

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Financial Statements

June 30, 2016

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Financial Statements
June 30, 2016

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Independent Auditors' Report

To the Board of Directors
Community Foundation of Crawford County, Inc.

We have audited the accompanying financial statements of Community Foundation of Crawford County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditors' 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 auditors consider 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 Crawford County, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
August 21, 2017

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Statement of Financial Position
June 30, 2016

ASSETS	
Cash	\$ 20,781
Investments	5,771,201
Prepaid expenses	9,416
Other assets	5,500
Property and equipment, net	<u>105,805</u>
Total assets	<u>\$ 5,912,703</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accrued expenses	\$ 3,581
Accounts payable	8,593
Grants payable	47,067
Amounts held for other agencies	<u>46,149</u>
Total liabilities	<u>105,390</u>
Net Assets	
Unrestricted net assets	
Unrestricted	116,067
Unrestricted - board designated	<u>5,691,246</u>
Total net assets	<u>5,807,313</u>
Total liabilities and net assets	<u>\$ 5,912,703</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Statement of Activities
Year Ended June 30, 2016

Revenue, Gains, and Other Support	
Contributions and grants	\$ 97,682
Administrative fees	1,230
Investment income (loss), net	<u>(5,450)</u>
Total revenue, gains, and other support	<u>93,462</u>
Expenses	
Program	
Scholarships and grants	80,096
Scholarship administration expense	<u>3,132</u>
Total Program	<u>83,228</u>
Fundraising	
Marketing and fund development	3,964
Management and General	
Salaries	84,014
Contracted services	10,618
Legal and accounting services	9,333
Payroll taxes	8,632
IT support	7,713
Rent	7,289
Insurance	5,353
Utilities	4,145
Employee benefits	4,097
Telephone	3,845
Other	3,804
Advertising	2,883
Internet	2,742
Loss on disposal of assets	2,403
Office	2,073
Dues and subscriptions	1,650
Depreciation	964
Board development	620
Postage and shipping	507
Repairs and maintenance	339
Printing and reproduction	<u>87</u>
Total Management and General	<u>163,111</u>
Total expenses	<u>250,303</u>
Change in net assets	(156,841)
Net assets at the beginning of the year	<u>5,964,154</u>
Net assets at the end of the year	<u>\$ 5,807,313</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Statement of Cash Flows
Year Ended June 30, 2016

Cash Flows From Operating Activities

Change in net assets	\$ (156,841)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Administrative fees	(1,230)
Depreciation	964
Loss on disposal of assets	2,403
Investment income (loss), net	5,450
Increase in assets:	
Prepaid expenses	(5,613)
Increase (decrease) in liabilities:	
Accrued expenses	(32,059)
Accounts payable	8,593
Grants payable	37,067
Amounts held for other agencies	<u>(916)</u>
Net cash flows from operating activities	<u>(142,182)</u>

Cash Flows From Investing Activities

Purchases of investments	(2,916,089)
Sales of investments	<u>3,056,692</u>
Net cash flows from investing activities	<u>140,603</u>
Net change in cash and cash equivalents	(1,579)
Cash at beginning of the year	<u>22,360</u>
Cash at end of the year	<u>\$ 20,781</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements
June 30, 2016

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Activities - This summary of significant accounting policies of Community Foundation of Crawford County, Inc. (the "Foundation") is presented to assist in understanding the Foundation's financial statements.

The Community Foundation of Crawford County, Inc. was founded in 1998 as a component fund of a regional Community Foundation. In May 2005, The Foundation became a standalone 501(c)(3) corporation. The Foundation was created to serve philanthropic and charitable needs in Crawford County, Indiana. To this end, the Foundation offers endowment services, grant making, scholarship, donor estate, and planned gift services to individuals and qualified organizations serving Crawford County.

Financial Statement Presentation - 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. In addition, the Foundation is required to present a Statement of Cash Flows. The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general and board designated assets and liabilities of the Foundation. The unrestricted net assets of the Foundation may be used at the discretion of management to support the Foundation's purposes and operations.

The Foundation currently maintains variance power over all funds received. Therefore, funds designated by the donor for endowment or pass-through purposes are deemed unrestricted assets of the Foundation. The Board has designated these unrestricted net assets to conform to donor requests.

