THE WHITLOCK CO.
CPAs and Consultants

COMMUNITY FOUNDATION OF THE OZARKS, INC.

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

THE WHITLOCK CO.
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of the Ozarks, Inc.
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Foundation of the Ozarks, Inc.,** which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Community Foundation of the Ozarks, Inc.,** as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

THE WHITLOCK CO., LLP

Springfield, Missouri
October 11, 2016

STATEMENTS OF FINANCIAL POSITION

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2016	June 30, 2015
Current assets		
Cash and cash equivalents	$ 46,638,536	$ 45,960,007
Current portion of notes receivable	591,729	141,790
Total current assets	47,230,265	46,101,797
Investments		
Diversified investment pool	166,006,377	171,699,804
Other investments	24,522,985	23,829,757
Supporting organization	9,120,999	9,091,861
Total investments	199,650,361	204,621,422
Other assets		
Contributions receivable	770,141	765,866
Notes receivable	734,793	1,321,103
Property and equipment, net of accumulated depreciation of $543,883 at 2016 and $492,395 at 2015	1,155,417	1,199,515
Cash surrender value of life insurance policies	1,833,275	1,883,980
Other	1,100	1,100
Total other assets	4,494,726	5,171,564
Total assets	$ 251,375,352	$ 255,894,783

LIABILITIES AND NET ASSETS

	June 30, 2016	June 30, 2015
Current liabilities		
Current portion of annuities payable	$ 51,542	$ 51,016
Current portion of notes payable	151,772	135,638
Total current liabilities	203,314	186,654
Other liabilities		
Annuities payable	289,559	350,260
Notes payable	727,654	684,183
Agency funds	84,730,024	84,409,277
Total other liabilities	85,747,237	85,443,720
Net assets		
Unrestricted	6,137,097	8,490,126
Temporarily restricted	85,919,250	93,152,720
Permanently restricted	73,368,454	68,621,563
Total net assets	165,424,801	170,264,409
Total liabilities and net assets	$ 251,375,352	$ 255,894,783

The accompanying notes are an integral part of the financial statements

STATEMENTS OF ACTIVITIES

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue				
Contributions	$ 1,141,394	$ 13,685,826	$ 918,099	$ 15,745,319
Investment income	585,734	1,701,598	-	2,287,332
Management fee revenue	2,108,502	7,302	-	2,115,804
Net realized gain on investment transactions	320,988	433,642	-	754,630
Net unrealized loss on investments	(1,764,286)	(3,998,952)	-	(5,763,238)
Annuity actuarial adjustments	-	16,904	-	16,904
Other revenues	8,019	-	-	8,019
Net assets released from restrictions	12,665,831	(12,665,831)	-	-
Total support and revenue	15,066,182	(819,511)	918,099	15,164,770
Expenses				
Grants	13,645,156	-	-	13,645,156
Fund administrative fees	1,684,568	-	-	1,684,568
Cash value life insurance premium expense	101,920	-	-	101,920
Interest expense	13,943	-	-	13,943
Other fund expenses	446,216	-	-	446,216
Management and general	2,197,550	-	-	2,197,550
Total expenses	18,089,353	-	-	18,089,353
Increase (decrease) in net assets	(3,023,171)	(819,511)	918,099	(2,924,583)
Reclassifications	670,142	(6,413,959)	3,828,792	(1,915,025)
Net assets at beginning of year	8,490,126	93,152,720	68,621,563	170,264,409
Net assets at end of year	$ 6,137,097	$ 85,919,250	$ 73,368,454	$ 165,424,801

	Year Ended June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue				
Contributions	$ 1,431,095	$ 15,394,072	$ 1,976,460	$ 18,801,627
Investment income	618,441	1,918,585	-	2,537,026
Management fee revenue	2,203,117	17,954	-	2,221,071
Net realized gain on investment transactions	1,124,759	1,610,446	-	2,735,205
Net unrealized loss on investments	(1,857,965)	(3,424,254)	-	(5,282,219)
Annuity actuarial adjustments	-	23,981	-	23,981
Other revenues	6,766	-	-	6,766
Net assets released from restrictions	12,974,938	(12,974,938)	-	-
Total support and revenue	16,501,151	2,565,846	1,976,460	21,043,457
Expenses				
Grants	14,431,497	-	-	14,431,497
Fund administrative fees	1,765,632	-	-	1,765,632
Cash value life insurance premium expense	76,862	-	-	76,862
Interest expense	14,891	-	-	14,891
Other fund expenses	419,787	-	-	419,787
Management and general	1,977,945	-	-	1,977,945
Total expenses	18,686,614	-	-	18,686,614
Increase (decrease) in net assets	(2,185,463)	2,565,846	1,976,460	2,356,843
Reclassifications	1,620,898	(323,400)	(1,109,366)	188,132
Net assets at beginning of year	9,054,691	90,910,274	67,754,469	167,719,434
Net assets at end of year	$ 8,490,126	$ 93,152,720	$ 68,621,563	$ 170,264,409

