

**WASHINGTON COUNTY
COMMUNITY
FOUNDATION, INC.**

Financial Statements

December 31, 2018

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

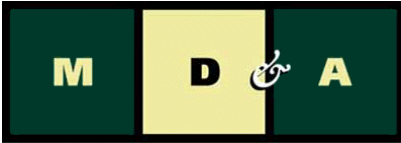
Financial Statements

December 31, 2018

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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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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
July 5, 2019

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Financial Position

December 31, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,154,591	\$ 1,592,597
Accounts receivable	193,948	103,867
Investments	200,825	227,957
Certificates of deposit	97,649	120,555
<u>TOTAL CURRENT ASSETS</u>	2,647,013	2,044,976
<u>ENDOWMENT INVESTMENTS</u>		
Cash and cash equivalents	338,653	443,884
Certificates of deposit	813,861	807,184
Other investments	24,016,094	26,546,754
Pledges receivable - net	7,327,924	4,837,772
<u>TOTAL ENDOWMENT INVESTMENTS</u>	32,496,532	32,635,594
<u>PROPERTY AND EQUIPMENT - NET</u>	1,088,230	1,055,405
<u>CASH SURRENDER VALUE OF LIFE INSURANCE</u>	119,893	121,909
<u>OTHER ASSETS</u>	139,678	78,048
<u>TOTAL ASSETS</u>	<u>\$ 36,491,346</u>	<u>\$ 35,935,932</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 789	\$ 18,217
Gift annuity payable	2,441	9,739
Accrued compensated absences	5,002	5,002
Scholarships payable	237,797	135,666
Grants payable	1,115,752	300,000
<u>TOTAL CURRENT LIABILITIES</u>	1,361,781	468,624
<u>LONG-TERM LIABILITIES</u>		
Gift annuity payable - net of current portion	0	2,441
<u>TOTAL LIABILITIES</u>	1,361,781	471,065
<u>NET ASSETS</u>		
Without donor restrictions	767,473	815,901
With donor restrictions	34,362,092	34,648,966
<u>TOTAL NET ASSETS</u>	35,129,565	35,464,867
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 36,491,346</u>	<u>\$ 35,935,932</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended
December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT</u>			
Contributions and grants	\$ 1,396,990	\$ 4,158,653	\$ 5,555,643
In-kind contributions	42,024	0	42,024
Program revenues	74,575	0	74,575
Transfers	(14,448)	14,448	0
Net assets released from restriction	<u>3,132,291</u>	<u>(3,132,291)</u>	<u>0</u>
<u>TOTAL SUPPORT</u>	4,631,432	1,040,810	5,672,242
<u>REVENUE</u>			
Interest and dividends	4,956	594,390	599,346
Administrative fee	392,963	0	392,963
Net realized and unrealized loss on investments	(9,170)	(1,996,608)	(2,005,778)
Discount on pledge receivable	<u>0</u>	<u>74,534</u>	<u>74,534</u>
<u>TOTAL REVENUE</u>	<u>388,749</u>	<u>(1,327,684)</u>	<u>(938,935)</u>
<u>TOTAL REVENUE AND SUPPORT</u>	5,020,181	(286,874)	4,733,307
<u>EXPENSES</u>			
Program expenses	4,350,120	0	4,350,120
General and administrative expenses	348,787	0	348,787
Fundraising expenses	<u>369,702</u>	<u>0</u>	<u>369,702</u>
<u>TOTAL EXPENSES</u>	<u>5,068,609</u>	<u>0</u>	<u>5,068,609</u>
<u>CHANGE IN NET ASSETS</u>	(48,428)	(286,874)	(335,302)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>815,901</u>	<u>34,648,966</u>	<u>35,464,867</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 767,473</u>	<u>\$ 34,362,092</u>	<u>\$ 35,129,565</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended
December 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>SUPPORT</u>			
Contributions and grants	\$ 1,031,444	\$ 15,731,680	\$ 16,763,124
In-kind contributions	33,041	0	33,041
Program revenues	76,560	0	76,560
Transfers	(15,173)	15,173	0
Net assets released from restriction	1,342,520	(1,342,520)	0
<u>TOTAL SUPPORT</u>	2,468,392	14,404,333	16,872,725
<u>REVENUE</u>			
Interest and dividends	3,135	304,487	307,622
Administrative fee	295,032	0	295,032
Miscellaneous income	623	0	623
Net realized and unrealized gain on investments	8,328	1,804,124	1,812,452
Discount on pledge receivable	0	74,534	74,534
<u>TOTAL REVENUE</u>	307,118	2,183,145	2,490,263
<u>TOTAL REVENUE AND SUPPORT</u>	2,775,510	16,587,478	19,362,988
<u>EXPENSES</u>			
Program expenses	2,293,957	0	2,293,957
General and administrative expenses	266,904	0	266,904
Fundraising expenses	280,122	0	280,122
<u>TOTAL EXPENSES</u>	2,840,983	0	2,840,983
<u>CHANGE IN NET ASSETS</u>	(65,473)	16,587,478	16,522,005
<u>NET ASSETS - BEGINNING OF YEAR AS PREVIOUSLY REPORTED</u>	580,955	18,361,907	18,942,862
<u>CHANGE IN ACCOUNTING PRINCIPLE - SEE NOTE 13</u>	300,419	(300,419)	0
<u>NET ASSETS - BEGINNING OF YEAR, RESTATED</u>	881,374	18,061,488	18,942,862
<u>NET ASSETS - END OF YEAR</u>	\$ 815,901	\$ 34,648,966	\$ 35,464,867

