

**WASHINGTON COUNTY
COMMUNITY
FOUNDATION, INC.**

Financial Statements

December 31, 2016

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

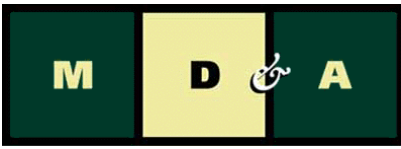
Financial Statements

December 31, 2016

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Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.
Washington, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the **WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.** (a nonprofit organization) which comprise the statements of financial position as of December 31, 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 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 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 judgement, 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 the **WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.** as of December 31, 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.

Markovitz Dugan & Associates

Pittsburgh, Pennsylvania
November 10, 2017

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Financial Position

December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,585,129	\$ 798,149
Accounts receivable	97,650	140,500
Investments	203,526	207,825
Certificates of deposit	148,271	147,749
<u>TOTAL CURRENT ASSETS</u>	2,034,576	1,294,223
<u>ENDOWMENT INVESTMENTS</u>		
Cash and cash equivalents	460,041	409,853
Certificates of deposit	800,654	787,514
Other investments	10,152,088	9,754,363
Investment for agency funds	146,286	142,969
Pledges receivable - net	4,726,708	4,758,074
<u>TOTAL ENDOWMENT INVESTMENTS</u>	16,285,777	15,852,773
<u>PROPERTY AND EQUIPMENT - NET</u>	827,858	727,906
<u>CASH SURRENDER VALUE OF LIFE INSURANCE</u>	124,298	131,260
<u>OTHER ASSETS</u>	34,715	34,715
<u>TOTAL ASSETS</u>	<u>\$19,307,224</u>	<u>\$18,040,877</u>
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 6,103	\$ 5,760
Gift annuity payable	9,739	9,739
Accrued compensated absences	5,002	5,002
Unemployment contingency	9,483	9,483
Grants payable	175,568	185,662
<u>TOTAL CURRENT LIABILITIES</u>	205,895	215,646
<u>LONG-TERM LIABILITIES</u>		
Fund liabilities	146,286	151,519
Gift annuity payable - net of current portion	12,181	21,919
<u>TOTAL LONG-TERM LIABILITIES</u>	158,467	173,438
<u>TOTAL LIABILITIES</u>	364,362	389,084
<u>NET ASSETS</u>		
Unrestricted		
Unrestricted	414,045	397,976
Board designated	166,910	163,746
Total unrestricted	580,955	561,722
Temporarily restricted	2,222,416	1,397,003
Permanently restricted	16,139,491	15,693,068
<u>TOTAL NET ASSETS</u>	18,942,862	17,651,793
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$19,307,224</u>	<u>\$18,040,877</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended
December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT</u>				
Contributions and grants	\$ 975,690	\$ 1,068,566	\$ 215,130	\$ 2,259,386
In-kind contributions	94,009	0	0	94,009
Program revenues	89,248	0	0	89,248
Transfers	(18,757)	(6,324)	25,081	0
Net assets released from restriction	800,711	(243,826)	(556,885)	0
<u>TOTAL SUPPORT</u>	1,940,901	818,416	(316,674)	2,442,643
<u>REVENUE</u>				
Interest and dividends	2,644	2,122	178,788	183,554
Administrative fee	266,141	0	0	266,141
Net realized and unrealized gain on investments	3,800	4,875	509,775	518,450
Discount on pledge receivable	0	0	74,534	74,534
<u>TOTAL REVENUE</u>	272,585	6,997	763,097	1,042,679
<u>TOTAL REVENUE AND SUPPORT</u>	2,213,486	825,413	446,423	3,485,322
<u>PROGRAM EXPENSES</u>				
Grants and scholarships	1,423,358	0	0	1,423,358
Administrative fee	264,581	0	0	264,581
Life insurance expense	10,102	0	0	10,102
Fundraising	26,030	0	0	26,030
Other program expenses	31,098	0	0	31,098
<u>TOTAL PROGRAM EXPENSES</u>	1,755,169	0	0	1,755,169
<u>GENERAL AND ADMINISTRATIVE EXPENSES</u>				
Salaries, taxes and benefits	294,152	0	0	294,152
Advertising	17,324	0	0	17,324
Printing expense	19,442	0	0	19,442
Professional services	13,061	0	0	13,061
Postage and shipping	7,867	0	0	7,867
Depreciation	29,932	0	0	29,932
Supplies	9,547	0	0	9,547
Meetings and conferences	9,224	0	0	9,224
Telephone and internet	10,702	0	0	10,702
Insurance expense	5,840	0	0	5,840
Repair and maintenance	7,133	0	0	7,133
Other expense	10,705	0	0	10,705
Membership and subscriptions	4,155	0	0	4,155
<u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u>	439,084	0	0	439,084
<u>TOTAL EXPENSES</u>	2,194,253	0	0	2,194,253
<u>CHANGE IN NET ASSETS</u>	19,233	825,413	446,423	1,291,069
<u>NET ASSETS - BEGINNING OF YEAR</u>	561,722	1,397,003	15,693,068	17,651,793
<u>NET ASSETS - END OF YEAR</u>	\$ 580,955	\$ 2,222,416	\$ 16,139,491	\$ 18,942,862

