THE MIAMI FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

THE MIAMI FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 2016 and 2015, 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, 2016 and 2015, 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
September 26, 2017

THE MIAMI FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	**2016**	**2015**
Cash and cash equivalents	$ 11,480,272	$ 6,883,263
Accounts receivable, prepaid expenses and other assets	243,165	117,939
Contributions receivable, net	2,790,951	3,007,762
Investments	271,764,334	252,474,365
Furniture, equipment and leasehold improvements, net	784,957	852,633
TOTAL ASSETS	**$ 287,063,679**	**$263,335,962**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 1,535,309	$ 922,300
Line of credit	4,694,000	5,694,000
Liabilities under annuity agreements	35,824,923	41,816,159
Funds held on behalf of others	16,901,749	13,256,888
TOTAL LIABILITIES	58,955,981	61,689,347
NET ASSETS		
Unrestricted	198,713,635	179,361,733
Temporarily restricted	29,394,063	22,284,882
TOTAL NET ASSETS	228,107,698	201,646,615
TOTAL LIABILITIES AND NET ASSETS	**$ 287,063,679**	**$263,335,962**

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,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions	$ 23,343,021	$ 24,724,305	$ 48,067,326	$ 36,799,760	$ 17,546,351	$ 54,346,111
Contribution - annuities (NOTE 6)	-	837,597	837,597	-	6,097,453	6,097,453
Change in value - annuities (NOTE 6)	-	1,841,529	1,841,529	-	(124,699)	(124,699)
Administration fees	3,219,201	-	3,219,201	2,970,753	-	2,970,753
Dividends and interest	3,081,944	1,390	3,083,334	4,269,592	-	4,269,592
Fundraising and other revenue	2,410,891	-	2,410,891	2,700,256	-	2,700,256
Net realized and unrealized gain (loss) on investments	10,743,044	-	10,743,044	(4,920,144)	-	(4,920,144)
Net assets released from restrictions	20,295,640	(20,295,640)	-	17,095,143	(17,095,143)	-
TOTAL REVENUES	63,093,741	7,109,181	70,202,922	58,915,360	6,423,962	65,339,322
FUNCTIONAL EXPENSES						
Grants and services to beneficiaries	40,094,844	-	40,094,844	46,894,537	-	46,894,537
Management and general	2,886,750	-	2,886,750	2,907,484	-	2,907,484
Fundraising	760,245	-	760,245	614,403	-	614,403
TOTAL FUNCTIONAL EXPENSES	43,741,839	-	43,741,839	50,416,424	-	50,416,424
UNRELATED BUSINESS INCOME TAX CREDIT	-	-	-	(250,166)	-	(250,166)
TOTAL EXPENSES	43,741,839	-	43,741,839	50,166,258	-	50,166,258
CHANGE IN NET ASSETS	19,351,902	7,109,181	26,461,083	8,749,102	6,423,962	15,173,064
NET ASSETS - BEGINNING OF YEAR	179,361,733	22,284,882	201,646,615	170,612,631	15,860,920	186,473,551
NET ASSETS - END OF YEAR	**$ 198,713,635**	**$ 29,394,063**	**$ 228,107,698**	**$ 179,361,733**	**$ 22,284,882**	**$ 201,646,615**