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2016	Years Ended June 30, 2015
Cash flows from operating activities		
Cash received from contributors	$ 15,189,992	$ 18,680,340
Interest and dividends received	2,287,332	2,537,026
Net change in agency fund cash	320,747	(1,289,220)
Cash paid to grant recipients	(13,645,156)	(14,431,497)
Cash paid to employees and suppliers	(4,417,865)	(4,226,967)
Interest paid	(13,943)	(14,891)
Net cash provided by (used in) operating activities	(278,893)	1,254,791
Cash flows from investing activities		
Purchase of property and equipment	(11,562)	(27,105)
Issuance of note receivable	-	(5,829)
Purchases of investments in diversified pool	(28,735,628)	(39,154,166)
Purchases of other investments	(4,246,038)	(3,913,463)
Proceeds from sales of investments in diversified pool	29,320,773	37,912,487
Proceeds from sales of other investments	3,703,189	2,677,384
Net cash provided by (used in) investing activities	30,734	(2,510,692)
Cash flows from financing activities		
Payments on annuity obligations	(51,016)	(51,542)
Issuance (payment) of loans payable	59,605	(45,901)
Proceeds from contributions restricted for investment in permanent endowment	918,099	1,976,460
Net cash provided by financing activities	926,688	1,879,017
Net increase in cash and temporary cash investments	678,529	623,116
Cash and temporary cash investments at beginning of year	45,960,007	45,336,891
Cash and temporary cash investments at end of year	$ 46,638,536	$ 45,960,007

(Continued)

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

(Continued)

	Years Ended June 30, 2016	Years Ended June 30, 2015
Reconciliation of increase (decrease) in net assets to net cash <u>provided by (used in) operating activities</u>		
Increase (decrease) in net assets (including reclassifications)	$ (4,839,608)	$ 2,544,975
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	51,487	53,888
Adjustment in actuarial liabilities	(60,175)	(70,618)
Contributions restricted for long-term investments	(918,099)	(1,976,460)
Net realized and unrealized losses on investments	5,008,608	2,547,014
Net change in investment in supporting organization	(29,138)	(5,770)
Loss on sale of fixed assets	4,173	179
Decrease (increase) in:		
Contributions receivable	(4,275)	(4,419)
Notes receivable	136,371	(602,149)
Other assets	-	5,829
Increase (decrease) in:		
Annuity obligations	51,016	51,542
Agency funds	320,747	(1,289,220)
Net cash provided by (used in) operating activities	$ (278,893)	$ 1,254,791

The accompanying notes are an integral part of the financial statements

1. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

History and purpose

The Foundation was incorporated in 1973 by a group of Greene County, Missouri citizens who were interested in providing a way for the charitable desires of people to be given permanent, useful expression in furthering the welfare of the community. The Foundation receives, distributes and administers funds for charitable and public purposes for the Springfield Metropolitan area, and 49 regional community foundations serving the southern tier of Missouri.

Basis of presentation

The Foundation prepares its financial statements in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification *(ASC) 958, "Not-for-Profit Entities."* Under *ASC 958*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Investments

Investments are carried at market value. Most funds participate in either a diversified investment pool or a cash pool using the market value unit method to determine the number of shares to be issued. Realized gains and losses from the diversified investment pool are allocated based on each participating fund's pro-rata share. Funds that don't participate in the Foundation's investment pools are invested individually at other financial institutions and reviewed monthly by CFO staff.

The CFO Board of Directors in 2009 approved committing up to 2% of assets to community investment through low-interest loans when conventional financing sources are not available. This Mission-Related Investment Program and Cultural Investment Fund represents the CFO's commitment to the "double-bottom line" of investing in enterprises that produce both financial and social returns for Ozarks communities, instead of investing assets solely in financial markets.

