The objective is based on a two to five-year investment horizon.

The Cash Pool - The objective of the Cash Pool is to preserve principal value and maintain a high degree of liquidity while providing current income. The objective is based on a twelve to eighteen-month investment horizon and no investment return.

Cash and cash equivalents subject to investment management direction are reported as investments rather than cash equivalents. Investments are presented in the consolidated financial statements at fair market values. The Foundation invests in marketable equity securities which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual equity security.

Investments consist of the following at December 31:

	2015	2014
Fixed income	\$ 50,760,832	\$ 46,402,966
Domestic equity	69,883,470	56,362,884
International equity	46,090,030	36,927,228
Alternative investments	20,410,831	21,074,575
Cash and cash equivalents	12,773,389	11,358,662
Diversified mutual funds	18,612,625	12,872,689
Mutual funds	6,500,116	5,984,594
Private equity	848,408	917,731
	\$ 225,879,701	\$ 191,901,329

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

	2015	2014
Dividends and interest	\$ 4,269,592	\$ 3,738,171
Net realized and unrealized (loss) gains on investments	(4,920,144)	5,518,388
Investment management and consulting fees	(587,691)	(545,187)
	\$ (1,238,243)	\$ 8,711,372

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

5. FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Fixed income, domestic equity and international equity: Valued at the closing price reported in the active market in which the individual securities are traded.

Alternative investments and private equity: Valued at net asset value ("NAV") per share on a monthly basis by the investment managers. In determining the fair value level, the Foundation considers the length of time until the investment is redeemable, including notice and lock up periods or any other restriction on the disposition of the investment. The Foundation also considers the nature of the portfolios of the underlying investments and their ability to liquidate the underlying investments. If the Foundation has the ability to redeem its investment at the measurement date, the investment is generally included in Level 2 of the fair value hierarchy. If the Foundation does not know when it will have the ability to redeem the investment, or it does not have the ability to redeem the investment in the near term, the investment is included in Level 3 of the fair value hierarchy.

Cash and cash equivalents: Valued at cost, which approximates fair value.

Diversified mutual funds: Valued at net asset value per share. The Foundation has the ability to redeem its interest in the fund at the measurement date.

Mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Assets held for charitable gift annuities: Accumulated values are provided by insurance carriers on a periodic basis. The values approximate the fair value of these policies. The values assigned to the individual policies, which are not actively traded on any exchange, are not observable and are considered to be Level 3 of the valuation hierarchy.

Liabilities under charitable gift annuities: Valued at the present value of estimated amounts due to income beneficiaries of the agreements based on IRS annuity and mortality tables.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following tables represent the Foundation's financial instruments measured at fair value on a recurring basis at December 31, for each of the fair value hierarchy levels:

Fair Value Measurements at December 31, 2015				
Description	Fair Value	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income	\$ 50,760,832	\$ 50,760,832	\$ -	\$ -
Domestic equity	69,883,470	69,883,470	-	-
International equity	46,090,030	46,090,030	-	-
Alternative investments	20,410,831	-	-	20,410,831
Cash and cash equivalents	12,773,389	12,773,389	-	-
Diversified mutual funds	18,612,625	12,010,626	6,601,999	-
Mutual funds	6,500,116	6,500,116	-	-
Private equity	848,408	-	-	848,408
Total investments	\$ 225,879,701	\$ 198,018,463	\$ 6,601,999	\$ 21,259,239
Assets held for charitable gift annuities	\$ 46,744,005	\$ -	\$ -	\$ 46,744,005
Liabilities under charitable gift annuities	\$ 41,816,159	\$ -	\$ -	\$ 41,816,159

Fair Value Measurements at December 31, 2014				
Description	Fair Value	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Fixed income	\$ 46,402,966	\$ 46,402,966	\$ -	\$ -
Domestic equity	56,362,884	56,362,884	-	-
International equity	36,927,228	36,927,228	-	-
Alternative investments	21,074,575	-	-	21,074,575
Cash and cash equivalents	11,358,662	11,358,662	-	-
Diversified mutual funds	12,872,689	9,147,930	3,724,759	-
Mutual funds	5,984,594	5,984,594	-	-
Private equity	917,731	-	-	917,731
Total investments	\$ 191,901,329	\$ 166,184,264	\$ 3,724,759	\$ 21,992,306

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2015:

