

**COMMUNITY FOUNDATION OF
SWITZERLAND COUNTY, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

CPAs / ADVISORS



COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

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DECEMBER 31, 2017 AND 2016

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Switzerland County, Inc.
Vevay, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Switzerland County, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Organization as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Seymour, Indiana

January 31, 2018

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

| | 2017 | 2016 |
|-----------------------------|----------------------|----------------------|
| Cash | \$ 460,093 | \$ 936,478 |
| Certificate of deposit | 200,000 | -0- |
| Investments | 12,550,694 | 10,886,741 |
| Property and equipment, net | 7,094 | 10,184 |
| Prepaid expense | <u>5,466</u> | <u>8,934</u> |
| | <u>\$ 13,223,347</u> | <u>\$ 11,842,337</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|-------------------|----------------|----------------|
| Accounts payable | \$ 658 | \$ -0- |
| Custodial funds | <u>450,769</u> | <u>397,202</u> |
| Total liabilities | 451,427 | 397,202 |

Net assets

| | | |
|-----------------------------------|----------------------|----------------------|
| Unrestricted net assets | | |
| Operating | 232,456 | 189,325 |
| Board designated | <u>1,003,959</u> | <u>911,648</u> |
| | 1,236,415 | 1,100,973 |
| Temporarily restricted net assets | <u>11,535,505</u> | <u>10,344,162</u> |
| Total net assets | <u>12,771,920</u> | <u>11,445,135</u> |
| | <u>\$ 13,223,347</u> | <u>\$ 11,842,337</u> |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE
TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

| | 2017 | | | 2016 |
|---------------------------------------|--------------|------------------------|---------------|---------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| Support and revenues | | | | |
| Contributions | \$ 6,500 | \$ 135,975 | \$ 142,475 | \$ 533,182 |
| Grant revenue | -0- | -0- | -0- | 66,000 |
| Investment return, net | 136,268 | 1,470,824 | 1,607,092 | 707,974 |
| Administrative fees | 174,811 | -0- | 174,811 | 169,621 |
| In-kind revenue | 9,600 | -0- | 9,600 | 9,600 |
| Net assets released from restrictions | 415,456 | (415,456) | -0- | -0- |
| Total support and revenues | 742,635 | 1,191,343 | 1,933,978 | 1,486,377 |
| Expenses | | | | |
| Grants | 231,960 | -0- | 231,960 | 346,017 |
| Program expenses | 7,159 | -0- | 7,159 | 6,202 |
| Salaries and wages | 118,086 | -0- | 118,086 | 97,816 |
| Payroll taxes and employee benefits | 24,990 | -0- | 24,990 | 29,315 |
| Administrative fees | 168,670 | -0- | 168,670 | 163,637 |
| Advertising | 6,717 | -0- | 6,717 | 7,586 |
| Postage and printing | 1,768 | -0- | 1,768 | 806 |
| Telephone | 3,215 | -0- | 3,215 | 3,235 |
| In-kind expense | 9,600 | -0- | 9,600 | 9,600 |
| Depreciation | 3,789 | -0- | 3,789 | 3,999 |
| Office supplies | 1,547 | -0- | 1,547 | 1,828 |
| Dues and subscriptions | 8,570 | -0- | 8,570 | 8,505 |
| Professional fees | 11,300 | -0- | 11,300 | 11,100 |
| Contracted services | 4,000 | -0- | 4,000 | 4,000 |
| Meetings and conferences | 740 | -0- | 740 | 708 |
| Insurance | 1,988 | -0- | 1,988 | 1,759 |
| Miscellaneous | 3,094 | -0- | 3,094 | 3,126 |
| Total expenses | 607,193 | -0- | 607,193 | 699,239 |
| Change in net assets | 135,442 | 1,191,343 | 1,326,785 | 787,138 |
| Net assets, beginning of year | 1,100,973 | 10,344,162 | 11,445,135 | 10,657,997 |
| Net assets, end of year | \$ 1,236,415 | \$ 11,535,505 | \$ 12,771,920 | \$ 11,445,135 |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| | Unrestricted | Temporarily Restricted | Total |
|---------------------------------------|---------------------|---------------------------|----------------------|
| Support and revenues | | | |
| Contributions | \$ 6,525 | \$ 526,657 | \$ 533,182 |
| Grant revenue | -0- | 66,000 | 66,000 |
| Investment return, net | 64,482 | 643,492 | 707,974 |
| Administrative fees | 169,621 | -0- | 169,621 |
| In-kind revenue | 9,600 | -0- | 9,600 |
| Net assets released from restrictions | <u>512,377</u> | <u>(512,377)</u> | <u>-0-</u> |
| Total support and revenues | 762,605 | 723,772 | 1,486,377 |
| Expenses | | | |
| Grants | 346,017 | -0- | 346,017 |
| Program expenses | 6,202 | -0- | 6,202 |
| Salaries and wages | 97,816 | -0- | 97,816 |
| Payroll taxes and employee benefits | 29,315 | -0- | 29,315 |
| Administrative fees | 163,637 | -0- | 163,637 |
| Advertising | 7,586 | -0- | 7,586 |
| Postage and printing | 806 | -0- | 806 |
| Telephone | 3,235 | -0- | 3,235 |
| In-kind expense | 9,600 | -0- | 9,600 |
| Depreciation | 3,999 | -0- | 3,999 |
| Office supplies | 1,828 | -0- | 1,828 |
| Dues and subscriptions | 8,505 | -0- | 8,505 |
| Professional fees | 11,100 | -0- | 11,100 |
| Contracted services | 4,000 | -0- | 4,000 |
| Meetings and conferences | 708 | -0- | 708 |
| Insurance | 1,759 | -0- | 1,759 |
| Miscellaneous | <u>3,126</u> | <u>-0-</u> | <u>3,126</u> |
| Total expenses | <u>699,239</u> | <u>-0-</u> | <u>699,239</u> |
| Change in net assets | 63,366 | 723,772 | 787,138 |
| Net assets, beginning of year | <u>1,037,607</u> | <u>9,620,390</u> | <u>10,657,997</u> |
| Net assets, end of year | <u>\$ 1,100,973</u> | <u>\$ 10,344,162</u> | <u>\$ 11,445,135</u> |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------|--------------|
| Operating activities | | |
| Change in net assets | \$ 1,326,785 | \$ 787,138 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 3,789 | 3,999 |
| Reinvested interest and dividends received on investments | (222,268) | (213,795) |
| Realized and unrealized gains on investments | (1,499,042) | (576,431) |
| Changes in assets and liabilities: | | |
| Prepaid expenses | 3,468 | 3,468 |
| Other assets | -0- | 51,627 |
| Accounts payable | 658 | -0- |
| Deferred revenue | -0- | (384,039) |
| Custodial funds | 53,567 | 14,421 |
| Net cash flows from operating activities | (333,043) | (313,612) |
| Investing activities | | |
| Purchases of property and equipment | (699) | -0- |
| Purchase of certificate of deposit | (200,000) | -0- |
| Purchase of investments | (2,398,561) | (10,690,561) |
| Proceeds from sales of investments | 2,455,918 | 10,697,206 |
| Net cash flows from investing activities | (143,342) | 6,645 |
| Net change in cash | (476,385) | (306,967) |
| Cash, beginning of year | 936,478 | 1,243,445 |
| Cash, end of year | \$ 460,093 | \$ 936,478 |