Restricted and unrestricted support and revenue

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Income taxes

The Foundation is exempt from income taxes under the provisions of the Internal Revenue Code Section 501(a). For the year ended June 30, 2016, the Foundation had no taxable income as a result of unrelated business activities. Accordingly, the financial statements contain no provision for income tax.

Generally Accepted Accounting Principles (GAAP) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as the position the Foundation has taken that the organization is exempt from income taxes.

The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open tax audit periods are 2013 through 2016. In evaluating the Foundation's tax positions, interpretations and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on current facts and circumstances.

Cash equivalents

Cash equivalents represent short-term investments with original maturities of three months or less.

2. Investments

The Foundation holds most of its investments in a diversified investment pool which consists of various mutual fund companies. The remainder of its investments are held in separate accounts at various financial institutions.

Investments are composed of the following classes of securities at June 30:

	2016			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	$ 112,384,372	$ 11,389,246	$ -	$ 123,773,618
Bonds and bond funds	14,805,268	4,392,837	-	19,198,105
Common stocks	-	3,503,664	-	3,503,664
Real estate & other	38,816,737	5,237,238	9,120,999	53,174,974
	$ 166,006,377	$ 24,522,985	$ 9,120,999	$ 199,650,361

	2015			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	$ 114,825,168	$ 13,697,405	$ -	$ 128,522,573
Bonds and bond funds	14,996,602	2,003,208	-	16,999,810
Common stocks	-	2,421,258	-	2,421,258
Real estate & other	41,878,034	5,707,886	9,091,861	56,677,781
	$ 171,699,804	$ 23,829,757	$ 9,091,861	$ 204,621,422

3. Notes receivable

Notes receivable at June 30, consists of the following:

	2016	2015
Note receivable from Gainsville Biomass dated April 8, 2011 in the orginal amount of $1,064,894 to assist the school district with the purchase of a Biomass HVAC Unit. Note is paid in monthly installments of $9,682, including interest at 1%. Note is scheduled to mature on March 1, 2022.	$ 642,713	$ 752,668
Note receivable from Chadwick school district dated April 23, 2015 in the orginal amount of $65,250 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of $862, including interest at 1%. Note is scheduled to mature on March 23, 2022.	57,791	64,553
Note receivable from Licking school district dated June 5, 2015 in the orginal amount of $205,672 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of $1,802, including interest at 1%. Note is scheduled to mature on June 5, 2025.	186,018	205,672
Note receivable from History Museum dated October 15, 2014 in the orginal amount of $440,000 to provide the museum with funds to help with construction costs. Note is paid on maturity date with one payment of $440,000, including interest at 0.85%. Note is scheduled to mature on April 1, 2017.	440,000	440,000
Note receivable from History Museum dated October 15, 2014 in the orginal amount of $790,000 for the purchase of the museum building. Note is expected to be forgiven on the completion of the history museum which is expected for June 2017. An allowance for the entire amount has been established as management believes that this loan will be forgiven.	-	-
	1,326,522	1,462,893
Less current portion	591,729	141,790
	$ 734,793	$ 1,321,103

4. **Supporting organizations**

The Foundation is the beneficiary of assets consisting primarily of real estate held by a supporting organization. Under the terms of the supporting organization, the Foundation has the irrevocable right to receive all of the income earned on the assets. The Foundation has recorded its interest in these assets based on the fair value of assets held by the supporting organization. Net gain on assets held by the supporting organization of $29,138 and $5,770 were recognized in 2016 and 2015, respectively.

5. **Notes payable**

Notes payable at June 30, consist of the following:

	2016	2015
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the orginal amount of $740,000 with funds used to assist the Gainsville school district with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of $6,852, including no interest. Note is scheduled to mature on July 31, 2021.	$ 424,808	$ 507,032
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the orginal amount of $360,000 with funds used to assist the Gainsville school district with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of $3,334, including no interest. Note is scheduled to mature on July 31, 2021.	206,636	246,644
Note payable to Intercounty Electric Coop Assoc. dated October 1, 2015 in the orginal amount of $206,000 with funds used to assist the Licking school district with the purchase of ground source heat pumps. Note is payable in monthly installments of $1,717, including no interest. Note is scheduled to mature on October 1, 2025.	188,833	-
Note payable to White River Valley Electric Cooperative, Inc. dated March 23, 2015, in the orginal amount of $65,250 with funds used to assist the Chadwick school district with the purchase of ground source heat pumps. Note is payable in monthly installments of $833, including interest at 2%. Note is scheduled to mature on May 23, 2022.	59,149	66,145
	879,426	819,821
Less current portion	151,772	135,638
	$ 727,654	$ 684,183

The maturities of the notes payable during the future fiscal years are as follows:

2017	$	151,772
2018		151,977
2019		152,162
2020		152,350
2021		152,542
Thereafter		118,623
Total notes payable maturities	$	879,426

6. Agency funds

Agency funds represent funds held by the Foundation on behalf of other entities that have retained the right to designate the recipients of the earnings and principal of funds. See the accompanying supplemental information for changes in agency funds for the years ended June 30, 2016 and 2015.