	<u>Alternative Investments and Private Equity</u>	<u>Assets Held For Charitable Gift Annuities</u>	<u>Liabilities Under Charitable Gift Annuities</u>
Balance, beginning of year	\$ 21,992,306	\$ -	\$ -
Additions	-	47,964,530	43,462,527
Withdrawals and payments	-	(1,250,228)	(1,874,913)
Net investment loss	(733,067)	-	-
Change in value	-	29,703	228,545
Balance, end of year	\$ 21,259,239	\$ 46,744,005	\$ 41,816,159

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2014:

	<u>Alternative Investments and Private Equity</u>
Balance, beginning of year	\$ 22,681,214
Withdrawals	(2,075,066)
Net investment gains	1,386,158
Balance, end of year	\$ 21,992,306

Net Asset Value per Share

Alternative and private equity investments include investments in funds and limited partnerships where the Foundation has the right to withdraw its investments after the expiration of "lock-up" periods of one to two years pursuant to the respective offering memorandums. The underlying investments of the funds are valued at fair value on a quarterly basis by the partnership or fund. As part of the private equity investment structure, initial capital call commitments are required.

The following summary represents the funds reported at NAV as of December 31, 2015:

	<u>Fair Value as of 12/31/2015</u>	<u>Unfunded Commitments as of 12/31/2015</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Blackrock Diamond Property Fund (a)	\$ 509,554	\$ -	In liquidation	Not applicable
Arden Sage Capital International (b)	8,361	-	In liquidation	Not applicable
RREEF America REIT III (c)	191,431	-	Quarterly	45 days
SEI Special Situations Fund (d)	5,624,132	-	Bi-annually	95 days
SEI Structured Credit (e)	6,143,152	-	Bi-annually	95 days
SEI Core Property Fund (f)	6,098,050	-	Quarterly	65 days
Portfolio Advisors Private Equity Fund IV (g)	529,989	237,245	Illiquid	None
Portfolio Advisors Private Equity Fund VI (g)	318,419	113,353	Illiquid	None
Archstone (h)	1,751,404	-	Quarterly	90 days
Vintage European Opportunity Fund (i)	84,747	-	Illiquid	None
Total	\$ 21,259,239	\$ 350,598		

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value per Share (Continued)

The following is a summary of the investment strategies of the investments valued at net asset value:

- (a) The fund's objective is to seek income and capital appreciation through investments in real estate. The fund is in the liquidation process.
- (b) The fund's investment objective is to achieve long-term capital appreciation while attempting to reduce risk and volatility. The fund accomplishes its investment objective by investing substantially all of its assets in a master fund that in turn, invests its assets primarily in hedge funds and other similar investments. The fund is in the liquidation process.
- (c) The fund's objective is to maximize the total return to shareholders through cash dividends and appreciation of shares. The fund accomplishes this strategy through real estate investment trusts that invest in undeveloped land, residential, multi-family, condos, industrial, retail and office properties (including leased properties, redeveloped, and vacant properties) in targeted metropolitan areas in the United States.
- (d) The fund's objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund primarily invests in credit, commodities, distressed debt, global macro, long/short equity and structured credit.
- (e) The fund's objective is to seek to generate high total returns by investing in a portfolio of collateralized debt obligations. The fund primarily invests in collateralized debt, limited partnerships and asset backed securities.
- (f) The objective of the fund is to seek to generate income and capital appreciation through a diversified strategy of property funds.
- (g) The fund's objective is to achieve long-term returns through investments in a diversified portfolio of private equity limited partnerships.
- (h) The fund seeks to earn good returns with low volatility, regardless of the difficulty of the environment through long/short equity positions, arbitrage, high yield distressed securities, credit and limited partnerships.
- (i) The fund seeks to provide aggregate long-term compounded returns in excess of those available from a portfolio of conventional investments in the public equity.

