

**WASHINGTON COUNTY  
COMMUNITY  
FOUNDATION, INC.**

**Financial Statements**

**December 31, 2015**

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

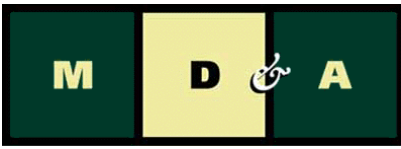
Financial Statements

December 31, 2015

TABLE OF CONTENTS

PAGE NO.

1	.....	Independent Auditor's Report.
2	.....	Statements of Financial Position.
3	.....	Statement of Activities - December 31, 2015.
4	.....	Statement of Activities - December 31, 2014.
5	.....	Statements of Cash Flows.
6	.....	Notes to the Financial Statements.



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**INDEPENDENT AUDITOR'S REPORT**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the **WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.** (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 2, 2016

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Financial Position

December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 798,149	\$ 732,484
Accounts receivable	140,500	6,300
Investments	207,825	221,028
Certificates of deposit	147,749	405,621
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>1,294,223</b>	<b>1,365,433</b>
<b><u>ENDOWMENT INVESTMENTS</u></b>		
Cash and cash equivalents	409,853	253,471
Certificates of deposit	787,514	1,062,371
Other investments	9,754,363	9,758,186
Investment for agency funds	142,969	135,061
Pledges receivable - net	4,758,074	4,577,640
<b><u>TOTAL ENDOWMENT INVESTMENTS</u></b>	<b>15,852,773</b>	<b>15,786,729</b>
<b><u>PROPERTY AND EQUIPMENT - NET</u></b>	<b>727,906</b>	<b>17,423</b>
<b><u>CASH SURRENDER VALUE OF LIFE INSURANCE</u></b>	<b>131,260</b>	<b>151,697</b>
<b><u>OTHER ASSETS</u></b>	<b>34,715</b>	<b>614,442</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$18,040,877</u></b>	<b><u>\$17,935,724</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 5,760	\$ 6,166
Gift annuity payable	9,739	9,739
Accrued compensated absences	5,002	6,401
Unemployment contingency	9,483	9,483
Grants payable	185,662	110,118
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<b>215,646</b>	<b>141,907</b>
<b><u>LONG-TERM LIABILITIES</u></b>		
Fund liabilities	151,519	157,415
Gift annuity payable - net of current portion	21,919	31,659
<b><u>TOTAL LONG-TERM LIABILITIES</u></b>	<b>173,438</b>	<b>189,074</b>
<b><u>TOTAL LIABILITIES</u></b>	<b>389,084</b>	<b>330,981</b>
<b><u>NET ASSETS</u></b>		
Unrestricted		
Unrestricted	397,976	417,776
Board designated	163,746	163,692
Total unrestricted	561,722	581,468
Temporarily restricted	1,397,003	1,371,607
Permanently restricted	15,693,068	15,651,668
<b><u>TOTAL NET ASSETS</u></b>	<b>17,651,793</b>	<b>17,604,743</b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$18,040,877</u></b>	<b><u>\$17,935,724</u></b>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended  
December 31, 2015

