

**WASHINGTON COUNTY  
COMMUNITY  
FOUNDATION, INC.**

**Financial Statements**

**December 31, 2019**

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Financial Statements

December 31, 2019

TABLE OF CONTENTS

PAGE NO.

1	.....	Independent Auditor's Report.
2	.....	Statements of Financial Position.
3	.....	Statement of Activities - December 31, 2019.
4	.....	Statement of Activities - December 31, 2018.
5	.....	Statement of Functional Expenses - December 31, 2019.
6	.....	Statement of Functional Expenses - December 31, 2018.
7	.....	Statements of Cash Flows.
8	.....	Notes to the Financial Statements.



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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, 2019 and 2018, 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, 2019 and 2018, 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 4, 2020

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Financial Position

December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 2,223,642	\$ 2,154,591
Accounts receivable	150,434	193,948
Investments	27,900	200,825
Certificates of deposit	4,627	97,649
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>2,406,603</b>	<b>2,647,013</b>
<b><u>ENDOWMENT INVESTMENTS</u></b>		
Cash and cash equivalents	1,467,379	338,653
Certificates of deposit	557,891	813,861
Other investments	36,496,731	24,016,094
Pledges receivable - net	5,001,475	7,327,924
<b><u>TOTAL ENDOWMENT INVESTMENTS</u></b>	<b>43,523,476</b>	<b>32,496,532</b>
<b><u>PROPERTY AND EQUIPMENT - NET</u></b>	<b>1,400,705</b>	<b>1,088,230</b>
<b><u>CASH SURRENDER VALUE OF LIFE INSURANCE</u></b>	<b>117,945</b>	<b>119,893</b>
<b><u>OTHER ASSETS</u></b>	<b>139,678</b>	<b>139,678</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 47,588,407</u></b>	<b><u>\$ 36,491,346</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 23,789	\$ 789
Gift annuity payable	0	2,441
Accrued compensated absences	5,002	5,002
Scholarships payable	304,250	237,797
Grants payable	583,236	1,115,752
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<b>916,277</b>	<b>1,361,781</b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	966,444	767,473
With donor restrictions	45,705,686	34,362,092
<b><u>TOTAL NET ASSETS</u></b>	<b>46,672,130</b>	<b>35,129,565</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 47,588,407</u></b>	<b><u>\$ 36,491,346</u></b>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended  
December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT</b>			
Contributions and grants	\$ 1,300,967	\$ 7,706,931	\$ 9,007,898
In-kind contributions	87,606	0	87,606
Program revenues	94,200	0	94,200
Net assets released from restriction	<u>1,991,096</u>	<u>(1,991,096)</u>	<u>0</u>
<b>TOTAL SUPPORT</b>	<b>3,473,869</b>	<b>5,715,835</b>	<b>9,189,704</b>
<b>REVENUE</b>			
Interest and dividends	8,667	711,191	719,858
Administrative fee	468,323	0	468,323
Miscellaneous income	0	1,435	1,435
Net realized and unrealized gain on investments	22,204	4,840,599	4,862,803
Discount on pledge receivable	<u>0</u>	<u>74,534</u>	<u>74,534</u>
<b>TOTAL REVENUE</b>	<b>499,194</b>	<b>5,627,759</b>	<b>6,126,953</b>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,973,063</b>	<b>11,343,594</b>	<b>15,316,657</b>
<b>EXPENSES</b>			
Program expenses	3,399,676	0	3,399,676
General and administrative expenses	177,721	0	177,721
Fundraising expenses	<u>196,695</u>	<u>0</u>	<u>196,695</u>
<b>TOTAL EXPENSES</b>	<b>3,774,092</b>	<b>0</b>	<b>3,774,092</b>
<b>CHANGE IN NET ASSETS</b>	<b>198,971</b>	<b>11,343,594</b>	<b>11,542,565</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>767,473</u>	<u>34,362,092</u>	<u>35,129,565</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 966,444</u>	<u>\$ 45,705,686</u>	<u>\$ 46,672,130</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended  
December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b><u>SUPPORT</u></b>			
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>
<b><u>TOTAL SUPPORT</u></b>	4,631,432	1,040,810	5,672,242
<b><u>REVENUE</u></b>			
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>
<b><u>TOTAL REVENUE</u></b>	<u>388,749</u>	<u>(1,327,684)</u>	<u>(938,935)</u>
<b><u>TOTAL REVENUE AND SUPPORT</u></b>	5,020,181	(286,874)	4,733,307
<b><u>EXPENSES</u></b>			
Program expenses	4,654,585	0	4,654,585
General and administrative expenses	191,942	0	191,942
Fundraising expenses	<u>222,082</u>	<u>0</u>	<u>222,082</u>
<b><u>TOTAL EXPENSES</u></b>	<u>5,068,609</u>	<u>0</u>	<u>5,068,609</u>
<b><u>CHANGE IN NET ASSETS</u></b>	(48,428)	(286,874)	(335,302)
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<u>815,901</u>	<u>34,648,966</u>	<u>35,464,867</u>
<b><u>NET ASSETS - END OF YEAR</u></b>	<u>\$ 767,473</u>	<u>\$ 34,362,092</u>	<u>\$ 35,129,565</u>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION