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Switzerland County, Inc. (the "Organization") is a not-for-profit entity that began operations on January 1, 2000. The Organization is located in Vevay, Indiana, and was organized to assist donors in building an enduring source of charitable assets to benefit the Switzerland County area.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Organization's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of the Organization's operating fund and administrative endowment. The Organization maintains unrestricted funds as follows:

Operating – used to fund current operations of the Organization

Board Designated – used to fund future operations of the Organization as designated by the Board

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Organization's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Cash

Cash consists primarily of money market and checking accounts and excludes amounts held by the Organization's fund managers and included in investments.

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the periods in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization's spending policy.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from three to five years using the straight-line method.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Organization's spending policy. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to Organization's spending policy.

The Organization recognizes grant revenue in the period the related expenses are incurred.

All other revenue is recorded when earned.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is January 31, 2018.

2. CERTIFICATE OF DEPOSIT

The Organization has a certificate of deposit of \$200,000 at December 31, 2017, which bears interest at 1.24 percent and has a maturity date of April 2018. The certificate of deposit is recorded at cost plus accrued interest.

3. INVESTMENTS

Investments consist of the following:

| | <u>2017</u> | <u>2016</u> |
|----------------------------|----------------------|----------------------|
| Cash | \$ 466,778 | \$ 438,696 |
| Equity mutual funds | | |
| Mid/small | 3,361,092 | 2,921,122 |
| Large cap | 5,672,235 | 4,755,429 |
| World/emerging market | 852,966 | 840,625 |
| Fixed income mutual funds | | |
| High Yield | 479,438 | 443,338 |
| World/emerging market | 548,910 | 587,593 |
| Inflation-protected bond | 584,725 | 317,480 |
| U.S. government securities | 376,679 | 314,847 |
| Corporate bonds | <u>207,871</u> | <u>267,611</u> |
| | <u>\$ 12,550,694</u> | <u>\$ 10,886,741</u> |

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

The following schedule summarizes the investment return, excluding the change in custodial funds, and its classification in the Statements of Activities:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|---------------------|-------------------|
| Interest and dividend income | \$ 214,499 | \$ 206,306 |
| Realized and unrealized gains | 1,446,464 | 556,021 |
| Investment fees | <u>(53,871)</u> | <u>(54,353)</u> |
| | <u>\$ 1,607,092</u> | <u>\$ 707,974</u> |