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

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statement of Activities

for the year ended  
December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>SUPPORT</u></b>				
Contributions and grants	\$ 854,203	\$ 481,639	\$ 308,968	\$ 1,644,810
In-kind contributions	83,693	0	0	83,693
Program revenues	104,596	0	0	104,596
Transfers	(25,865)	11,432	14,433	0
Net assets released from restriction	654,546	(346,017)	(308,529)	0
<b><u>TOTAL SUPPORT</u></b>	<b>1,671,173</b>	<b>147,054</b>	<b>14,872</b>	<b>1,833,099</b>
<b><u>REVENUE</u></b>				
Interest and dividends	3,098	2,819	219,778	225,695
Administrative fee	247,094	0	0	247,094
Miscellaneous income	3,672	0	0	3,672
Net realized and unrealized gain on investments	1,621	15,688	368,240	385,549
Discount on pledge receivable	0	0	74,534	74,534
<b><u>TOTAL REVENUE</u></b>	<b>255,485</b>	<b>18,507</b>	<b>662,552</b>	<b>936,544</b>
<b><u>TOTAL REVENUE AND SUPPORT</u></b>	<b>1,926,658</b>	<b>165,561</b>	<b>677,424</b>	<b>2,769,643</b>
<b><u>PROGRAM EXPENSES</u></b>				
Grants and scholarships	1,228,956	0	0	1,228,956
Administrative fee	245,674	0	0	245,674
Life insurance expense	10,102	0	0	10,102
Fundraising	36,804	0	0	36,804
Other program expenses	12,609	0	0	12,609
<b><u>TOTAL PROGRAM EXPENSES</u></b>	<b>1,534,145</b>	<b>0</b>	<b>0</b>	<b>1,534,145</b>
<b><u>GENERAL AND ADMINISTRATIVE EXPENSES</u></b>				
Salaries, taxes and benefits	221,712	0	0	221,712
Advertising	17,178	0	0	17,178
Printing expense	15,011	0	0	15,011
Professional services	19,816	0	0	19,816
Postage and shipping	7,928	0	0	7,928
Depreciation	5,730	0	0	5,730
Supplies	8,837	0	0	8,837
Rent expense	6,000	0	0	6,000
Meetings and conferences	7,880	0	0	7,880
Telephone and internet	7,316	0	0	7,316
Insurance expense	5,872	0	0	5,872
Repairs and maintenance	3,882	0	0	3,882
Other expense	15,841	0	0	15,841
Membership and subscriptions	3,237	0	0	3,237
<b><u>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</u></b>	<b>346,240</b>	<b>0</b>	<b>0</b>	<b>346,240</b>
<b><u>TOTAL EXPENSES</u></b>	<b>1,880,385</b>	<b>0</b>	<b>0</b>	<b>1,880,385</b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>46,273</b>	<b>165,561</b>	<b>677,424</b>	<b>889,258</b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b>535,195</b>	<b>1,206,046</b>	<b>14,974,244</b>	<b>16,715,485</b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b>\$ 581,468</b>	<b>\$ 1,371,607</b>	<b>\$ 15,651,668</b>	<b>\$ 17,604,743</b>

See accompanying notes.

WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.

Statements of Cash Flows

for the years ended  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase in net assets	\$ 47,050	\$ 889,258
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net (increase) decrease in fair value of investments	230,841	(385,549)
Net decrease in cash surrender value of life insurance	20,437	6,975
Depreciation	24,951	5,730
Interest and dividends restricted for long-term investments	(187,819)	(219,778)
Changes in current assets and liabilities:		
Accounts receivable	(134,200)	(1,387)
Accounts payable	(406)	(11,416)
Annuity payable	(9,740)	(12,185)
Accrued compensated absences	(1,399)	0
Grants payable	75,544	43,003
Fund liabilities	(5,896)	(6,597)
Contributions restricted for long-term purposes		
Contributions	(105,900)	2,000
Other assets	(6,515)	(195,706)
Amortization of discount on pledge	(74,534)	(74,534)
<b><u>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>	<u>(127,586)</u>	<u>39,814</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments	(33,882)	(506,564)
Sales of investments	188,506	363,272
Purchase of fixed assets	(149,192)	(18,656)
<b><u>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</u></b>	<u>5,432</u>	<u>(161,948)</u>
<b><u>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</u></b>		
Interest and dividends restricted for long-term investments	187,819	219,778
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	<u>65,665</u>	<u>97,644</u>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<u>732,484</u>	<u>634,840</u>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<u>\$ 798,149</u>	<u>\$ 732,484</u>

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES AND OTHER DISCLOSURES**

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

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

See accompanying notes.

**WASHINGTON COUNTY COMMUNITY FOUNDATION, INC.**

Notes to the Financial Statements

December 31, 2015 and 2014

**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, 2015 and 2014 were \$58,940 and \$83,693, 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.

**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



**NOTE 2 - CONTINUED**

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 \$26,000 and \$30,000 for the years ended December 31, 2015 and 2014, respectively.

**Equipment and Software**

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

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

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

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

**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.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740, Income Taxes, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including the year ended December 31, 2012 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.

**NOTE 2 - CONTINUED**

**Advertising Costs**

Advertising costs are charged to expense as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$17,822 and \$17,178, respectively. Advertising costs include in-kind contributions of \$10,000 for each of the years ended December 31, 2015 and 2014.