6. CHARITABLE GIFT ANNUITY PROGRAM

In 2015, the Foundation inherited an established gift annuity program with assets primarily related to commercial insurance policies. The program is now administered by the Foundation and distributions are made to the beneficiaries under the terms of the original agreements. The Foundation recorded the following assets and liabilities at inception:

Cash	\$ 1,595,450
Assets held for charitable gift annuities	47,964,530
Liabilities under charitable gift annuities	<u>(43,462,527)</u>
Contribution	<u>\$ 6,097,453</u>

During the year ended December 31, 2015, the net change in value of the charitable gift annuities was \$(124,699). The fair value of the assets held for charitable gift annuities was approximately \$46,744,000 at December 31, 2015 and the liabilities under charitable gift annuities was approximately \$41,816,000 at December 31, 2015.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

7. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Furniture, equipment and leasehold improvements, net consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Computer and office equipment	\$ 481,229	\$ 439,523
Furniture	211,845	59,948
Leasehold improvements	698,996	433,848
	1,392,070	933,319
Accumulated depreciation and amortization	<u>(539,437)</u>	<u>(457,967)</u>
	<u>\$ 852,633</u>	<u>\$ 475,352</u>

Depreciation and amortization expense for the years ended December 31, 2015 and 2014 totaled approximately \$108,000 and \$64,000, respectively.

8. LINE OF CREDIT

On April 1, 2013, the Dade Fund, Inc. (the "Fund"), a supporting organization of The Miami Foundation, Inc., entered into a \$5,000,000 line of credit agreement with a financial institution secured by substantially all of the Fund's assets. Below are the statements of financial position of Dade Fund, Inc. as of December 31:

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 17,419	\$ 3,225
Investments	7,901,285	8,734,161
Total assets	<u>\$ 7,918,704</u>	<u>\$ 8,737,386</u>
Liabilities:		
Grants payable	\$ -	\$ 220,000
Accounts payable	58,622	15,000
Line of credit	5,694,000	5,722,000
Total liabilities	5,752,622	5,957,000
Unrestricted net assets	2,166,082	2,780,386
	<u>\$ 7,918,704</u>	<u>\$ 8,737,386</u>

The line of credit expired in April 2014. The Fund entered into an amended agreement in April 2014 which increased the line of credit to \$6,000,000. The amended line bears interest at LIBOR plus 1.25% (approximately 1.7% at December 31, 2015) and expires on August 31, 2016. Interest expense totaled \$93,861 and \$56,695 for the years ended December 31, 2015 and 2014, respectively. The amount outstanding on the line of credit was \$5,694,000 and \$5,722,000 at December 31, 2015 and 2014, respectively. In 2016, the Foundation paid \$1,000,000 on the line of credit and is currently in process of renewing the line of credit.

9. GRANTS PAYABLE TO BENEFICIARIES

Grants payable consists of an award from 2011 of \$1,000,000 from the Fund payable to a beneficiary over several years. Grants payable totaled \$220,000 as of December 31, 2014 and the final installment was paid in 2015.

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

10. FUNDS HELD IN TRUST

Funds held in trust consist of funds held at financial institutions amounting to \$20,149,341 and \$20,762,795 as of December 31, 2015 and 2014, respectively. These funds are comprised of cash equivalents and investments. The Foundation is holding these funds on behalf of another organization.

11. FUNDS HELD AS ORGANIZATION ENDOWMENTS

Funds held as organization endowments consist of assets received by the Foundation for the benefit of a specified beneficiary. U.S. GAAP requires that a recipient organization recognize the fair value of these assets as a liability. These funds are comprised of cash equivalents and investments held at financial institutions and amounted to \$13,256,888 and \$3,822,845 as of December 31, 2015 and 2014, respectively.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 totaling \$6,693,324 and \$2,674,927, respectively, consist of the charitable gift annuity program (NOTE 6), four charitable trusts and three life insurance policies in which the Foundation is beneficiary (NOTE 3).

13. RELATED PARTY TRANSACTIONS

During the normal course of business, the Foundation receives contributions from its volunteer Board Members and the companies with whom they are affiliated. During the years ended December 31, 2015 and 2014, the Foundation received contributions of approximately \$291,000 and \$248,000, respectively, reflected under the caption "Contributions" in the consolidated statements of activities.

14. RETIREMENT PLANS

Pension Plan

The Foundation sponsors a non-contributory defined benefit pension plan for all full-time employees. In November 2010, the Foundation froze this plan. There were no contributions made to the plan during the years ended December 31, 2015 and 2014, and none are anticipated for 2016.