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,

	2016				2015			
	Grants and Services to Beneficiaries	**Management and General**	**Fundraising**	**Total**	**Grants and Services to Beneficiaries**	**Management and General**	**Fundraising**	**Total**
Wages and salaries	$ 367,689	$ 840,290	$ 445,174	$ 1,653,153	$ 346,498	$ 759,901	$ 408,883	$ 1,515,282
Employee benefits and taxes	86,238	335,137	103,605	524,980	81,464	264,354	94,456	440,274
TOTAL SALARIES AND BENEFITS	453,927	1,175,427	548,779	2,178,133	427,962	1,024,255	503,339	1,955,556
Audit and accounting services	7,529	130,500	-	138,029	-	66,561	-	66,561
Administration fees	3,313,297	-	-	3,313,297	2,905,086	-	-	2,905,086
Direct support payments	6,299,807	-	-	6,299,807	10,873,109	-	-	10,873,109
General administrative	20,606	28,929	-	49,535	-	6,078	-	6,078
Banking fees	15,951	12,081	7,500	35,532	-	287,393	-	287,393
Board meetings	3,814	3,191	-	7,005	-	15,726	-	15,726
Conferences and travel	29,487	23,326	10,176	62,989	94,310	44,485	-	138,795
Local meetings and travel	18,162	4,573	14,688	37,423	90,892	29,443	-	120,335
Consulting	398,751	97,628	-	496,379	149,266	80,600	-	229,866
Depreciation and amortization	-	120,165	-	120,165	-	107,736	-	107,736
Disposal loss on fixed asset	-	-	-	-	-	9,826	-	9,826
Give Miami Day grants	1,042,393	-	-	1,042,393	626,921	-	-	626,921
Grants	28,365,239	7,548	-	28,372,787	31,637,305	-	-	31,637,305
Grants returned	(40,173)	-	-	(40,173)	(1,500)	-	-	(1,500)
Insurance, interest and taxes	-	120,988	-	120,988	-	108,467	-	108,467
Investment management and consulting fee	-	803,340	-	803,340	-	587,691	-	587,691
Legal fees	61,551	-	-	61,551	-	99,126	-	99,126
Information technology	20,814	89,822	-	110,636	-	126,640	-	126,640
Marketing and advertising	-	-	90,827	90,827	-	-	76,038	76,038
Memberships	22,750	16,853	9,970	49,573	-	30,129	-	30,129
Newsletter and annual report expenses	7,288	18,024	-	25,312	-	47,087	-	47,087
Office supplies	3,034	41,731	487	45,252	2,261	39,911	-	42,172
Other program expenses	3,531	102	-	3,633	37,024	-	-	37,024
Postage and delivery	374	7,994	114	8,482	118	8,988	-	9,106
Printing and copying	228	28,498	-	28,726	-	56,472	-	56,472
Publications	849	2,621	-	3,470	5,375	1,333	-	6,708
Rent and occupancy	42,715	97,618	51,717	192,050	29,682	65,094	35,026	129,802
Special events	-	12,988	22,707	35,695	-	28,176	-	28,176
Telephone	2,642	35,017	3,280	40,939	-	36,267	-	36,267
Website	278	7,786	-	8,064	16,726	-	-	16,726
TOTAL FUNCTIONAL EXPENSES	**$ 40,094,844**	**$ 2,886,750**	**$ 760,245**	**$ 43,741,839**	**$ 46,894,537**	**$ 2,907,484**	**$ 614,403**	**$ 50,416,424**

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,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 26,461,083	$ 15,173,064
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	120,165	107,736
Loss on disposal of property	-	9,826
Non-cash contribution - annuities	-	(4,502,003)
Non-cash contribution - stock	(1,427,835)	(362,157)
Unrealized (gain) loss from annuities	(1,841,529)	198,842
Net unrealized (gain) loss on investments	(10,742,728)	11,274,740
Pension adjustment	(12,762)	18,705
(Increase) decrease in operating assets:		
Accounts receivable, prepaid expenses and other assets	(125,226)	(22,017)
Contributions receivable	216,811	(32,835)
(Decrease) increase in operating liabilities:		
Grants payable to beneficiaries	-	(220,000)
Accounts payable, accrued expenses and other liabilities	625,771	186,202
Unrelated business income tax liability	-	(3,545,000)
Funds held on behalf of others	3,644,861	9,434,043
TOTAL ADJUSTMENTS	(9,542,472)	12,546,082
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,918,611	27,719,146
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture, equipment and leasehold improvements	(52,489)	(494,843)
Purchases of investments	(97,902,032)	(80,389,518)
Proceeds from sale of investments	91,653,583	36,135,337
NET CASH USED IN INVESTING ACTIVITIES	(6,300,938)	(44,749,024)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments to beneficiaries of annuities	(5,020,664)	(1,874,913)
Repayments on line of credit	(1,000,000)	(28,000)
NET CASH USED IN FINANCING ACTIVITIES	(6,020,664)	(1,902,913)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,597,009	(18,932,791)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,883,263	25,816,054
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 11,480,272**	**$ 6,883,263**