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION

Statement of Functional Expenses

for the year ended
December 31, 2018

	SUPPORTING ACTIVITIES			TOTAL
	PROGRAM EXPENSES	GENERAL AND		
		ADMINISTRATIVE EXPENSES	FUNDRAISING EXPENSES	
FUNCTIONAL EXPENSES				
Grants	\$ 3,973,683	\$ 0	\$ 0	\$ 3,973,683
Administrative fee	133,607	133,607	125,748	392,962
Life insurance	3,693	3,693	3,476	10,862
Salaries, payroll taxes and benefits	140,038	140,038	131,801	411,877
Fundraising expense	0	0	41,431	41,431
Professional fees	4,733	4,733	4,455	13,921
Outside services	1,276	1,276	1,201	3,753
Advertising and promotion	7,390	7,390	6,955	21,735
Office supplies	5,917	5,917	5,569	17,403
Information technology	3,723	3,723	3,504	10,950
Memberships and subscriptions	2,019	2,019	1,900	5,938
Utilities	2,212	2,212	2,082	6,506
Travel	1,325	1,325	1,247	3,897
Conferences and meetings	708	708	666	2,082
Depreciation and amortization	13,995	13,995	13,172	41,162
Insurance	3,008	3,008	2,831	8,847
Printing	6,440	6,440	6,061	18,941
Equipment and software	750	750	706	2,206
Postage and shipping	2,736	2,736	2,575	8,047
Repairs and maintenance	12,293	12,293	11,570	36,156
Other	2,924	2,924	2,752	8,600
Other program expense	27,650	0	0	27,650
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,350,120</u>	<u>\$ 348,787</u>	<u>\$ 369,702</u>	<u>\$ 5,068,609</u>

See independent auditor's report.

WASHINGTON COUNTY COMMUNITY FOUNDATION

Statement of Functional Expenses

for the year ended
December 31, 2017

	SUPPORTING ACTIVITIES			TOTAL
	PROGRAM EXPENSES	GENERAL AND		
		ADMINISTRATIVE EXPENSES	FUNDRAISING EXPENSES	
<u>FUNCTIONAL EXPENSES</u>				
Grants	\$ 2,003,696	\$ 0	\$ 0	\$ 2,003,696
Administrative fee	99,219	99,219	93,384	291,822
Life insurance	3,435	3,435	3,232	10,102
Salaries, payroll taxes and benefits	101,631	101,631	95,652	298,914
Fundraising expense	0	0	28,918	28,918
Professional fees	6,908	6,908	6,502	20,318
Outside services	1,065	1,065	1,003	3,133
Advertising and promotion	6,484	6,484	6,104	19,072
Office supplies	2,394	2,394	2,252	7,040
Information technology	4,361	4,361	4,103	12,825
Memberships and subscriptions	1,618	1,618	1,524	4,760
Utilities	2,390	2,390	2,250	7,030
Travel	1,109	1,109	1,043	3,261
Conferences and meetings	1,250	1,250	1,175	3,675
Depreciation and amortization	11,610	11,610	10,926	34,146
Insurance	1,956	1,956	1,842	5,754
Printing	6,409	6,409	6,033	18,851
Postage and shipping	3,244	3,244	3,052	9,540
Repairs and maintenance	9,934	9,934	9,351	29,219
Other	1,887	1,887	1,776	5,550
Other program expense	23,357	0	0	23,357
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>\$ 2,293,957</u>	<u>\$ 266,904</u>	<u>\$ 280,122</u>	<u>\$ 2,840,983</u>