The following classifications are used for internal reporting purposes:

Operating fund holds monies which provide the daily support for the operation of the Foundation.

Permanent funds are contributed funds in which the original gift is held in perpetuity and only the investment income is spent for the donor's recommend purpose.

Nonpermanent funds are contributed funds in which the original gift is not held in perpetuity and is considered fully expendable.

Designated purpose funds allow the donor to recommend in advance which organization will be supported by annual grants from the fund.

Scholarship funds enable students to pursue higher education or vocational training. These funds can be established to honor or memorialize an individual and/or to serve a specific purpose that is important to that donor.

Donor advised funds allow the donor to make recommendations for distribution to specific charities. Donors are invited annually to make recommendations for each year's grant.

Special project funds are gifts received for a specific purpose or project.

Temporarily and permanently restricted net assets

The Foundation does not have temporarily or permanently restricted net assets at June 30, 2016.

Cash Equivalents - For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents except for those cash equivalents included in short-term investments.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets when the Foundation is not granted variance power. When a donor 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.

In addition to receiving cash contributions, the Foundation may receive in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount.

Revenues from exchange transactions are recognized as increases in unrestricted net assets measured by the increase in cash or other assets realized. Cost reimbursement type grant revenues are recorded to the extent of expenditures incurred, not to exceed the grant or contract award. All other grants, grants which are in essence gifts, are recognized as revenue when the award is made.

Investments - The Foundation carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair values in the Statement of Financial Position. Fair value is determined under the Fair Value Measurements Topic of FASB ASC. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investment allocation - The Foundation maintains investment accounts for its endowment and designated funds. Investment income, including realized and unrealized gains and losses from securities in the investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the investment accounts as adjusted for additions to or deductions from those accounts.

Property and Equipment - Expenditures in excess of \$1,000 for property, equipment, land and other items which substantially increase the useful life of existing assets are capitalized at cost if purchased and fair value if donated. The Foundation provides for depreciation on the straight-line method at rates designated to depreciate the cost of assets over estimated useful lives as follows:

Furniture, equipment, and software	5 - 7 Years
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Grants and Scholarships - Grants and scholarships are considered incurred and recorded as payable upon their unconditional approval by the Board of Directors and communication to designated grantees.

Advertising Costs - The Foundation uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2016 was \$2,883.

Expense Allocation - Expenses relating to more than one function are allocated to program services, management and general, and fundraising costs based on employee time estimates or other appropriate factors.

Income Taxes - The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation evaluates its uncertain tax positions in accordance with applicable standards. The Foundation has evaluated its tax positions, and believes that it has none that are uncertain.

Use of Estimates - Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted by the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of June 30, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Foundation's investments are as follows as of June 30, 2016:

	Cost	Fair Value
Cash equivalents	\$ 17,465	\$ 17,465
Fixed income	1,850,139	1,888,852
Equities	2,602,242	3,507,455
Real estate	307,417	357,429
Total investments	\$ 4,777,263	\$ 5,771,201

Investment return is summarized as follows for the year ended June 30, 2016:

Interest and dividends	\$ 172,929
Net realized gains	199,820
Net unrealized losses	(338,397)
Total investment income	34,352
Investment related expenses	(39,488)
Net investment income (loss)	(5,136)
Less investment income allocated to amounts held for others	(314)
Net investment income (loss) reported on statement of activities	\$ (5,450)

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements Topic of the FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

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 at the measurement date.

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 liabilities; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

Cash equivalents in the amount of \$17,465 at June 30, 2016 are included in the investment balance; however cash equivalents are not subject to fair value disclosure requirements. Other investments are valued at the closing price reported on the active market on which the individual investment is traded. There have been no changes in the methodologies used to value investments at June 30, 2016.

A summary of the Foundation's investments measured at fair value on a recurring basis is as follows as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 1,888,852	\$ -	\$ -	\$ 1,888,852
Equities	3,507,455	-	-	3,507,455
Real estate	357,429	-	-	357,429
Total assets at fair value	\$ 5,753,736	\$ -	\$ -	\$ 5,753,736

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016:

Land	\$ 105,233
Furniture, equipment, and software	46,978
Subtotal	152,211
Accumulated depreciation and amortization	(46,406)
Property and equipment, net	\$ 105,805

NOTE 5 - AMOUNTS HELD FOR OTHER AGENCIES

Amounts held for other agencies represent funds placed on deposit with the Foundation by other 501(c)(3) organizations, based on their individual board resolutions. The Foundation accounts for these transfers as a liability. Income is added to these funds periodically, in accordance with the Foundation's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected on the Foundation's Statement of Activities.