SUPPLEMENTAL CASH FLOW INFORMATION:		
Taxes paid	**$ -**	**$ 3,545,000**
Interest paid	**$ 89,270**	**$ 93,861**
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Contribution of stock	**$ 1,427,835**	**$ 362,157**
Assets related to annuities	**$ -**	**$ 47,964,530**
Contribution from receipt of annuities	**$ -**	**$ 4,502,003**
Liabilities under annuity agreements	**$ -**	**$ 43,462,527**

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

1. GENERAL

Nature of Operations

The Miami Foundation, Inc. (the "Foundation") is a community foundation created to build permanent charitable endowments for Miami-Dade County. The Foundation 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.

The Foundation supports arts and emerging charitable and social justice activities through fiscal sponsorships by acting as a sponsor for a project seeking support from individuals, foundations, corporations and/or government agencies. The Foundation also actively manages a mature annuity program that it agreed to undertake in mid-2015.

Principles of Consolidation

The consolidated financial statements include the accounts of The Miami Foundation, Inc. and The College Assistance Program ("CAP") of Miami-Dade County, Inc., as well as its supporting organizations, DadeFund, 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. MLM Fund III, Inc. was dissolved at the end of 2015.

CAP 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: 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 had no permanently restricted net assets at December 31, 2016 and 2015.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to achieve a balance that will enhance total return, while avoiding undue risk concentrations in any single asset or investment category. The Foundation's Investment Committee is responsible for oversight of the Foundation's investing activities.

Concentrations

The majority of the Foundation's donors are located in South Florida. One donor and two donors accounted for 53% and 71% of contributions during the years ended December 31, 2016 and 2015, respectively.

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.

Investments in commercial fixed annuity contracts are measured at fair value. Accumulated value are provided by insurance carriers on a periodic basis as reported by the insurance companies. The majority of the contracts have surrender charges. The Foundation expects to realize the fair value of these contracts. Additionally, earnings on assets are recorded annually.

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 on Behalf of Others

The Foundation accepts funds from unrelated nonprofit organizations who desire to have the Foundation provide efficient investment management. A liability is recorded as the estimated fair value of the assets deposited with the Foundation by nonprofit organizations. Assets are invested in investment pools offered by the Foundation. U.S. GAAP requires that a recipient organization recognize the fair value of the assets as a liability.

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.

Fiscal Agencies

Give Miami Day – The Foundation sponsors a 24-hour online donation event annually, in which the Foundation matches, on a percentage basis, the total donations made during the 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 $9,218,000 and $7,151,000 during the years ended December 31, 2016 and 2015, respectively.

The Foundation also operates as a fiscal agent for certain grants by providing fiscal expenditure responsibility services for the organization making the grant. Revenue under these arrangements is based on a percentage of receipts.

Liabilities Under Annuity Programs

The Foundation records a liability for the present value of the annuities payable using a discount rate of 4.5%. 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 and amounts due to beneficiaries. These are reflected in the accompanying consolidated financial statements as “Change in value - annuities.” Upon the death of the donor annuitant, the Foundation records an adjustment for the remaining liability and resulting gain or loss.

Split-Interest Agreements

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.

Grants and services to beneficiaries

Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed and they are approved by staff or Board Committee. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund. Services to beneficiaries represent expenses associated with fiscal sponsorships and are recognized when service is performed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

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

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. There is no unrelated business income for the years ended December 31, 2016 and 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 2013.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred were approximately $90,000 and $75,000 for the years ended December 31, 2016 and 2015, respectively.

Recent Accounting Pronouncements

<u>Presentation of Financial Statements of Not-for-Profit Entities</u>

In August 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Foundation is currently evaluating the effect the update will have on its consolidated financial statements.

<u>Lease Accounting</u>

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, September 26, 2017, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain items in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

3. CONTRIBUTIONS RECEIVABLE, NET

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

	2016	2015
Charitable remainder trust	$ 1,346,080	$ 1,346,080
Contributions receivable	1,434,928	1,651,739
Other receivables	300,000	300,000
Present value discount	(290,057)	(290,057)
Contributions receivable, net	**$ 2,790,951**	**$ 3,007,762**

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, 2016 and 2015. The Foundation has not set up reserves for these contributions receivable as management anticipates they are fully collectible.

