

CORNING INCORPORATED FOUNDATION

**Financial Statements
as of December 31, 2015 and 2014
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

March 25, 2016

To the Board of Trustees of
Corning Incorporated Foundation:

We have audited the accompanying financial statements of Corning Incorporated Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and change in net assets 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 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 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 Corning Incorporated Foundation as of December 31, 2015 and 2014, and the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CORNING INCORPORATED FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 111,770	\$ 120,566
Prepaid expenses	22,312	16,368
Investments	<u>12,079,994</u>	<u>10,733,372</u>
	<u>\$ 12,214,076</u>	<u>\$ 10,870,306</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,335	\$ 13,819
Matching gifts payable	81,839	59,836
Grants payable, current portion	<u>2,163,094</u>	<u>1,606,710</u>
Total current liabilities	2,248,268	1,680,365
GRANTS PAYABLE, long-term portion	<u>266,743</u>	<u>862,649</u>
Total liabilities	2,515,011	2,543,014
NET ASSETS - unrestricted	<u>9,699,065</u>	<u>8,327,292</u>
	<u>\$ 12,214,076</u>	<u>\$ 10,870,306</u>

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT:		
Contributions from Corning Incorporated	\$ 6,000,000	\$ 6,000,000
Contributions from Corning Incorporated - In-kind	429,745	398,479
Investment return	<u>92,365</u>	<u>969,050</u>
Total revenue and support	<u>6,522,110</u>	<u>7,367,529</u>
EXPENSES:		
Grants -		
Educational programs	2,502,758	3,062,246
Community programs	573,556	1,078,095
Cultural programs	819,025	823,695
United Way	717,804	640,825
Civic programs	<u>15,000</u>	<u>13,000</u>
Total grants	4,628,143	5,617,861
General and administrative	518,171	486,954
Provision for federal excise tax	<u>4,023</u>	<u>22,563</u>
Total expenses	<u>5,150,337</u>	<u>6,127,378</u>
CHANGE IN NET ASSETS	1,371,773	1,240,151
NET ASSETS - beginning of year	<u>8,327,292</u>	<u>7,087,141</u>
NET ASSETS - end of year	<u>\$ 9,699,065</u>	<u>\$ 8,327,292</u>

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,371,773	\$ 1,240,151
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net gain on investments	162,291	(779,519)
Discount on grants payable, net	(96,094)	35,880
Changes in:		
Prepaid expenses	(5,944)	(5,683)
Accounts payable	(10,484)	3,089
Matching gifts payable	22,003	(62,056)
Grants payable	<u>56,572</u>	<u>25,150</u>
Net cash flow from operating activities	<u>1,500,117</u>	<u>457,012</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,253,913)	(6,189,531)
Proceeds from sale of investments	<u>4,745,000</u>	<u>5,800,000</u>
Net cash flow from investing activities	<u>(1,508,913)</u>	<u>(389,531)</u>
CHANGE IN CASH	(8,796)	67,481
CASH - beginning of year	<u>120,566</u>	<u>53,085</u>
CASH - end of year	<u>\$ 111,770</u>	<u>\$ 120,566</u>

The accompanying notes are an integral part of these statements.

CORNING INCORPORATED FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. THE ORGANIZATION

Corning Incorporated Foundation (the Foundation) is a private foundation created for the purpose of making contributions to tax-exempt educational, cultural, community and civic organizations located principally in communities where Corning Incorporated has operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are reported in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups established according to their nature and purpose based on the presence or absence of donor restrictions. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets and liabilities of the Foundation are all reported in one net asset group; unrestricted net assets, which represents unrestricted resources that are available for the general support and purpose of the Foundation operations.

Cash

Cash consists of amounts on deposit with financial institutions. At times, the balances in the bank accounts may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Investments

Investments are stated at fair value based on quoted market prices. Investment returns (including realized and unrealized gains and losses on investments, interest and dividends) are included in the statements of activities and change in net assets.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the net assets of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - Definition and Hierarchy

The Foundation uses various valuation techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

The Foundation's investments are valued utilizing Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The Foundation currently has no assets or liabilities valued utilizing Level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Foundation currently has no assets or liabilities valued utilizing Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Donated Services

The Foundation receives a limited amount of donated legal services from Corning Incorporated. When needed, this service requires specialized skills and is provided by an individual possessing those skills. No amounts have been reported in the financial statements for these services as they are not significant for the years ended December 31, 2015 and 2014.