**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, 2015 and 2014 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.

**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.

**NOTE 2 - CONTINUED**

**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**

Management has evaluated events from December 31, 2015 through August 2, 2016, the date that the financial statements were available to be issued.

During July 2016 the Foundation was awarded and received a grant of \$500,000 to be used to continue the rehabilitative work at the historic Brownlee House, home of the Foundation. The grant will enable the first floor and central staircase to be rehabilitated, in preparation of a Scotch-Irish heritage museum.

**Statement Reclassifications**

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

**NOTE 3 - PLEDGES RECEIVABLE**

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

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 105,900	\$ 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	5,105,900	5,000,000
Less discount to net present value	<u>347,826</u>	<u>422,360</u>
Net unconditional promises to give	<u>\$ 4,758,074</u>	<u>\$ 4,577,640</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, 2015 and 2014 was \$74,534.

**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	<u>2015</u>	<u>2014</u>
Building	\$ 532,243	\$ 0
Equipment	44,614	44,614
Furniture and fixtures	64,956	49,872
Improvements	188,107	0
	<u>829,920</u>	<u>94,486</u>
Less: accumulated depreciation	<u>102,014</u>	<u>77,063</u>
<b><u>Total Property and Equipment</u></b>	<b><u>\$ 727,906</u></b>	<b><u>\$ 17,423</u></b>

Depreciation for the years ended December 31, 2015 and 2014 was \$24,951 and \$5,730, respectively.

**NOTE 5 - OTHER ASSETS**

During the year ended December 31, 2013, the Foundation received a contribution of a house and its contents, land and mineral rights. The contribution was recorded as an in-kind contribution, at fair value, that is included in temporarily restricted net assets. The fair values of the items were provided by independent third party appraisals. The house and land were valued at \$385,000, the contents were valued at \$7,840 and the mineral rights were valued at \$10,000. In addition, various closing costs, in the amount of \$15,896 were incurred and capitalized. These items, totaling \$418,736, comprise other assets included in the statements of financial position at December 31, 2013.

During 2014, the Foundation added \$185,346 of building improvements, received a donation of a piano valued by an independent third party at \$16,000, included art work valued at \$1,200 and reclassified \$6,840 of the donated contents to fixed assets. Thus, the balance of other assets at December 31, 2014 was \$614,442.

During 2015, the Foundation received a donation of various art work valued at \$6,515. The building and land valued at \$385,000 and improvements totaling \$201,242 were transferred to property and equipment and placed into service. Including the current year's activity, the balance of other assets at December 31, 2015 was \$34,715.

**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>2015</u>	<u>2014</u>
Brownlee House Building	\$ 776,923	\$ 648,181
EITC Funds	66,891	202,074
Gift Annuity Pool	181,693	185,019
Donor Advised Pass-through	94,707	117,207
Main Street Farmers Market Pavilion	77,274	59,444
Acorn to Oak Project	6,820	6,820
Washington Auto Mall	30,000	0
Angel Project	20,347	6,725
Women of Philanthropy	11,790	15,800
No Longer Me Fund	0	19,480
Acorn Fund	44,889	57,085
Barry Clark Barto Scholarship Fund	492	1,040
Elizabeth Plumber Scholarship Fund	14,751	16,001
Operating Account	10,000	10,000
Temporary Donor Advised Fund	3,800	2,800
Lighthouse Electric Shoe Box Charity Fund	56,626	23,931
<b><u>Total Temporarily Restricted</u></b>	<b><u>\$ 1,397,003</u></b>	<b><u>\$ 1,371,607</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.