7. Net assets

At June 30, 2016, temporarily restricted net assets consisting of gifts and other unexpended revenue and gains totaling $85,919,250 are available for grants in the areas of human services, education, arts and culture, health, and community betterment. Permanently restricted net assets consist of $73,368,454 of endowment funds, the earnings from which are spendable for human services, education, arts and culture, health, and community betterment.

Due to investment performance, some of the individual donor restricted endowment funds have fair values that are less than the amount of the corpus by approximately $1,262,000. Corpus includes the aggregate of gift additions to the funds and investment return required to be retained. Such endowments are commonly referred to as “underwater” endowments. The Foundation intends to continue to invest its endowment funds prudently so that these funds are restored to their historical corpus amounts and subsequently produce positive earnings that can be used consistent with the purpose of the funds.

8. Pension plans

The Foundation has a defined contribution plan covering the participating employees who make contributions to the Plan. The Foundation makes a contribution to the Plan each month equal to the amount of the participants’ contributions, not to exceed an annual contribution of 5% of the participants’ annual salaries. Total expense for the years ended June 30, 2016 and 2015, were approximately $50,014 and $45,691, respectively.

9. **Disclosure about fair value of assets and liabilities**

Financial Accounting Standards Board (FASB) Accounting Standards Codification *(ASC) 820, "Fair Value Measurements and Disclosures,"* establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *ASC 820* also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include investments in hedge funds and real estate investment trusts. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include other less liquid securities.

The following tables presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

	06/30/16 Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	$ 1,823,365	$ 1,823,365	$ -	$ -
Mission related investments	1,220,894	-	-	1,220,894
Vanguard 500 Inst'l Index Fund	10,816,343	10,816,343	-	-
Vanguard Value Index Fund	5,353,439	5,353,439	-	-
Vanguard Total Bond Fund	13,187,544	13,187,544	-	-
Vanguard Energy Fund	4,808,320	4,808,320	-	-
Vanguard Inflation Protected Fund	5,348,071	5,348,071	-	-
Vanguard Dividend Growth Fund	5,585,801	5,585,801	-	-
Vanguard Extended Index Fund	9,926,639	9,926,639	-	-
Victory Sycamore Mid Cap Fund	5,377,794	5,377,794	-	-
Westfield HSBC	4,516,015	4,516,015	-	-
Artisan International	10,950,959	10,950,959	-	-
Dodge & Cox	5,340,638	5,340,638	-	-
Parametric Emerging Markets	10,648,059	10,648,059	-	-
Met West Total Return	13,130,185	13,130,185	-	-
Voya Real Estate Fund	5,571,200	5,571,200	-	-
Polaris	5,621,582	-	5,621,582	-
Colchester	4,522,575	-	4,522,575	-
Mondrian	4,661,111	-	4,661,111	-
Archstone Equity Strategies Fund	5,171,314	-	-	5,171,314
Anchorage Capital	3,478,907	-	-	3,478,907
TAPS Fund	4,263,583	-	-	4,263,583
Blackstone Partners Invest. Fund	6,754,912	-	-	6,754,912
Farallon Capital	3,790,000	-	-	3,790,000
Knighhead Offshore Fund	3,687,504	-	-	3,687,504
Highline Capital, Ltd.	3,768,277	-	-	3,768,277
Valinor Capital Partners Offshore	3,013,001	-	-	3,013,001
Crestwood Capital International	3,668,345	-	-	3,668,345
Other investment portfolios:				
Mutual funds and common stock	14,892,910	14,892,910	-	-
Bonds	4,392,837	-	4,392,837	-
Real estate and other investment property	5,237,238	-	-	5,237,238
Supporting Organization	9,120,999	-	-	9,120,999
	$ 199,650,361	$ 127,277,282	$ 19,198,105	$ 53,174,974

