

**WASHINGTON COUNTY
COMMUNITY
FOUNDATION, INC.**

Financial Statements

December 31, 2017

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

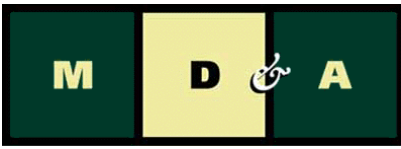
Financial Statements

December 31, 2017

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Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees 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, 2017 and 2016, 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 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 the **WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.** as of December 31, 2017 and 2016, 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
August 10, 2018

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Financial Position

December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,592,597	\$ 1,585,129
Accounts receivable	103,867	97,650
Investments	227,957	203,526
Certificates of deposit	120,555	148,271
<u>TOTAL CURRENT ASSETS</u>	2,044,976	2,034,576
<u>ENDOWMENT INVESTMENTS</u>		
Cash and cash equivalents	443,884	460,041
Certificates of deposit	807,184	800,654
Other investments	26,546,754	10,152,088
Investment for agency funds	0	146,286
Pledges receivable - net	4,837,772	4,726,708
<u>TOTAL ENDOWMENT INVESTMENTS</u>	32,635,594	16,285,777
<u>PROPERTY AND EQUIPMENT - NET</u>	1,055,405	827,858
<u>CASH SURRENDER VALUE OF LIFE INSURANCE</u>	121,909	124,298
<u>OTHER ASSETS</u>	78,048	34,715
<u>TOTAL ASSETS</u>	<u>\$ 35,935,932</u>	<u>\$ 19,307,224</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 18,217	\$ 6,103
Gift annuity payable	9,739	9,739
Accrued compensated absences	5,002	5,002
Unemployment contingency	0	9,483
Scholarships payable	135,666	82,333
Grants payable	300,000	93,235
<u>TOTAL CURRENT LIABILITIES</u>	468,624	205,895
<u>LONG-TERM LIABILITIES</u>		
Fund liabilities	0	146,286
Gift annuity payable - net of current portion	2,441	12,181
<u>TOTAL LONG-TERM LIABILITIES</u>	2,441	158,467
<u>TOTAL LIABILITIES</u>	471,065	364,362
<u>NET ASSETS</u>		
Unrestricted		
Unrestricted	336,345	414,045
Board designated	179,137	166,910
Total unrestricted	515,482	580,955
Temporarily restricted	2,313,791	2,222,416
Permanently restricted	32,635,594	16,139,491
<u>TOTAL NET ASSETS</u>	35,464,867	18,942,862
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 35,935,932</u>	<u>\$ 19,307,224</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended
December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT</u>				
Contributions and grants	\$ 1,031,444	\$ 442,971	\$ 15,288,709	\$ 16,763,124
In-kind contributions	33,041	0	0	33,041
Program revenues	76,560	0	0	76,560
Transfers	(15,173)	(4,408)	19,581	0
Net assets released from restriction	1,342,520	(384,906)	(957,614)	0
<u>TOTAL SUPPORT</u>	2,468,392	53,657	14,350,676	16,872,725
<u>REVENUE</u>				
Interest and dividends	3,135	2,434	302,053	307,622
Administrative fee	295,032	0	0	295,032
Miscellaneous income	623	0	0	623
Net realized and unrealized gain on investments	8,328	35,284	1,768,840	1,812,452
Discount on pledge receivable	0	0	74,534	74,534
<u>TOTAL REVENUE</u>	307,118	37,718	2,145,427	2,490,263
<u>TOTAL REVENUE AND SUPPORT</u>	2,775,510	91,375	16,496,103	19,362,988
<u>PROGRAM EXPENSES</u>				
Grants and scholarships	2,003,696	0	0	2,003,696
Administrative fee	291,822	0	0	291,822
Life insurance expense	10,102	0	0	10,102
Fundraising	28,918	0	0	28,918
Other program expenses	23,357	0	0	23,357
<u>TOTAL PROGRAM EXPENSES</u>	2,357,895	0	0	2,357,895
<u>GENERAL AND ADMINISTRATIVE EXPENSES</u>				
Salaries, taxes and benefits	298,914	0	0	298,914
Advertising	19,072	0	0	19,072
Printing expense	18,851	0	0	18,851
Professional services	23,451	0	0	23,451
Postage and shipping	9,540	0	0	9,540
Depreciation	34,146	0	0	34,146
Supplies	7,040	0	0	7,040
Meetings and conferences	6,936	0	0	6,936
Telephone and internet	12,825	0	0	12,825
Insurance expense	5,754	0	0	5,754
Repair and maintenance	29,219	0	0	29,219
Other expense	12,580	0	0	12,580
Membership and subscriptions	4,760	0	0	4,760
<u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u>	483,088	0	0	483,088
<u>TOTAL EXPENSES</u>	2,840,983	0	0	2,840,983
<u>CHANGE IN NET ASSETS</u>	(65,473)	91,375	16,496,103	16,522,005
<u>NET ASSETS - BEGINNING OF YEAR</u>	580,955	2,222,416	16,139,491	18,942,862
<u>NET ASSETS - END OF YEAR</u>	\$ 515,482	\$ 2,313,791	\$ 32,635,594	\$ 35,464,867