Statement of Functional Expenses

for the year ended  
December 31, 2019

	SUPPORTING ACTIVITIES			TOTAL
	PROGRAM EXPENSES	GENERAL AND		
		ADMINISTRATIVE EXPENSES	FUNDRAISING EXPENSES	
<b>FUNCTIONAL EXPENSES</b>				
Grants	\$ 2,642,910	\$ 0	\$ 0	\$ 2,642,910
Administrative fee	468,323	0	0	468,323
Life insurance	2,327	2,327	2,190	6,844
Salaries, payroll taxes and benefits	192,953	119,575	112,540	425,068
Fundraising expense	0	0	29,426	29,426
Professional fees	4,241	4,241	3,991	12,473
Bank fees	673	673	632	1,978
Advertising and promotion	12,531	2,531	2,382	17,444
Office supplies	5,258	5,258	4,948	15,464
Information technology	2,964	2,964	2,789	8,717
Memberships and subscriptions	2,188	2,188	2,060	6,436
Utilities	2,882	2,882	2,712	8,476
Travel	1,497	1,497	1,409	4,403
Conferences and meetings	971	971	914	2,856
Depreciation	13,664	13,664	12,861	40,189
Insurance	2,255	2,255	2,122	6,632
Printing	4,259	4,259	4,008	12,526
Postage and shipping	2,846	2,846	2,680	8,372
Repairs and maintenance	4,222	4,222	3,973	12,417
Other	5,368	5,368	5,058	15,794
Other program expense	27,344	0	0	27,344
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,399,676</b>	<b>\$ 177,721</b>	<b>\$ 196,695</b>	<b>\$ 3,774,092</b>

See independent auditor's report.

**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	
<b><u>FUNCTIONAL EXPENSES</u></b>				
Grants	\$ 3,973,683	\$ 0	\$ 0	\$ 3,973,683
Administrative fee	392,963	0	0	392,963
Life insurance	3,693	3,693	3,477	10,863
Salaries, payroll taxes and benefits	179,000	120,655	113,558	413,213
Fundraising expense	0	0	41,431	41,431
Professional fees	3,124	3,124	2,939	9,187
Outside services	1,276	1,276	1,201	3,753
Advertising and promotion	13,990	3,990	3,755	21,735
Office supplies	5,917	5,917	5,570	17,404
Information technology	3,723	3,723	3,505	10,951
Memberships and subscriptions	2,019	2,019	1,899	5,937
Utilities	2,212	2,212	2,082	6,506
Travel	1,325	1,325	1,246	3,896
Conferences and meetings	708	708	665	2,081
Depreciation	13,995	13,995	13,171	41,161
Insurance	3,008	3,008	2,831	8,847
Printing	6,440	6,440	6,060	18,940
Equipment and software	750	750	706	2,206
Postage and shipping	2,736	2,736	2,574	8,046
Repairs and maintenance	11,010	11,010	10,361	32,381
Other	5,360	5,361	5,051	15,772
Other program expense	27,653	0	0	27,653
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>\$ 4,654,585</u></b>	<b><u>\$ 191,942</u></b>	<b><u>\$ 222,082</u></b>	<b><u>\$ 5,068,609</u></b>

See independent auditor's report.



WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Cash Flows

for the years ended  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (decrease) in net assets	\$11,542,565	\$ (335,302)
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	(4,862,803)	2,005,778
Net decrease in cash surrender value of life insurance	1,948	2,016
Depreciation	40,189	41,161
Interest and dividends restricted for long-term investments	(711,191)	(594,390)
Changes in current assets and liabilities:		
Accounts receivable	43,514	(90,081)
Accounts payable	23,000	(17,428)
Gift annuity payable	(2,441)	(9,739)
Scholarships payable	66,453	102,131
Grants payable	(532,516)	815,752
Contributions restricted for long-term purposes:		
Contributions	2,400,983	(2,415,618)
Other assets	0	(61,630)
Amortization of discount on pledge	(74,534)	(74,534)
<b><u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>	<u>7,935,167</u>	<u>(631,884)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments	(10,586,573)	(366,676)
Sales of investments	2,361,930	1,040,150
Purchase of fixed assets	(352,664)	(73,986)
<b><u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u></b>	<u>(8,577,307)</u>	<u>599,488</u>
<b><u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u></b>		
Interest and dividends restricted for long-term investments	711,191	594,390
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	<u>69,051</u>	<u>561,994</u>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<u>2,154,591</u>	<u>1,592,597</u>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<u>\$ 2,223,642</u>	<u>\$ 2,154,591</u>
<b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</u></b>		
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, 2019 and 2018

**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, 2019 and 2018 were \$87,606 and \$42,024, respectively.

**NOTE 2 - CONTINUED**

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

**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 \$68,000 and \$58,000 for the years ended December 31, 2019 and 2018, 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

## **NOTE 2 - CONTINUED**

### **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.

Tax years including the years ended December 31, 2016 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, 2019 and 2018 was \$17,444 and \$21,735, respectively. Advertising costs include in-kind contributions of \$10,000 for each of the years ended December 31, 2019 and 2018.

### **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 percentage basis that is consistently applied among the programs and supporting services benefited, which are allocated on the basis of estimated time and effort.

### **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, 2019 and 2018 was two percent. Distributions for grant-making from permanently restricted net assets are recorded as a release from permanent restriction.

**NOTE 2 - CONTINUED**

**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.

**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, 2019 through November 4, 2020, the date the financial statements were available to be issued.

**NOTE 2 - CONTINUED**

Subsequent to year end, a novel strain of coronavirus has surfaced in the United States. The spread of this virus began to cause some business disruption in the United States and throughout the world. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Foundation expects this matter to have an impact on its operating results. However, management is unable to assess the related financial impact and the duration cannot be reasonably estimated at this time.

As a result of this business disruption, the Foundation became eligible under the federal Payroll Protection Program (PPP) to borrow a sum of \$75,833 with a fixed interest rate of one percent commencing seven months after the initial date of the loan. Under certain conditions, all or a portion of the loan may be forgiven. Under the PPP Flexibility Act, the Foundation has the ability to extend the date of the loan repayment until the loan is forgiven. If the Foundation does not apply for forgiveness, the deferment will be pushed to ten months after the end of the borrower's loan forgiveness covered period.

**Statement Reclassifications**

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

**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.

**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>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 51,165	\$ 2,452,148
Receivable in greater than five years	<u>5,000,000</u>	<u>5,000,000</u>
Total unconditional promises to give	5,051,165	7,452,148
Less discount to net present value	<u>49,690</u>	<u>124,224</u>
Net unconditional promises to give	<u>\$ 5,001,475</u>	<u>\$ 7,327,924</u>

**NOTE 3 - CONTINUED**

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, 2019 and 2018 was \$74,534.