See independent auditor's report.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Cash Flows

for the years ended
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ (335,302)	\$ 16,522,005
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net (increase) decrease in fair value of investments	2,005,778	(1,812,452)
Net decrease in cash surrender value of life insurance	2,016	2,389
Depreciation	41,161	34,146
Interest and dividends restricted for long-term investments	(594,390)	(306,495)
Changes in current assets and liabilities:		
Accounts receivable	(90,081)	(6,217)
Accounts payable	(17,428)	12,114
Gift annuity payable	(9,739)	(9,740)
Unemployment contingency	0	(9,483)
Scholarships payable	102,131	53,333
Grants payable	815,752	206,765
Fund liabilities	0	(146,286)
Contributions restricted for long-term purposes:		
Contributions	(2,415,618)	(36,531)
Other assets	(61,630)	(43,333)
Amortization of discount on pledge	(74,534)	(74,534)
<u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>(631,884)</u>	<u>14,385,681</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(366,676)	(15,001,809)
Sales of investments	1,040,150	578,794
Purchase of fixed assets	(73,986)	(261,693)
<u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u>	<u>599,488</u>	<u>(14,684,708)</u>
<u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u>		
Interest and dividends restricted for long-term investments	594,390	306,495
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>561,994</u>	<u>7,468</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,592,597</u>	<u>1,585,129</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 2,154,591</u>	<u>\$ 1,592,597</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, 2018 and 2017

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:

Net assets without donor restrictions consist of amounts that are available for use in carrying out the supporting activities of the Foundation and are not subject to donor-imposed stipulations.

Net assets with donor restrictions consist of amounts that are expendable only for those purposes specified by the donor. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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, 2018 and 2017 were \$42,024 and \$33,041, 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 \$58,000 and \$30,000 for the years ended December 31, 2018 and 2017, respectively. The fees are net with investment performance.

Property and Equipment

The Foundation capitalizes purchases greater than \$5,000 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, 2015 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, 2018 and 2017 was \$21,735 and \$19,072, respectively. Advertising costs include in-kind contributions of \$10,000 for each of the years ended December 31, 2018 and 2017.

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 on a reasonable basis that is consistently applied 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, 2018 and 2017 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, 2018 through July 5, 2019, the date the financial statements were available to be issued.

Subsequent to December 31, 2018, the Foundation entered into a revolving line of credit agreement that provides for maximum borrowings of \$300,000. The agreement is payable on demand, includes interest at the Wall Street Journal published prime lending rate less .25%, and is secured by certain assets of the Foundation.

Statement Reclassifications

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

NOTE 2 - CONTINUED**Recent Pronouncements**

On November 17, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total amounts on the balance sheet and disclose the nature of the restrictions. This new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

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>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 2,452,148	\$ 36,530
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	<u>7,452,148</u>	<u>5,036,530</u>
Less discount to net present value	<u>124,224</u>	<u>198,758</u>
Net unconditional promises to give	<u>\$ 7,327,924</u>	<u>\$ 4,837,772</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, 2018 and 2017 was \$74,534.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Building	\$ 385,000	\$ 532,243
Equipment	33,617	59,457
Furniture and fixtures	58,375	64,956
Improvements	772,316	551,086
Software	13,755	13,755
	<u>1,263,063</u>	<u>1,221,497</u>
Less: accumulated depreciation	<u>174,833</u>	<u>166,092</u>
<u>Total Property and Equipment</u>	<u>\$ 1,088,230</u>	<u>\$ 1,055,405</u>

Depreciation for the years ended December 31, 2018 and 2017 was \$41,161 and \$34,146, respectively.