Grant Expense

The level of grant expense is affected by the amount of contingent grants authorized by the Board of Trustees, which are not recorded until the event upon which they are contingent has occurred (Note 6). Grant expense includes all noncontingent grants authorized by the Board of Trustees in the current year and contingent grants authorized in prior years that were paid in the current year because the contingency was met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes

The Foundation is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified by the Internal Revenue Service as a private foundation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. GRANTS PAYABLE

The Foundation records long-term grants payable at their net present value, discounted using a rate of 2% at December 31, 2015 and 2014.

Future payments to be made on grants payable are as follows at December 31, 2015:

2016	\$ 2,163,094
2017	175,000
2018	50,000
2019	<u>50,000</u>
	2,438,094
Less: Discount	<u>(8,257)</u>
	<u>\$ 2,429,837</u>

4. INVESTMENTS

Investments are composed entirely of the Vanguard Balanced Index Fund, a balanced mutual fund, at December 31, 2015 and 2014.

The following schedule summarizes the Foundation's investment return for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Dividends	\$ 254,656	\$ 189,531
Net realized and unrealized gains (losses)	<u>(162,291)</u>	<u>779,519</u>
Investment return	<u>\$ 92,365</u>	<u>\$ 969,050</u>

4. INVESTMENTS (Continued)

The following are measured at fair value on a recurring basis at December 31:

<u>Description</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
<u>2015</u>				
Balanced mutual fund	\$ 12,079,994	\$ -	\$ -	\$ 12,079,994
<u>2014</u>				
Balanced mutual fund	\$ 10,733,372	\$ -	\$ -	\$ 10,733,372

5. CONTRIBUTIONS FROM CORNING INCORPORATED

Contributions from Corning Incorporated for the years ended December 31 were as follows:

	<u>2015</u>	<u>2014</u>
Cash	\$ 6,000,000	\$ 6,000,000
Expenses incurred on behalf of the Foundation	<u>429,745</u>	<u>398,479</u>
	<u>\$ 6,429,745</u>	<u>\$ 6,398,479</u>

Cash contributions are unrestricted and available for the Foundation's general operations. Expenses incurred by Corning Incorporated on behalf of the Foundation consist primarily of salaries and wages, utilities and rent, group insurance expense, and IT support. These expenses are reflected in the general and administrative expense category on the statements of activities and change in net assets. The overall contribution from Corning Incorporated was the Foundation's only source of support in 2015 and 2014.

6. COMMITMENTS

Grants

Unpaid contingent grants authorized by the Board of Trustees approximated \$1,600,000 at December 31, 2014. The Foundation did not have any unpaid contingent grants at December 31, 2015. In addition, under a program for matching contributions made by Corning Incorporated employees and directors, the amount remaining available from Board authorization for future expenditures is \$800,000 as of December 31, 2015. Such amounts have not been reflected in the financial statements because payment is contingent upon the occurrence of certain future events.

6. COMMITMENTS (Continued)

Leases

The Foundation leases office space under the terms of an operating lease agreement which expires October 7, 2019.

Future minimum payments under the terms of this agreement are as follows for the years ending December 31:

2016	\$	129,959
2017		129,959
2018		129,959
2019		<u>108,299</u>
	\$	<u>498,176</u>

Total rent expense under these lease agreements for the years ended December 31, 2015 and 2014, was approximately \$130,000 and \$124,000, respectively, and is included in in-kind contributions from Corning Incorporated and general and administrative expenses in the accompanying statements of activities and change in net assets.

7. FUNCTIONAL EXPENSES

The Foundation's sole purpose is to provide contributions to various tax-exempt organizations. These costs are reported on a functional basis in the statements of activities and change in net assets.

8. EXCISE TAXES

The Foundation is subject to federal excise tax on net taxable investment income, as defined by the Internal Revenue Code. For tax purposes, such tax is determined, in part, based on net realized gains on sales of investments (the difference between the donor's basis of the investment, if contributed, or the cost of the investment, if purchased, and the proceeds of the sale). The Foundation incurred Federal excise tax expense of \$4,023 and \$22,563 for the years ended December 31, 2015 and 2014, respectively. The Foundation made excise tax payments of \$18,761 and \$19,670 during 2015 and 2014, respectively.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 25, 2016, which is the date the financial statements were available to be issued.