**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Building	\$ 385,000	\$ 385,000
Equipment	50,177	33,617
Furniture and fixtures	58,375	58,375
Improvements	1,086,775	772,316
Software	35,400	13,755
	<u>1,615,727</u>	<u>1,263,063</u>
Less: accumulated depreciation	<u>215,022</u>	<u>174,833</u>
<b><u>Total Property and Equipment</u></b>	<b><u>\$ 1,400,705</u></b>	<b><u>\$ 1,088,230</u></b>

Depreciation for the years ended December 31, 2019 and 2018 was \$40,189 and \$41,161, 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 at December 31, 2019 and 2018.

**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.

**NOTE 7 - CONTINUED**

**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>2019</u>	<u>2018</u>
Brownlee House Building Fund	\$ 1,119,999	\$ 1,019,999
EITC Funds	213,181	134,870
Gift Annuity Pool	0	211,509
Donor Advised Funds Pass-through	643,749	215,276
Scholarship Funds Pass-through	45,107	101,062
Project Funds	146,484	120,546
Acorn Fund	0	71,044
Women of Philanthropy Fund	2,284	4,379
Day of Giving	11,406	0
<b><u>Total Temporarily Restricted</u></b>	<b><u>\$ 2,182,210</u></b>	<b><u>\$ 1,878,685</u></b>

**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.

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

	<u>2019</u>	<u>2018</u>
Permanently restricted net assets - beginning	\$ 32,483,407	\$ 32,635,594
Increases:		
Contributions and grants	6,740,401	3,856,138
Interest and dividend income	711,002	591,771
Net realized and unrealized gains (losses)	4,809,947	( 1,979,088 )
Transfers	215,991	72,847
Discount of pledges receivable	74,534	74,534
Decreases:		
Administrative fee	( 401,209 )	( 337,926 )
Grants and scholarships	( 1,110,597 )	( 2,430,463 )
<b><u>Permanently Restricted Net Assets - Ending</u></b>	<b><u>\$ 43,523,476</u></b>	<b><u>\$ 32,483,407</u></b>



## 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.

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, 2019, 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	\$ 2,045,940	\$ -	\$ -	\$2,045,940
Certificates of				
Deposit	658,964	-	-	658,964
Savings	50,866	-	-	50,866
Corporate bonds	393,487	-	-	393,487
Mutual Funds				
Money Market Funds	1,470,312	-	-	1,470,312
Bond/Income Funds	11,738,779	-	-	11,738,779
Equity Funds	18,287,411	-	-	18,287,411
Alternative Equity				
Funds	1,167,940	-	-	1,167,940

**NOTE 8 - CONTINUED**

Real Estate Limited Partnerships	-	-	114,834	114,834
Stock				
Consumer Discretionary	555,529	-	-	555,529
Consumer Staple	391,551	-	-	391,551
Energy	283,806	-	-	283,806
Financials	554,114	-	-	554,114
Healthcare	730,207	-	-	730,207
Industrials	387,827	-	-	387,827
Information Technology	947,243	-	-	947,243
Materials	181,329	-	-	181,329
Telecommunications	384,001	-	-	384,001
Utilities	80,881	-	-	80,881
Real estate	353,149	-	-	353,149
	<u>\$40,663,336</u>	<u>\$ -</u>	<u>\$ 114,834</u>	<u>\$40,778,170</u>

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 Discretionary	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 Technology	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>

During 2019, the Foundation received contributions of limited partnerships in the amount of \$113,400 and realized income from these partnerships of \$1,434. The partnerships are considered level 3 assets.

**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, 2019 and 2018 consisted of the purchase of print advertising as well as banking and investment services.

**NOTE 11 - CONCENTRATIONS**

Approximately 46% and 42% of the Foundation's total revenue was provided by two donors and one donor during the years ended December 31, 2019 and 2018, respectively.

Of the accounts and pledges receivable balances at December 31, 2019 and 2018, 96% and 91%, respectively, is attributed to one donor in 2019 and two donors in 2018.

**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, 2019 and 2018 were \$25,799 and \$18,450, 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.