4. INVESTMENTS

The Investment 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 Investment 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 Investment Committee will permit the investment pools to experience an overall level of risk consistent with the risk generally associated with the Investment Committee's policy asset allocation and similar to that of the market opportunity available to institutional investors with similar return objectives. The Foundation permits the establishment of externally managed funds for donors meeting certain criteria. Under this program, the donor may recommend a financial advisor.

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, 2016 and 2015:

> *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.

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 Social Impact Pool - The investment strategy for the Social Impact Pool is similar to the Balanced Pool. The Social Impact 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 Income Pool – The objective of the Income Pool is to achieve low to moderate risk adjusted returns, with an emphasis on total returns. As such, investment parameters will be limited to short and intermediate term, high-quality, fixed-income instruments or cash equivalents. The Income Pool may invest in other types of securities, including stocks, provided that the corporation is organized under U.S. laws and is publicly traded.

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:

	2016	2015
Fixed income	$ 51,205,199	$ 47,259,570
Domestic equity	46,920,337	59,368,905
International equity	51,938,095	42,513,591
Alternative investments	34,397,574	18,659,427
Cash and cash equivalents	13,469,285	12,194,354
Diversified mutual funds	21,962,188	18,612,625
Mutual funds	11,551,741	6,273,480
Private equity	701,577	848,408
Insurance contracts	39,618,338	46,744,005
	$ 271,764,334	**$ 252,474,365**

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

	2016	2015
Dividends and interest	$ 3,083,334	$ 4,269,592
Net realized and unrealized gain (loss) on investments	10,743,044	(4,920,144)
Investment management and consulting fees	(803,340)	(587,691)
Total investment income (loss)	**$ 13,023,038**	**$ (1,238,243)**

Investment earnings from annuity assets was approximately $729,000 and $138,000 for the years ended December 31, 2016 and 2015, respectively, included in the consolidated statement of activities as “Change in value –annuities”.

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, 2016 and 2015.

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 NAV 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.

Insurance contracts: 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.

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, 2016		
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	$ 51,205,199	$ 51,205,199	$ -	$ -
Domestic equity	46,920,337	46,920,337	-	-
International equity	51,938,095	51,938,095	-	-
Alternative investments	34,397,574	-	-	34,397,574
Cash and cash equivalents	13,469,285	13,469,285	-	-
Diversified mutual funds	21,962,188	19,802,454	2,159,734	-
Mutual funds	11,551,741	11,551,741	-	-
Private equity	701,577	-	-	701,577
Insurance contracts	39,618,338	-	-	39,618,338
	$ 271,764,334	**$ 194,887,111**	**$ 2,159,734**	**$ 74,717,489**

		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	$ 47,259,570	$ 47,259,570	$ -	$ -
Domestic equity	59,368,905	59,368,905	-	-
International equity	42,513,591	42,513,591	-	-
Alternative investments	18,659,427	-	-	18,659,427
Cash and cash equivalents	12,194,354	12,194,354	-	-
Diversified mutual funds	18,612,625	12,010,626	6,601,999	-
Mutual funds	6,273,480	6,273,480	-	-
Private equity	848,408	-	-	848,408
Insurance contracts	46,744,005	-	-	46,744,005
	$ 252,474,365	**$ 179,620,526**	**$ 6,601,999**	**$ 66,251,840**

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, 2016:

	Alternative Investments and Private Equity	Insurance Contracts
Balance, beginning of year	$ 19,507,835	$ 46,744,005
Additions	17,900,000	-
Withdrawals and payments	(2,877,664)	(7,996,624)
Net investment gain	568,980	-
Change in value	-	870,957
Balance, end of year	**$ 35,099,151**	**$ 39,618,338**

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:

	Alternative Investments and Private Equity	Insurance Contracts
Balance, beginning of year	$ 20,240,902	$ -
Additions	-	47,964,530
Withdrawals and payments	-	(1,250,228)
Net investment loss	(733,067)	-
Change in value	-	29,703
Balance, end of year	**$ 19,507,835**	**$ 46,744,005**

NAV 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.