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
Repairs 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.

Statements of Cash Flows

for the years ended
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$16,522,005	\$ 1,291,069
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net increase in fair value of investments	(1,812,452)	(518,450)
Net decrease in cash surrender value of life insurance	2,389	6,962
Depreciation	34,146	29,932
Interest and dividends restricted for long-term investments	(306,495)	(178,788)
Changes in current assets and liabilities:		
Accounts receivable	(6,217)	42,850
Accounts payable	12,114	343
Gift annuity payable	(9,740)	(9,738)
Unemployment contingency	(9,483)	0
Scholarships payable	53,333	0
Grants payable	206,765	(10,094)
Fund liabilities	(146,286)	(5,233)
Contributions restricted for long-term purposes:		
Contributions	(36,531)	105,900
Other assets	(43,333)	0
Amortization of discount on pledge	(74,534)	(74,534)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>14,385,681</u>	<u>680,219</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(15,001,809)	(38,775)
Sales of investments	578,794	96,632
Purchase of fixed assets	(261,693)	(129,884)
<u>CASH FLOWS USED IN INVESTING ACTIVITIES</u>	<u>(14,684,708)</u>	<u>(72,027)</u>
<u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u>		
Interest and dividends restricted for long-term investments	<u>306,495</u>	<u>178,788</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,468	786,980
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,585,129</u>	<u>798,149</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,592,597</u>	<u>\$ 1,585,129</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Notes to the Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016 were \$33,041 and \$94,009, 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 \$30,000 and \$28,000 for the years ended December 31, 2017 and 2016, respectively. The fees are net with investment performance.

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, 2017 and 2016 was \$19,072 and \$17,324, respectively. Advertising costs include in-kind contributions of \$10,000 for each of the years ended December 31, 2017 and 2016.

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, 2017 and 2016 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, 2017 through August 10, 2018, the date the financial statements were available to be issued (see Note 11).

Statement Reclassifications

Certain reclassifications may 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>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 36,530	\$ 0
Receivable in one to five years	0	0
Receivable in greater than five years	<u>5,000,000</u>	<u>5,000,000</u>
Total unconditional promises to give	5,036,530	5,000,000
Less discount to net present value	<u>198,758</u>	<u>273,292</u>
Net unconditional promises to give	<u>\$ 4,837,772</u>	<u>\$ 4,726,708</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, 2017 and 2016 was \$74,534.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Building	\$ 532,243	\$ 532,243
Equipment	59,457	48,980
Furniture and fixtures	64,956	64,956
Improvements	551,086	299,870
Software	<u>13,755</u>	<u>13,755</u>
	1,221,497	959,804
Less: accumulated depreciation	<u>166,092</u>	<u>131,946</u>
<u>Total Property and Equipment</u>	<u>\$ 1,055,405</u>	<u>\$ 827,858</u>

Depreciation for the years ended December 31, 2017 and 2016 was \$34,146 and \$29,932, respectively.

NOTE 5 - OTHER ASSETS

Other assets include land and mineral rights in the amount of \$10,000 and donated art work totaling \$59,548 and \$24,715 at December 31, 2017 and 2016, respectively.