	06/30/15 Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	$ 2,798,048	$ 2,798,048	$ -	$ -
Mission related investments	1,367,583	-	-	1,367,583
Vanguard 500 Inst'l Index Fund	10,403,046	10,403,046	-	-
Vanguard Value Index Fund	5,114,984	5,114,984	-	-
Vanguard Total Bond Fund	13,220,410	13,220,410	-	-
Vanguard Energy Fund	4,921,289	4,921,289	-	-
Vanguard Inflation Protected Fund	5,106,296	5,106,296	-	-
Vanguard Dividend Growth Fund	5,118,392	5,118,392	-	-
Vanguard Extended Growth Fund	10,491,512	10,491,512	-	-
Artisan Mid Cap Value Fund	5,268,270	5,268,270	-	-
Westfield HSBC	5,209,720	5,209,720	-	-
Artisan International	11,717,117	11,717,117	-	-
Dodge & Cox	5,843,862	5,843,862	-	-
Parametric Emerging Markets	11,654,962	11,654,962	-	-
Met West Total Return	12,836,860	12,836,860	-	-
Voya Real Estate Fund	5,120,400	5,120,400	-	-
Polaris	6,513,396	-	6,513,396	-
Colchester	4,201,626	-	4,201,626	-
Mondrian	4,281,580	-	4,281,580	-
Archstone Equity Strategies Fund	18,589,404	-	-	18,589,404
TAPS Fund	5,071,771	-	-	5,071,771
Blackstone Partners Invest. Fund	16,849,276	-	-	16,849,276
Other investment portfolios:				
Mutual funds and common stock	16,118,663	16,118,663	-	-
Bonds	2,003,208	-	2,003,208	-
Real estate and other investment property	5,707,886	-	-	5,707,886
Supporting Organization	9,091,861	-	-	9,091,861
	$ 204,621,422	$ 130,943,831	$ 16,999,810	$ 56,677,781

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level 3) inputs:

	Hedge funds	Real estate and other	Total
Balance, beginning of year	$ 41,878,034	$ 14,799,747	$ 56,677,781
Transfers in and out of Level 3	-	(4,704)	(4,704)
Total realized and unrealized gains and losses included in change in net assets	(2,914,606)	611,203	(2,303,403)
Purchases, issues, sales, and settlements:			
Purchases	21,947,544	218,500	22,166,044
Sales	(22,094,235)	(1,266,509)	(23,360,744)
Balance, end of year	$ 38,816,737	$ 14,358,237	$ 53,174,974
Change in unrealized gains or losses for the period included in changes in net assets for assets held at the end of the reporting period	$ (2,914,606)	$ 682,338	$ (2,232,268)

Quantitative information about significant unobservable inputs used in the measurement of fair value for Level 3 investments is not developed by the Foundation and is not considered reasonably available. Therefore, the Foundation is not subject to the disclosure requirements under FASB Codification Topic *820 Fair Value Measurement* regarding quantitative information about significant unobservable inputs used in Level 3 fair value measurement.

Additional disclosures as required per FASB Codification Topic *820* set forth in the following table are certain private equity funds' redemption frequency and redemption notice periods:

	Fair Value	Redemption Frequency	Redemption Notice Period
Archstone Equity Strategies Fund	$ 5,171,314	monthly	90 days
Anchorage Capital	3,478,907	monthly	90 days
TAPS Fund	4,263,583	monthly	5 days
Blackstone Partners Invest. Fund	6,754,912	monthly	95 days
Farallon Capital	3,790,000	monthly	60 days
Knighhead Offshore Fund	3,687,504	monthly	90 days
Highline Capital, Ltd.	3,768,277	monthly	30 days
Valinor Capital Partners Offshore	3,013,001	monthly	60 days
Crestwood Capital International	3,668,345	monthly	60 days

10. Endowments

The Foundation's endowment consists of approximately 1248 individual funds. Most are donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

<u>Interpretation of relevant law</u>

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

Return objectives and risk parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy

Spending is guided by several factors; most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and distributions from endowment funds to 4% of the value of fund assets based on a 12-quarter rolling average. The spending amount will be calculated by multiplying the 12-quarter rolling average of fund assets times 4%, divided by 4 (to arrive a quarterly spending).