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended
December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT</u>				
Contributions and grants	\$ 835,926	\$ 848,592	\$ 429,320	\$ 2,113,838
In-kind contributions	58,940	0	0	58,940
Program revenues	106,040	0	0	106,040
Transfers	(22,298)	(8,928)	31,226	0
Net assets released from restriction	1,275,020	(810,994)	(464,026)	0
<u>TOTAL SUPPORT</u>	2,253,628	28,670	(3,480)	2,278,818
<u>REVENUE</u>				
Interest and dividends	2,692	2,503	187,819	193,014
Administrative fee	209,035	0	0	209,035
Miscellaneous income	1,272	0	0	1,272
Net realized and unrealized loss on investments	(7,591)	(5,777)	(217,473)	(230,841)
Discount on pledge receivable	0	0	74,534	74,534
<u>TOTAL REVENUE</u>	205,408	(3,274)	44,880	247,014
<u>TOTAL REVENUE AND SUPPORT</u>	2,459,036	25,396	41,400	2,525,832
<u>PROGRAM EXPENSES</u>				
Grants and scholarships	1,310,067	0	0	1,310,067
Administrative fee	207,568	0	0	207,568
Life insurance expense	10,102	0	0	10,102
Fundraising	30,788	0	0	30,788
Other program expenses	483,360	0	0	483,360
<u>TOTAL PROGRAM EXPENSES</u>	2,041,885	0	0	2,041,885
<u>GENERAL AND ADMINISTRATIVE EXPENSES</u>				
Salaries, taxes and benefits	257,854	0	0	257,854
Advertising	17,822	0	0	17,822
Printing expense	16,738	0	0	16,738
Professional services	31,411	0	0	31,411
Postage and shipping	8,849	0	0	8,849
Depreciation	24,951	0	0	24,951
Supplies	11,543	0	0	11,543
Rent expense	2,000	0	0	2,000
Meetings and conferences	8,573	0	0	8,573
Telephone and internet	7,564	0	0	7,564
Insurance expense	5,753	0	0	5,753
Repairs and maintenance	21,223	0	0	21,223
Other expense	18,388	0	0	18,388
Membership and subscriptions	4,228	0	0	4,228
<u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u>	436,897	0	0	436,897
<u>TOTAL EXPENSES</u>	2,478,782	0	0	2,478,782
<u>CHANGE IN NET ASSETS</u>	(19,746)	25,396	41,400	47,050
<u>NET ASSETS - BEGINNING OF YEAR</u>	581,468	1,371,607	15,651,668	17,604,743
<u>NET ASSETS - END OF YEAR</u>	\$ 561,722	\$ 1,397,003	\$ 15,693,068	\$ 17,651,793

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Cash Flows

for the years ended
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 1,291,069	\$ 47,050
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net (increase) decrease in fair value of investments	(518,450)	230,841
Net decrease in cash surrender value of life insurance	6,962	20,437
Depreciation	29,932	24,951
Interest and dividends restricted for long-term investments	(178,788)	(187,819)
Changes in current assets and liabilities:		
Accounts receivable	42,850	(134,200)
Accounts payable	343	(406)
Gift annuity payable	(9,738)	(9,740)
Accrued compensated absences	0	(1,399)
Grants payable	(10,094)	75,544
Fund liabilities	(5,233)	(5,896)
Contributions restricted for long-term purposes		
Contributions	105,900	(105,900)
Other assets	0	(6,515)
Amortization of discount on pledge	(74,534)	(74,534)
<u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>680,219</u>	<u>(127,586)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(38,775)	(33,882)
Sales of investments	96,632	188,506
Purchase of fixed assets	(129,884)	(149,192)
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>	<u>(72,027)</u>	<u>5,432</u>
<u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u>		
Interest and dividends restricted for long-term investments	178,788	187,819
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>786,980</u>	<u>65,665</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>798,149</u>	<u>732,484</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,585,129</u>	<u>\$ 798,149</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES AND OTHER DISCLOSURES

Cash paid during the year for interest \$ 0 \$ 0

During 2015, the Foundation placed certain assets into service that it had acquired in the prior year in the amount of \$586,242. These assets had been included in other assets.