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>2017</u>	<u>2016</u>
Brownlee House Building Fund	\$ 1,320,418	\$ 1,299,997
EITC Funds	203,060	217,112
Gift Annuity Pool	226,408	188,692
Donor Advised Funds Pass-through	179,633	180,425
Scholarship Funds Pass-through	150,737	125,948
Project Funds	127,542	154,484
Acorn Fund	98,634	45,409
Women of Philanthropy Fund	<u>7,359</u>	<u>10,349</u>
<u>Total Temporarily Restricted</u>	<u>\$ 2,313,791</u>	<u>\$ 2,222,416</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>2017</u>	<u>2016</u>
Permanently restricted net assets - beginning	\$ 16,139,491	\$ 15,693,068
Increases:		
Contributions and grants	15,288,709	215,130
Interest and dividend income	302,053	178,788
Net realized and unrealized gains	1,768,840	509,775
Transfers	19,581	25,081
Discount of pledges receivable	74,534	74,534
Decreases:		
Administrative fee	(248,894)	(180,055)
Grants and scholarships	(708,720)	(376,830)
<u>Permanently Restricted Net Assets - Ending</u>	<u>\$ 32,635,594</u>	<u>\$ 16,139,491</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>2017</u>	<u>2016</u>
California United Methodist Church	\$ 0	\$ 38,406
Community Action Southwest	0	21,131
Washington County Health Partners, Inc.	0	6,558
Cornerstone Care Health Services Fund	0	6,806
Charleroi Area Historical Society	0	11,783
Washington County Humane Society	0	5,757
Citizens Library Fund	0	6,922
Robert Jaeger Fund	0	24,552
Transitional Employment Consultants Fund	0	6,979
Washington County 4-H Preservation Fund	0	17,392
<u>Total Fund Liabilities</u>	<u>\$ 0</u>	<u>\$ 146,286</u>

During 2017, the Board of Trustees approved eliminating the practice of accepting fund liabilities and authorized the full distribution of the existing funds. All fund liabilities were fully distributed as of December 31, 2017.

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, 2017, 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	\$ 938,426	\$ -	\$ -	\$ 938,426
Certificates of				
Deposit	927,738	-	-	927,738
Savings	100,669	-	-	100,669
Corporate bonds	211,748	-	-	211,748
Mutual Funds				
Money Market Funds	191,107	-	-	191,107
Bond/Income Funds	8,417,609	-	-	8,417,609
Equity Funds	15,970,996	-	-	15,970,996
Alternative Equity				
Funds	584,515	-	-	584,515

NOTE 10 - CONTINUED

Stock				
Consumer Discretionary	249,241	-	-	249,241
Consumer Staple	222,502	-	-	222,502
Energy	184,182	-	-	184,182
Financials	370,535	-	-	370,535
Healthcare	354,216	-	-	354,216
Industrials	297,104	-	-	297,104
Information Technology	537,826	-	-	537,826
Materials	72,431	-	-	72,431
Telecommunications	36,137	-	-	36,137
Utilities	40,766	-	-	40,766
Real estate	31,183	-	-	31,183
	<u>\$29,738,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$29,738,931</u>

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 Discretionary	252,894	-	-	252,894
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 Technology	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>

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 11 - CONTINUED

Subsequent to December 31, 2017, one of the insured donors passed away. His passing on May 10, 2018 provided The Foundation with a death benefit of \$175,000, of which, \$145,000 is designated for use by other charities.

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, 2017 and 2016 consisted of the purchase of print advertising as well as banking and investment services.

NOTE 13 - CONCENTRATIONS

Approximately 77% of the Foundation's total revenue was provided by one donor during the year ended December 31, 2017. No such concentration existed during the year ended December 31, 2016.

Of the accounts and pledges receivable balances at December 31, 2017 and 2016, 97% and 98%, respectively, is attributed to one donor.

NOTE 14 - RETIREMENT PLAN

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

Effective in the year ended December 31, 2017, the SIMPLE plan was replaced with a 403(b) plan. The plan enables The Foundation to have higher match percentages and more opportunities to reward continual service. The employer match percentage was set at 3%. Matching contributions to the plan for the year ended December 31, 2017 were \$6,348.