NOTE 5 - OTHER ASSETS

Other assets include land and mineral rights in the amount of \$10,000 and donated and purchased art work totaling \$129,678 and \$59,548 at December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Brownlee House Building Fund	\$ 1,019,999	\$ 1,019,999
EITC Funds	134,870	203,060
Gift Annuity Pool	211,509	226,408
Donor Advised Funds Pass-through	215,276	179,633
Scholarship Funds Pass-through	101,062	150,737
Project Funds	120,546	127,542
Acorn Fund	71,044	98,634
Women of Philanthropy Fund	<u>4,379</u>	<u>7,359</u>
<u>Total Temporarily Restricted</u>	<u>\$ 1,878,685</u>	<u>\$ 2,013,372</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 7 - CONTINUED

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

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets - beginning	\$ 32,635,594	\$ 16,139,491
Increases:		
Contributions and grants	3,856,138	15,288,709
Interest and dividend income	591,771	302,053
Net realized and unrealized gains (losses)	(1,979,088)	1,768,840
Transfers	72,847	19,581
Discount of pledges receivable	74,534	74,534
Decreases:		
Administrative fee	(337,926)	(248,894)
Grants and scholarships	(2,430,463)	(708,720)
<u>Permanently Restricted Net Assets - Ending</u>	<u>\$ 32,483,407</u>	<u>\$ 32,635,594</u>

NOTE 8 - FAIR VALUE MEASUREMENTS

The fair value measurements and disclosures topic of the FASB Accounting Standards Codification (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 over 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. Certain other assets were purchased and are valued at cost.

NOTE 8 - CONTINUED

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, 2018, 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	\$ 555,256	\$ -	\$ -	\$ 555,256
Certificates of				
Deposit	911,510	-	-	911,510
Savings	50,790	-	-	50,790
Corporate bonds	106,066	-	-	106,066
Mutual Funds				
Money Market Funds	351,778	-	-	351,778
Bond/Income Funds	8,977,979	-	-	8,977,979
Equity Funds	13,217,260	-	-	13,217,260
Alternative equity				
Funds	634,908	-	-	634,908
Stock				
Consumer Discre-				
tionary	443,050	-	-	443,050
Consumer Staple	134,706	-	-	134,706
Energy	187,533	-	-	187,533
Financials	390,569	-	-	390,569
Healthcare	462,550	-	-	462,550
Industrials	309,257	-	-	309,257
Real estate	65,274	-	-	65,274
Information Tech-				
nology	417,818	-	-	417,818
Materials	101,671	-	-	101,671
Communication				
services	231,301	-	-	231,301
Utilities	72,397	-	-	72,397
	<u>\$27,621,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$27,621,673</u>

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 8 - 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>

NOTE 9 - LIFE INSURANCE POLICIES

The Foundation is the sole owner and beneficiary of three 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 \$579,500. The other policy insures the life of the Foundation's President and CEO. The death benefit on this policy is \$1,000,000.

NOTE 10 - 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, 2018 and 2017 consisted of the purchase of print advertising as well as banking and investment services.

NOTE 11 - CONCENTRATIONS

Approximately 44% and 77% of the Foundation's total revenue was provided by one donor during the years ended December 31, 2018 and 2017, respectively.

Of the accounts and pledges receivable balances at December 31, 2018 and 2017, 27% and 97%, respectively, is attributed to one donor.

NOTE 12 - RETIREMENT PLAN

The Foundation maintains a 403(b) retirement savings plan for all full time employees. The Foundation matches employee contributions with contribution at 3%. Matching contributions to the plan for the years ended December 31, 2018 and 2017 were \$18,450 and \$6,348, respectively.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, The Foundation adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expense by function and nature in either the statement of activities, a separate statement, or in the notes and disclosure a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 required a restatement of the opening balances of net assets, as per item (c) above. Net assets in the amount of \$300,419 previously presented as temporarily restricted were reclassified to net assets without donor restrictions. In addition, net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. Likewise, The Foundation's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.