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2016 and 2015

NOTE 1 - NATURE OF ACTIVITIES

THE WASHINGTON COUNTY COMMUNITY FOUNDATION, INC. (the Foundation) is a not-for-profit voluntary agency established to improve the quality of life in Washington County by promoting and facilitating philanthropy. The Foundation typically receives support from businesses and individuals that have a presence or reside within Washington County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-Kind Contributions and Expenses

The Foundation receives in-kind donations which are recorded at the estimated fair value. Included as in-kind donations are courtesy discounts received from vendors. Total in-kind donations for the years ended December 31, 2016 and 2015 were \$94,009 and \$58,940, respectively.

In addition, Trustees provide professional services to the Foundation without compensation and whose value has not been reported, as no reliable basis exists for determining an approximate value.

NOTE 2 - CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash held by the Foundation in bank accounts may at times exceed the Federal Deposit Insurance Corporation's coverage limit. Management believes the Foundation is not exposed to any significant credit risk related to cash.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Fees relative to the management of the investments were approximately \$28,000 and \$26,000 for the years ended December 31, 2016 and 2015, respectively.

Equipment and Software

The Foundation capitalizes purchases greater than \$2,000 at cost. Property and equipment are recorded at cost or donated value and are being depreciated over their estimated useful lives. Depreciation is computed using the straight-line method.

Expenditures for major renewals and substantial betterments which extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property or equipment is sold, or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations.

The estimated useful lives of property and equipment for financial statement purposes are as follows:

Building	40 years
Equipment	5 years
Furniture and fixtures	5 years
Improvements	15-40 years
Software	5 years

Income Taxes

The Foundation is a nonprofit foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision or liability for federal or state income taxes has been included in these financial statements.

NOTE 2 - CONTINUED

Tax years including the years ended December 31, 2013 and later are subject to examination by tax authorities. Areas that the Internal Revenue Service and other authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business taxable income.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$17,324 and \$17,822, respectively. Advertising costs include in-kind contributions of \$10,000 for each of the years ended December 31, 2016 and 2015.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Total Return Investment and Distribution Policy

In compliance with 20 Pa. Cons. Stat. Sec. 8113, the Foundation has adopted a total return investment and distribution policy. Accordingly, the value of permanently restricted net assets is shown at fair market value, including all net realized and unrealized gains and losses. The amount available for distribution is determined annually by the Board of Trustees by applying a percentage ranging between two percent and seven percent of the fair market value of the assets averaged over the three preceding years. The percentage for the years ended December 31, 2016 and 2015 was two percent. Distributions for grant-making from permanently restricted net assets are recorded as a release from permanent restriction.

Split-Interest Agreement - Gift Annuity Program

The Foundation has entered into various charitable gift annuities with its donors. The Foundation is obligated to make payments to the annuitants for the remainder of their lives. The contributed funds for the gift annuities immediately become part of the general assets and liabilities of the Foundation. The Foundation's policy directs 100% of the value of the annuities to be invested in a separate pool.

Assets received are recorded at fair value on the date the agreement is recognized, and a liability is recorded equal to the present value of the future obligation based on mortality rates derived from ordinary life tables.

NOTE 2 - CONTINUED

Risks and Uncertainties

The Foundation invests or holds a variety of investment vehicles, including common stock, corporate and governmental obligations, and mutual funds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Pledges receivable also subject the Foundation to potential credit risk. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments and pledges receivable, which could materially affect amounts reported in the financial statements.

Investment Valuation and Income Recognition

Investments in common stock, government and corporate bonds, and mutual and other publicly traded funds are stated at fair value based on quoted market values. Investments in cash management funds are stated at cost, which approximates fair value. Net realized and unrealized gains and losses on investments are reflected in the statements of activities. Funds held for other organizations and funds held as agency endowments are recorded at the fair values of the corresponding assets. Gift annuity liabilities are carried at the present value of the total future payments to annuitants and therefore, approximate fair value.

Custodial and Investment Fees for Permanent Assets

The Foundation contracts with several banks for custody and investment of its permanent assets. Investment returns on the statements of activities are reported net of the fees charged by the various banks. Investment fees for equity and fixed income investment fees range from 25 to 90 basis points. Custodial fees for equity and fixed income investments are typically 15 basis points.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2016 through November 10, 2017, the date the financial statements were available to be issued (see Note 9).