5. FAIR VALUE MEASUREMENTS (CONTINUED)

NAV per Share (Continued)

The following summary represents the funds reported at NAV as of December 31, 2016:

	Fair Value as of 12/31/2016	Unfunded Commitments as of 12/31/2016	Redemption Frequency	Redemption Notice Period
Blackrock Diamond Property Fund (a)	$ 14,789	$ -	In liquidation	Not applicable
Arden Sage Capital International (b)	8,361	-	In liquidation	Not applicable
SEI Special Situations Fund (c)	537,526	-	Bi-annually	95 days
SEI Structured Credit (d)	6,941,424	-	Bi-annually	95 days
SEI Core Property Fund (e)	7,627,892	-	Quarterly	65 days
Portfolio Advisors Private Equity Fund IV (f)	222,751	113,353	Illiquid	None
Portfolio Advisors Private Equity Fund VI (f)	478,826	237,245	Illiquid	None
Vintage European Opportunity Fund (g)	121,263	-	Illiquid	None
SEI Energy Fund (h)	8,146,319	-	Bi-annually	95 days
SEI Hedge Fund (i)	11,000,000	-	Monthy, quarterly, annually - subject to restrictions	30 to 180 days
Total	**$ 35,099,151**	**$ 350,598**		

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 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.

(d) 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.

(e) The objective of the fund is to seek to generate income and capital appreciation through a diversified strategy of property funds.

(f) The fund's objective is to achieve long-term returns through investments in a diversified portfolio of private equity limited partnerships.

(g) 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.

(h) The fund seeks to generate high total returns.

(i) The fund seeks to produce returns comparable to those of the equity markets over a full market cycle targeting substantially less volatility than equities by investing in a diversified portfolio of hedge funds.

6. ANNUITIES

In 2015, the Foundation agreed to take over an established annuity pool with assets primarily related to commercial fixed annuity contracts and liabilities for payments due to annuitants. The Foundation manages the assets and makes distributions to the annuitants under the terms of the original agreements. The assets are held as general assets of the Foundation. During 2015, the Foundation recorded the following assets and liabilities at inception:

Cash	$ 1,595,450
Investments - insurance contracts	47,964,530
Liabilities under annuity agreements	(43,462,527)
Contribution	**$ 6,097,453**

The following presents the fair value of the annuity assets and present value of the liabilities at December 31:

	2016	**2015**
Cash	$ 4,193,459	$ 791,059
Investments - insurance contracts	39,618,338	46,744,005
Total assets	**$ 43,811,797**	**$ 47,535,064**
Total liabilities	**$ 35,824,923**	**$ 41,816,159**

During the years ended December 31, 2016 and 2015, the net change in value of annuities assets and liabilities was $1,841,529 and $(124,699), respectively. During the year ended December 31, 2016, the Foundation also received additional cash contributions from the previous administrator in the amount of $837,597, which represents the residual balance of funds that remained after the official transfer.

7. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

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

	2016	**2015**
Computer and office equipment	$ 186,860	$ 481,229
Furniture	172,543	211,845
Leasehold improvements	737,547	698,996
	1,096,950	1,392,070
Accumulated depreciation and amortization	(311,993)	(539,437)
	$ 784,957	**$ 852,633**

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 totaled approximately $120,000 and $108,000, respectively.

8. LINE OF CREDIT

On April 1, 2013, the DadeFund, 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 DadeFund, Inc. as of December 31:

	2016	2015
Assets:		
Cash and cash equivalents	$ 19,293	$ 17,419
Investments	6,876,505	7,901,285
Total assets	**$ 6,895,798**	**$ 7,918,704**
Liabilities:		
Accounts payable	$ 67,003	$ 58,622
Line of credit	4,694,000	5,694,000
Total liabilities	4,761,003	5,752,622
Unrestricted net assets	2,134,795	2,166,082
	$ 6,895,798	**$ 7,918,704**

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 2% and 1.7% at December 31, 2016 and 2015, respectively) and expires on November 30, 2017. Interest expense totaled $89,270 and $93,861 for the years ended December 31, 2016 and 2015, respectively. The amount outstanding on the line of credit was $4,694,000 and $5,694,000 at December 31, 2016 and 2015, respectively. During 2017, the Foundation paid $1,000,000 to reduce the principal on the line of credit.