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), spending shall comply with the evolving "prudent spending" guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Endowment net assets composition by type of fund and changes in endowment net assets

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, 7/01/15	$ -	$ 44,364,404	$ 68,621,563	$ 112,985,967
Contributions	-	5,305,315	918,099	6,223,414
Other income	-	78,851	-	78,851
Investment return:				
Interest and dividends	-	675,631	-	675,631
Net depreciation	-	(1,522,139)	-	(1,522,139)
Reclassifications	-	(60,846)	3,828,792	3,767,946
Released from restrictions	-	(2,457,554)	-	(2,457,554)
Net assets, 6/30/16	$ -	$ 46,383,662	$ 73,368,454	$ 119,752,116

Endowment net assets composition by type of fund and changes in endowment net assets

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, 7/01/14	$ -	$ 43,580,029	$ 67,754,469	$ 111,334,498
Contributions	-	3,281,107	1,976,460	5,257,567
Other income	-	147,222	-	147,222
Investment return:				
Interest and dividends	-	616,569	-	616,569
Net depreciation	-	(684,449)	-	(684,449)
Reclassifications	-		(1,109,366)	(1,109,366)
Released from restrictions	-	(2,576,074)	-	(2,576,074)
Net assets, 6/30/15	$ -	$ 44,364,404	$ 68,621,563	$ 112,985,967

11. Reclassifications

From time to time, the Foundation reviews its classifications of temporarily and permanently restricted net assets. As part of the review process, funds are analyzed and reclassified if needed. This year, the Foundation identified a more accurate way to report funds held for others and adjusted a portion of its net assets to agency funds. The Foundation also identified some prior year contributions that should be reclassified among funds.

As a result of the reclassifications, unrestricted net assets increased by $670,142, temporary restricted net assets decreased by $6,413,959, and permanently restricted net assets increased by $3,828,729 as of June 30, 2016. Agency funds increased by $1,915,025. The change in net assets for the period ended June 30, 2016, decreased by $1,915,025 as a result of the reclassification.

12. Litigation

The Foundation is currently involved in litigation with a nonprofit organization concerning a dispute of a charitable funds transfer of $500,000.00 which occurred in 2004. Because the Foundation has not formed a conclusion on the outcome, they express no opinion on the outcome or the range of potential loss.

The Foundation is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material effect on the financial position of the Foundation.

13. Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 11, 2016, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

COMMUNITY FOUNDATION OF THE OZARKS, INC.

SCHEDULE OF COMBINED FOUNDATION AND AGENCY FUNDS ACTIVITY

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Foundation Funds	Agency Funds	Total	Foundation Funds	Agency Funds	Total
Support and revenue						
Contributions	$ 15,745,319	$ 31,117,100	$ 46,862,419	$ 18,801,627	$ 19,257,559	$ 38,059,186
Investment income	2,287,332	987,459	3,274,791	2,537,026	965,064	3,502,090
Management fee revenue	2,115,804	-	2,115,804	2,221,071	-	2,221,071
Net realized gain on investment transactions	754,630	234,168	988,798	2,735,205	601,865	3,337,070
Net unrealized loss on investments	(5,763,238)	(2,243,941)	(8,007,179)	(5,282,219)	(1,293,097)	(6,575,316)
Other revenues	8,019	-	8,019	6,766	-	6,766
Annuity actuarial adjustments	16,904	-	16,904	23,981	-	23,981
Total support and revenue	15,164,770	30,094,786	45,259,556	21,043,457	19,531,391	40,574,848
Expenses						
Grants	13,645,156	30,916,077	44,561,233	14,431,497	19,839,366	34,270,863
Fund administrative fees	1,684,568	631,384	2,315,952	1,765,632	642,419	2,408,051
Cash value life insurance premium expense	101,920	-	101,920	76,862	-	76,862
Interest expense	13,943	-	13,943	14,891	829	15,720
Other fund expenses	446,216	141,603	587,819	419,787	149,865	569,652
Management and general	2,197,550	-	2,197,550	1,977,945	-	1,977,945
Total expenses	18,089,353	31,689,064	49,778,417	18,686,614	20,632,479	39,319,093
Increase (decrease) in available funds	(2,924,583)	(1,594,278)	(4,518,861)	2,356,843	(1,101,088)	1,255,755
Reclassifications	(1,915,025)	1,915,025	-	188,132	(188,132)	-
Total - beginning of year	170,264,409	84,409,277	254,673,686	167,719,434	85,698,497	253,417,931
Total - end of year	$ 165,424,801	$ 84,730,024	$ 250,154,825	$ 170,264,409	$ 84,409,277	$ 254,673,686

See independent auditor’s report.