Statement Reclassifications

Certain reclassifications have been made in the prior year's amounts to conform to current year's statement presentation.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give from individuals and private foundations. These contributions are restricted for grant making purposes and are due according to the following at December 31,:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 0	\$ 105,900
Receivable in one to five years	0	0
Receivable in greater than five years	5,000,000	5,000,000
Total unconditional promises to give	5,000,000	5,105,900
Less discount to net present value	<u>273,292</u>	<u>347,826</u>
Net unconditional promises to give	<u>\$ 4,726,708</u>	<u>\$ 4,758,074</u>

Management believes that all amounts will be received when due, therefore no reserve or allowance for uncollectible pledges has been provided.

The net present value calculation utilizes a discount rate of 1.6% and it is being amortized on a straight-line basis over an eight-year period, based on life expectancy tables. The amount amortized during each of the years ended December 31, 2016 and 2015 was \$74,534.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Building	\$ 532,243	\$ 532,243
Equipment	48,980	44,614
Furniture and fixtures	64,956	64,956
Improvements	299,870	188,107
Software	13,755	0
	<u>959,804</u>	<u>829,920</u>
Less: accumulated depreciation	<u>131,946</u>	<u>102,014</u>
<u>Total Property and Equipment</u>	<u>\$ 827,858</u>	<u>\$ 727,906</u>

Depreciation for the years ended December 31, 2016 and 2015 was \$29,932 and \$24,951, respectively.

NOTE 5 - OTHER ASSETS

Other assets consist of donated art work totaling \$24,715 and land and mineral rights in the amount of \$10,000 at December 31, 2016 and 2015.

NOTE 6 - ACCUMULATED PAID TIME OFF

The Foundation provides full-time employees an entitlement of hours away from work with pay, Paid Time Off (PTO). With advanced written approval, PTO may be accumulated from year to year, provided that the number of PTO hours carried forward from one year to the next, not exceed the total PTO hours earned in the next year, and provided that the maximum accumulated PTO hours per employee not exceed 160 hours. The value of accumulated PTO is accounted for on the Foundation's statements of financial position as accrued compensated absences.

NOTE 7 - NET ASSETS

Board Designated

Board designated net assets consist of unrestricted funds received from donors that are to be used for future use in operations in accordance with a board approved plan of action.

Temporarily Restricted

Temporarily restricted net assets are funds which are restricted for use by the donor. The assets are reclassified when the specified use of the funds is fulfilled. Temporarily restricted net assets consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Brownlee House Building Fund	\$ 1,299,997	\$ 776,923
EITC Funds	217,112	66,891
Gift Annuity Pool	188,692	181,693
Donor Advised Funds Pass-through	180,425	128,507
Scholarship Funds Pass-through	125,948	35,590
Project Funds	154,484	140,720
Acorn Fund	45,409	44,889
Women of Philanthropy Fund	10,349	11,790
Operating Account	<u>0</u>	<u>10,000</u>
<u>Total Temporarily Restricted</u>	<u>\$ 2,222,416</u>	<u>\$ 1,397,003</u>

Permanently Restricted

Permanently restricted net assets are endowment funds consisting of cash and cash equivalents and investments which are restricted in perpetuity to continue the tradition of the Foundation. Income generated by the assets is to be used in accordance with donor contracts.

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

The composition of permanently restricted net assets and the changes are as follows for the years ended December 31,:

	<u>2016</u>	<u>2015</u>
Permanently restricted net assets - beginning	\$ 15,693,068	\$ 15,651,668
Increases:		
Contributions and grants	215,130	429,320
Interest and dividend income	178,788	187,819
Net realized and unrealized gains	509,775	0
Transfers	25,081	31,226
Discount of pledges receivable	74,534	74,534
Decreases:		
Net realized and unrealized losses	0	(217,473)
Administrative fee	(180,055)	(181,826)
Grants and scholarships	(376,830)	(282,200)
<u>Permanently Restricted Net Assets - Ending</u>	<u>\$ 16,139,491</u>	<u>\$ 15,693,068</u>

NOTE 9 - FUND LIABILITIES

The Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others. An organization that accepts assets from a donor and agrees to use those assets on behalf of the donor or transfer the assets, return on investment of the assets or both to a specified beneficiary shall recognize a liability to the specified beneficiary.