9. FUNDS HELD ON BEHALF OF OTHERS

Funds held on behalf of others are comprised of cash and investments held at financial institutions and amounted to $16,901,749 and $13,256,888 at December 31, 2016 and 2015, respectively.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 totaling $29,394,063 and $22,284,882, respectively, consist of the annuities (NOTE 6), four charitable trusts and three life insurance policies in which the Foundation is beneficiary (NOTE 3).

11. 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, 2016 and 2015. During 2017, the Foundation contributed $35,000.

11. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

Information related to the Foundation's obligation, which is included as "Accounts payable, accrued expenses and other liabilities" in the statements of financial position, is presented below at December 31:

	2016	2015
Fair value of plan assets	$ 775,276	$ 742,800
Projected benefit obligation	(895,108)	(875,394)
Unfunded projected benefit obligation	**$ (119,832)**	**$ (132,594)**

Net periodic pension benefit under the plan was $(17,110) and $(24,964) for the years ended December 31, 2016 and 2015, respectively. The components of the net periodic pension benefit are as follows for the years ended December 31:

	2016	2015
Service cost	$ 4,586	$ 3,714
Interest cost	36,483	34,547
Expected return on plan assets	(59,424)	(63,291)
Amount of recognized actuarial loss	1,245	66
Net periodic pension benefit	**$ (17,110)**	**$ (24,964)**

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

	2016	2015
Fair value of plan assets at beginning of the year	$ 742,800	$ 791,136
Actual return on plan assets	53,789	(26,501)
Annuities purchased or benefits paid, including expense charges	(21,313)	(21,835)
Fair value of plan assets at the end of the year	**$ 775,276**	**$ 742,800**

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

	2016	2015
Benefit obligation at the beginning of the year	$ 875,394	$ 905,025
Service cost	4,586	3,714
Interest cost	36,483	34,547
Assumption changes	13,841	(37,350)
Actuarial gain	(13,883)	(8,707)
Expense charges	(4,586)	(3,714)
Annuities purchased or benefits paid	(16,727)	(18,121)
Benefit obligation at the end of the year	**$ 895,108**	**$ 875,394**

The assumptions used in the accounting for the defined benefit plan for the years ended December 31, 2016 and 2015 were 4% and 4.15% for the discount rate, respectively, 8% for expected long-term return on assets, and no increase in compensation levels.

11. RETIREMENT PLANS (CONTINUED)

Pension Plan (Continued)

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

	2016		2015	
	Amount	Percent	Amount	Percent
Equity	$ 440,814	57%	$ 449,982	61%
Fixed income and other	327,062	42%	285,499	38%
General account	7,400	1%	7,319	1%
Plan assets	**$ 775,276**	**100%**	**$ 742,800**	**100%**

As of December 31, 2016, the expected payout of pension benefits is approximately as follows for the years ending December 31:

2017	$ 17,000
2018	17,000
2019	17,000
2020	17,000
2021	125,000
2022 - 2026	80,000
	$ 273,000

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% 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% equity securities, 30-70% 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 $64,000 and $66,000 for the years ended December 31, 2016 and 2015, respectively.

12. 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%. The Foundation records rent expense on a straight-line basis over the lease term. 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 on a straight-line basis over the life of the lease term. As of December 31, 2016, the deferred rent liability balance was approximately $447,000 and is reflected within the caption "Accounts payable, accrued expenses and other liabilities" in the consolidated statements of financial position.

Rent expense amounted to $159,314 and $98,131 for the years ended December 31, 2016 and 2015, respectively. Future minimum payments under the operating lease are as follows for the years ending December 31:

2017	$ 157,775
2018	162,508
2019	167,383
2020	172,405
2021	177,577
Thereafter	565,339
	$ 1,402,987