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value 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 (level 1) and the lowest priority to unobservable inputs (level 3). The Organization's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. There were no transfers between levels in 2017 or 2016. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds are held by the Organization and are open-end funds that are registered with the Securities and Exchange Commission. These mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- *U.S. government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2017 and 2016:

| | 2017 | | |
|----------------------------|---------------|---------------|---------|
| | Fair Value | Level 1 | Level 2 |
| Assets: | | | |
| Investments | | | |
| Mutual funds | \$ 11,499,366 | \$ 11,499,366 | \$ -0- |
| U.S. government securities | 376,679 | -0- | 376,679 |
| Corporate bonds | 207,871 | -0- | 207,871 |
| | | | |
| | 2016 | | |
| | Fair Value | Level 1 | Level 2 |
| Assets: | | | |
| Investments | | | |
| Mutual funds | \$ 9,865,587 | \$ 9,865,587 | \$ -0- |
| U.S. government securities | 314,847 | -0- | 314,847 |
| Corporate bonds | 267,611 | -0- | 267,611 |

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

6. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

| | 2017 | 2016 |
|-------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Furniture and fixtures | \$ 10,027 | \$ 10,027 |
| Office equipment | 9,978 | 10,575 |
| Software | <u>18,100</u> | <u>18,100</u> |
| | 38,105 | 38,702 |
| Less accumulated depreciation | <u>(31,011)</u> | <u>(28,518)</u> |
| | <u>\$ 7,094</u> | <u>\$ 10,184</u> |

7. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Statements of Activities. Following is a progression of custodial funds during 2017 and 2016:

| | 2017 | 2016 |
|-------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Beginning balance | \$ 397,202 | \$ 382,781 |
| Contributions | 11,118 | 3,548 |
| Interest and dividend income | 7,769 | 7,489 |
| Realized and unrealized gains | 52,578 | 20,410 |
| Investment fees | (1,959) | (2,005) |
| Administrative fees | (6,141) | (5,984) |
| Grant payments | <u>(9,798)</u> | <u>(9,037)</u> |
| Ending balance | <u>\$ 450,769</u> | <u>\$ 397,202</u> |

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of endowment funds not yet appropriated for expenditure in the amount of \$11,535,505 and \$10,344,162 at December 31, 2017 and 2016, respectively.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$415,456 and \$512,377 based on endowment funds appropriated for expenditure for the years ended December 31, 2017 and 2016, respectively.

10. ENDOWMENT

The majority of the Organization's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year 4 percent of its endowment funds' average fair value over the prior 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Endowed funds by net asset type at December 31, 2017 and 2016 were as follows:

| | 2017 | |
|------------------------|--------------|------------------------|
| | Unrestricted | Temporarily Restricted |
| Board Designated Funds | \$ 1,003,959 | \$ -0- |
| Donor Restricted Funds | -0- | 11,535,505 |
| | \$ 1,003,959 | \$ 11,535,505 |
| | 2016 | |
| | Unrestricted | Temporarily Restricted |
| Board Designated Funds | \$ 911,648 | \$ -0- |
| Donor Restricted Funds | -0- | 10,344,162 |
| | \$ 911,648 | \$ 10,344,162 |

Changes in endowed funds for the years ending December 31, 2017 and 2016 were as follows:

| | 2017 | |
|--|--------------|------------------------|
| | Unrestricted | Temporarily Restricted |
| Endowment net assets, beginning of year | \$ 911,648 | \$ 10,344,162 |
| Contributions and other revenue | -0- | 135,975 |
| Investment return, net | 134,741 | 1,470,824 |
| Funds transfer | (28,000) | -0- |
| Appropriation of endowment assets for expenditure | (14,430) | (415,456) |
| Endowment net assets, end of year | \$ 1,003,959 | \$ 11,535,505 |

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

| | 2016 | |
|--|--------------|---------------------------|
| | Unrestricted | Temporarily Restricted |
| Endowment net assets, beginning of year | \$ 892,085 | \$ 9,620,390 |
| Contributions and other revenue | -0- | 526,657 |
| Investment return, net | 62,567 | 643,492 |
| Funds transfer | (28,700) | -0- |
| Appropriation of endowment assets for expenditure | (14,304) | (446,377) |
| Endowment net assets, end of year | \$ 911,648 | \$ 10,344,162 |

11. FUNCTIONAL EXPENSES

The Organization serves as a vehicle for residents of Switzerland County to donate to various organizations and projects in the county. Expenses related to providing this service are classified as follows:

| | 2017 | 2016 |
|-------------------------------------|------------|------------|
| Development of Switzerland County | \$ 496,769 | \$ 595,130 |
| Fundraising | 36,809 | 34,705 |
| General and administrative expenses | 73,615 | 69,404 |
| | \$ 607,193 | \$ 699,239 |

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts at December 31, 2017 and 2016.

Marketable securities and money market funds are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

13. RECENTLY ISSUED ACCOUNTING STANDARDS

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Foundation is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two-phase project to amend not-for-profit financial reporting requirements.

The Foundation is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.