Fund liabilities consist of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Individual Life Insurance Policy	\$ 0	\$ 8,550
California United Methodist Church	38,406	37,349
Community Action Southwest	21,131	20,615
Washington County Health Partners, Inc.	6,558	6,417
Cornerstone Care Health Services Fund	6,806	6,662
Charleroi Area Historical Society	11,783	11,447
Washington County Humane Society	5,757	5,644
Citizens Library Fund	6,922	6,768
Robert Jaeger Fund	24,552	24,392
Transitional Employment Consultants Fund	6,979	6,720
Washington County 4-H Preservation Fund	17,392	16,955
<u>Total Fund Liabilities</u>	<u>\$ 146,286</u>	<u>\$ 151,519</u>

Subsequent to December 31, 2016, the Board of Directors approved eliminating the practice of accepting fund liabilities and authorized the full distribution of the existing ones. All fund liabilities were fully distributed as of the date of the report.

NOTE 10 - FAIR VALUE MEASUREMENTS

The fair value measurements and disclosures topic of the FASB ASC establishes a framework for measuring fair value. The provision provides a three-level 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) and the lowest priority to unobservable inputs (Level 3). The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are supported by little or no market activity and are significant to the fair value measurement.

The carrying values of current assets and liabilities, except those excluded by other pronouncements, are reasonable estimates of fair value due to the short-term nature of those financial instruments.

The carrying value of pledges receivable is calculated at net present value of the pledges at the date of the statement of financial position. The calculation typically includes a discount rate to be used of the life expectancy of the donor.

The carrying value for other assets was determined by an independent third party appraiser at the date of the donation. This amount is classified as a Level 3 asset in the hierarchy for measuring its fair value.

Cash surrender values of life insurance policies are provided by the insurance carrier on a periodic basis. The values approximate the fair value of these policies.

At December 31, 2016, the Foundation's investments were classified as follows based on the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 962,338	\$ -	\$ -	\$ 962,338
Certificates of				
Deposit	948,925	-	-	948,925
Savings	100,518	-	-	100,518
Corporate bonds	288,301	-	-	288,301
Mutual Funds				
Money Market Funds	204,375	-	-	204,375
Bond/Income Funds	3,044,084	-	-	3,044,084
Equity Funds	5,655,378	-	-	5,655,378
Stock				
Consumer Discre-				
tionary	252,894	-	-	252,894

NOTE 10 - CONTINUED

Consumer Staple	248,842	-	-	248,842
Energy	142,461	-	-	142,461
Financials	403,888	-	-	403,888
Healthcare	332,705	-	-	332,705
Industrials	282,507	-	-	282,507
Real estate	24,840	-	-	24,840
Information Tech- nology	443,321	-	-	443,321
Materials	67,969	-	-	67,969
Telecommunications	47,135	-	-	47,135
Utilities	45,514	-	-	45,514
	<u>\$13,495,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,495,995</u>

At December 31, 2015, the Foundation's investments were classified as follows based on the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 613,945	\$ -	\$ -	\$ 613,945
Certificates of Deposit	941,362	-	-	941,362
Savings	55,380	-	-	55,380
Mutual Funds				
Money Market Funds	153,286	-	-	153,286
Bond/Income Funds	3,086,433	-	-	3,086,433
Equity Funds	4,273,055	-	-	4,273,055
Stock				
Consumer Discre- tionary	395,434	-	-	395,434
Consumer Staple	286,532	-	-	286,532
Energy	195,966	-	-	195,966
Financials	458,760	-	-	458,760
Healthcare	530,320	-	-	530,320
Industrials	446,425	-	-	446,425
Information Tech- nology	631,159	-	-	631,159
Materials	118,910	-	-	118,910
Telecommunications	50,302	-	-	50,302
Utilities	11,153	-	-	11,153
	<u>\$12,248,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,248,422</u>

NOTE 11 - LIFE INSURANCE POLICIES

The Foundation is the sole owner and beneficiary of four separate whole life insurance policies and one term policy. The whole life policies insure the lives of individual donors. The total death benefit of these policies is \$754,500, of which, \$145,000 is designated for use by other charities. The other policy insures the life of the Foundation's President and CEO. The death benefit on this policy is \$1,000,000.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Foundation's board members are leaders in the business community; as such, the Foundation had transactions with the companies with which they are associated. Transactions for the years ended December 31, 2016 and 2015 consisted of purchases of insurance coverage and print advertising as well as banking and investment services.

NOTE 13 - CONCENTRATIONS

Of the accounts and pledges receivable balances at December 31, 2016 and 2015, 98% and 95%, respectively, is attributed to one donor.

NOTE 14 - RETIREMENT PLAN

The Foundation maintains a Savings Incentive Match Plan for Employees (SIMPLE), for all employees who are expected to earn at least \$5,000 in the current year. Employees may contribute up to \$12,500 to the plan. The Foundation must match dollar for dollar up to 3% of the participants' wages. Matching contributions to the plan for the years ended December 31, 2016 and 2015 were \$7,169 and \$7,041, respectively.