**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>2015</u>	<u>2014</u>
Permanently restricted net assets - beginning	\$ 15,651,668	\$ 14,974,244
Increases:		
Contributions and grants	429,320	308,968
Interest and dividend income	187,819	219,778
Net realized and unrealized gains	0	368,240
Transfers	31,226	14,433
Discount of pledge receivable	74,534	74,534
Decreases:		
Net realized and unrealized losses	( 217,473 )	0
Administrative fee	( 181,826 )	( 175,013 )
Grants and scholarships	( 282,200 )	( 133,516 )
 <b><u>Permanently Restricted Net Assets - Ending</u></b>	 <b><u>\$ 15,693,068</u></b>	 <b><u>\$ 15,651,668</u></b>

**NOTE 9 - FUND LIABILITIES**

The Foundation adopted FASB 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>2015</u>	<u>2014</u>
Individual Life Insurance Policy	\$ 8,550	\$ 22,354
California United Methodist Church	37,349	38,524
Community Action Southwest	20,615	21,230
Washington County Health Partners, Inc.	6,417	6,659
Cornerstone Care Health Services Fund	6,662	6,909
Charleroi Area Historical Society	11,447	11,797
Washington County Humane Society	5,644	5,869
Citizens Library Fund	6,768	7,017
Robert Jaeger Fund	24,392	13,213
Transitional Employment Consultants Fund	6,720	6,834
Washington County 4-H Preservation Fund	16,955	17,009
 <b><u>Total Fund Liabilities</u></b>	 <b><u>\$ 151,519</u></b>	 <b><u>\$ 157,415</u></b>

## 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 statements.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 613,945	\$ -	\$ -	\$ 613,945
Certificates of				
Deposit	941,362	-	-	941,362
Savings	55,380	-	-	55,380
Mutual Funds				
Money Market Funds	153,286	-	-	153,286
Bond/Income Funds	3,086,433	-	-	3,086,433
Equity Funds	4,273,055	-	-	4,273,055
Stock				
Consumer Discre-				
tionary	395,434	-	-	395,434
Consumer Staple	286,532	-	-	286,532
Energy	195,966	-	-	195,966
Financials	458,760	-	-	458,760
Healthcare	530,320	-	-	530,320

**NOTE 10 - CONTINUED**

Industrials	446,425	-	-	446,425
Information Tech- nology	631,159	-	-	631,159
Materials	118,910	-	-	118,910
Telecommunications	50,302	-	-	50,302
Utilities	11,153	-	-	11,153
	<u>\$12,248,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,248,422</u>

At December 31, 2014, 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	\$ 362,007	\$ -	\$ -	\$ 362,007
Certificates of Deposit	1,467,992	-	-	1,467,992
Savings	55,297	-	-	55,297
Mutual Funds				
Money Market Funds	258,860	-	-	258,860
Bond/Income Funds	2,667,454	-	-	2,667,454
Equity Funds	4,163,025	-	-	4,163,025
Stock				
Consumer Discre- tionary	370,705	-	-	370,705
Consumer Staple	266,231	-	-	266,231
Energy	305,389	-	-	305,389
Financials	493,731	-	-	493,731
Healthcare	480,114	-	-	480,114
Industrials	464,583	-	-	464,583
Fixed income	308,888	-	-	308,888
Information Tech- nology	660,524	-	-	660,524
Materials	169,597	-	-	169,597
Telecommunications	61,209	-	-	61,209
Utilities	12,616	-	-	12,616
	<u>\$12,568,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,568,222</u>

**NOTE 11 - LIFE INSURANCE POLICIES**

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

**NOTE 12 - RELATED PARTY TRANSACTIONS**

The Foundation's board members are leaders in the business community; as such, the Foundation had transactions with the companies with which they are associated. Transactions for the years ended December 31, 2015 and 2014 consisted of purchases of insurance coverage and print advertising as well as banking and investment services.



**NOTE 13 - OPERATING LEASE**

The Foundation leased its office facility under an agreement that was on a month-to-month basis. Rent expense for each of the years ended December 31, 2015 and 2014 was \$2,000 and \$6,000, respectively.

**NOTE 14 - CONCENTRATIONS**

Of the accounts and pledges receivable balances at December 31, 2015 and 2014, 95% and 100%, respectively, is attributed to one donor.

**NOTE 15 - RETIREMENT PLAN**

The Foundation maintains a Savings Incentive Match Plan for Employees (SIMPLE), for all employees who are expected to earn at least \$5,000 in the current year. Employees may contribute up to \$12,000 to the plan. The Foundation must match dollar for dollar up to 3% of the participants' wages. Matching contributions to the plan for the years ended December 31, 2015 and 2014 were \$7,041 and \$5,829, respectively.