Amounts held for other agencies at July 1, 2015	\$ 47,065
Investment income	314
Administrative fees and investment fees	(1,230)
Amounts held for other agencies at June 30, 2016	\$ 46,149

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 6 - NET ASSETS

The Board has designated unrestricted net assets to conform to donor requests. The following amounts are designated by the Board at June 30, 2016:

Permanent Funds	
Scholarship funds	\$ 2,023,910
Field of interest funds	1,572,076
Unrestricted	545,142
Designated purpose funds	522,333
Donor advised funds	<u>412,664</u>
	<u>5,076,125</u>
Non-Permanent Funds	
Unrestricted funds	600,556
Designated purpose funds	<u>14,565</u>
	<u>615,121</u>
Total designated funds	<u>\$ 5,691,246</u>

NOTE 7 - ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes. The majority of the individual fund agreements allow the Foundation to have variance power over the use of the funds and these funds are therefore classified as unrestricted. As required by accounting principles generally accepted in the United States of America, 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.

Interpretation of Relevant Law

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, absent explicit donor stipulations to the contrary. The Foundation classifies donor-restricted funds (in which variance power does not exist) as permanently restricted net assets and those with variance power as unrestricted net assets. The Foundation does not have any permanently restricted funds. Regardless of the net asset classification, funds are classified as permanent or non-permanent - as defined in Note 1. All funds have three components - spendable, accumulated earnings, and non-spendable. The endowed portion (permanent) represents a) the original value of gifts donated, b) the original value of subsequent gifts, and c) the accumulations to the endowment made in accordance with the gift instrument.

Funds subject to variance power are classified as unrestricted net assets. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - ENDOWMENT - (Continued)

The endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 5,691,246	\$ -	\$ -	\$ 5,691,246

As discussed in Note 1, the Foundation maintains variance power over all of its endowment contributions and has classified them as board designated unrestricted net assets. The general fund maintains the investments for the Foundation. The individual funds held within the board designated endowment receive an allocation of monthly net investment income as explained in Note 1.

Changes in endowment net assets are as follows for the year ended June 30, 2016:

Endowment net assets, beginning of year	\$ 5,772,237
Investment income, net of fees	337,914
Net depreciation	(338,416)
Total investment return	(502)
Contributions	65,802
Appropriation for expenditure	(146,291)
Endowment net assets, end of year	\$ 5,691,246

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and board designated endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted general fund net assets were \$14,850 as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted and board designated funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a total return, within prudent levels of risk, which is sufficient to maintain, in real terms, the purchasing power of the Foundation's investments. The Foundation expects the endowment funds, over time, to provide an average rate of return greater than the return on a balanced market with Lehman Brothers Intermediate Government Index. Actual returns in any given year may vary from this amount.

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 decisions are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - ENDOWMENT - (Continued)

Spending Policy

The spending rate is based upon a modified total return approach that authorizes both income and net capital appreciation to be withdrawn for spending. The maximum allowable spending amount for the Foundation each year is four percent of the funds fair market value, based on the previous three year's rolling average.

NOTE 8 - RETIREMENT PLAN

The Foundation sponsored a 403(b) plan for its Executive Director in the year ended June 30, 2016. The Foundation makes contributions which are immediately vested for the benefit of the participants. The Foundation's contribution to this plan for the year ended June 30, 2016 was \$4,097. The plan was closed subsequent to year end and the assets were transferred to a different plan. As of the date of this report, the Foundation's Form 5500 had not been filed for calendar year 2015 or 2016.

NOTE 9 - RISKS AND UNCERTAINTIES

The Foundation is supported by contributions from the public. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term. The Foundation's donor base is concentrated on individuals and qualified organizations of Crawford County.

Money market funds, bond funds, and equity funds are held in a brokerage account. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

NOTE 10 - SUBSEQUENT EVENT

In July 2017 the Foundation was awarded a \$50,000 grant from the Lilly Endowment, Inc. The grant has a matching component that covers the period July 1, 2017 through February 28, 2019.