Information related to the Foundation's obligation is presented below at December 31:

	<u>2015</u>	<u>2014</u>
Fair value of plan assets	\$ 742,800	\$ 791,136
Projected benefit obligation	<u>(875,394)</u>	<u>(905,025)</u>
Unfunded projected benefit obligation	<u>\$ (132,594)</u>	<u>\$ (113,889)</u>

Net periodic pension benefit under the plan was \$(24,964) and \$(18,761) the years ended December 31, 2015 and 2014, respectively. The components of the net periodic pension cost are as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Service cost	\$ 3,714	\$ 4,105
Interest cost	34,547	35,428
Expected return on plan assets	(63,291)	(58,294)
Amount of recognized actuarial loss	<u>66</u>	<u>-</u>
Net periodic pension benefit cost	<u>\$ (24,964)</u>	<u>\$ (18,761)</u>

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

14. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

Changes in plan assets as of the actuarial valuation date of December 31:

	2015	2014
Fair value of plan assets at beginning of the year	\$ 791,136	\$ 728,679
Actual return on plan assets	(26,501)	66,562
Annuities purchased or benefits paid, including expense charges	(21,835)	(4,105)
Fair value of plan assets at the end of the year	\$ 742,800	\$ 791,136

Changes in the plan benefit obligation as of the actuarial valuation date of December 31:

	2015	2014
Benefit obligation at the beginning of the year	\$ 905,025	\$ 741,745
Service cost	3,714	4,105
Interest cost	34,547	35,428
Assumption changes	(37,350)	104,065
Actuarial (gain) loss	(8,707)	23,787
Expense charges	(3,714)	(4,105)
Annuities purchased or benefits paid	(18,121)	-
Benefit obligation at the end of the year	\$ 875,394	\$ 905,025

The assumptions used in the accounting for the defined benefit plan for the years ended December 31, 2015 and 2014 were 4.15% and 3.80% for the discount rate, respectively, 8% for expected long-term return on assets, and no increase in compensation levels.

Pension assets were allocated in the following manner at December 31:

	2015		2014	
	Amount	Percent	Amount	Percent
Equity	\$ 449,982	61%	\$ 495,569	63%
Fixed income and other	285,499	38%	292,633	37%
General account	7,319	1%	2,934	0%
Plan assets	\$ 742,800	100%	\$ 791,136	100%

As of December 31, 2015, the expected payout of pension benefits is approximately as follows for the years ending December 31:

2016	\$ 17,000
2017	17,000
2018	17,000
2019	17,000
2020	17,000
2021 - 2025	192,000
	\$ 277,000

THE MIAMI FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

14. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

The Foundation's expected long-term return on plan assets assumption of 8% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations. Based upon the investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 3.75% was selected and added to the real rate of return range to arrive at a best estimate range of 6.74% - 9.40%. A rate within the best estimate range of 8% was selected.

The Foundation's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The Foundation's overall investment strategy is to achieve a mix of approximately 65-75 percent of investments for long-term growth and 25-35 percent for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are between 30-70 percent equity securities, 30-70 percent corporate bonds, with a long term asset mix guideline of 50% equity and 50% fixed income. Equity securities primarily include investments in large-cap and small-cap companies primarily located in the United States of America and developing and emerging international markets. Fixed income securities include corporate bonds with various durations. The investment policy is periodically reviewed by the Foundation. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

Defined Contribution Plan

In December 2010, the Foundation started a 403(b) contributory retirement plan. The Foundation contributes 1% of an employee's salary once the employee has completed one year of service with the Foundation. The Foundation will also match up to an additional 4% of a qualified employee's voluntary contribution to the plan. Total employer contributions to this plan were approximately \$66,000 and \$49,000 for the years ended December 31, 2015 and 2014, respectively.

15. OPERATING LEASE

In January 2015, the Foundation entered into an operating lease agreement for new office space. The lease expires on December 31, 2024 and the Foundation has the option to renew the lease for an additional term of five years. Monthly rent payments are approximately \$12,400, subject to an annual increase of 3%. As part of the agreement, the Foundation received an allowance of approximately \$485,000 in consideration for the improvements made to the new office space. Tenant allowances received are deferred when received and amortized straight-line over the life of the lease term. As of December 31, 2015, the deferred rent liability balance was approximately \$440,000 and is reflected within the caption "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position.

Rent expense amounted to \$98,131 and \$257,756 for the years ended December 31, 2015 and 2014, respectively. Future minimum payments under the operating lease is as follows for the years ending December 31:

2016	\$	155,328
2017		157,775
2018		162,508
2019		167,383
2020		172,405
Thereafter		742,916
	\$	<u>1,558,315</u>