

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CPAs / ADVISORS



COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Switzerland County, Inc.
303 Ferry St.
Vevay, Indiana 47043

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, 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 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, 2019 and 2018, 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

March 2, 2020

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Cash	\$ 638,682	\$ 549,597
Certificate of deposit	300,000	300,000
Investments	12,917,125	11,188,834
Property and equipment, net	930	3,258
Prepaid expense	-0-	1,998
	<u>\$ 13,856,737</u>	<u>\$ 12,043,687</u>

LIABILITIES AND NET ASSETS

Liabilities

Deferred revenue	\$ -0-	\$ 157,354
Custodial funds	<u>482,568</u>	<u>395,011</u>
Total liabilities	482,568	552,365

Net assets

Without donor restrictions		
Operating	389,441	380,957
Administrative endowment	<u>1,032,291</u>	<u>882,536</u>
	1,421,732	1,263,493
With donor restrictions		
Restricted for specified purposes	381,155	351,103
Restricted in perpetuity - endowment	9,480,826	9,228,283
Restricted subject to the Organization's spending policy	<u>2,090,456</u>	<u>648,443</u>
	<u>11,952,437</u>	<u>10,227,829</u>
Total net assets	<u>13,374,169</u>	<u>11,491,322</u>
	<u>\$ 13,856,737</u>	<u>\$ 12,043,687</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE
 TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 6,500	\$ 376,680	\$ 383,180	\$ 184,549
Investment return, net	165,215	1,963,656	2,128,871	(905,820)
Administrative fees	180,473	-0-	180,473	178,974
In-kind revenue	9,600	-0-	9,600	9,600
Net assets released from restrictions	<u>615,728</u>	<u>(615,728)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	977,516	1,724,608	2,702,124	(532,697)
Expenses				
Program services	672,508	-0-	672,508	623,772
Management & general	88,521	-0-	88,521	65,341
Fundraising & development	<u>58,248</u>	<u>-0-</u>	<u>58,248</u>	<u>58,788</u>
Total expenses	<u>819,277</u>	<u>-0-</u>	<u>819,277</u>	<u>747,901</u>
Change in net assets	158,239	1,724,608	1,882,847	(1,280,598)
Net assets, beginning of year	<u>1,263,493</u>	<u>10,227,829</u>	<u>11,491,322</u>	<u>12,771,920</u>
Net assets, end of year	<u>\$ 1,421,732</u>	<u>\$ 11,952,437</u>	<u>\$ 13,374,169</u>	<u>\$ 11,491,322</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 6,500	\$ 178,049	\$ 184,549
Investment return, net	(63,893)	(841,927)	(905,820)
Administrative fees	178,974	-0-	178,974
In-kind revenue	9,600	-0-	9,600
Net assets released from restrictions	544,523	(544,523)	-0-
Total support and revenues	675,704	(1,208,401)	(532,697)
Expenses			
Program services	623,772	-0-	623,772
Management & general	65,341	-0-	65,341
Fundraising & development	58,788	-0-	58,788
Total expenses	747,901	-0-	747,901
Change in net assets	(72,197)	(1,208,401)	(1,280,598)
Net assets, beginning of year	1,335,690	11,436,230	12,771,920
Net assets, end of year	\$ 1,263,493	\$ 10,227,829	\$ 11,491,322

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Management & General	Fundraising & Development	Total	Program Services	Management & General	Fundraising & Development	Total
Grants	\$ 353,811	\$ -0-	\$ -0-	\$ 353,811	\$ 307,681	\$ -0-	\$ -0-	\$ 307,681
Program expenses	8,832	-0-	-0-	8,832	6,997	-0-	-0-	6,997
Salaries and wages	91,907	51,256	33,581	176,744	89,704	44,852	31,562	166,118
Payroll taxes and employee benefits	17,077	9,523	6,239	32,839	16,861	8,430	5,932	31,223
Administrative fees	173,838	-0-	-0-	173,838	172,469	-0-	-0-	172,469
Advertising	4,618	1,155	5,774	11,547	2,493	623	3,116	6,232
Office supplies	1,226	490	736	2,452	1,175	470	705	2,350
Postage and printing	521	208	313	1,042	811	324	486	1,621
Telephone	1,553	621	932	3,106	1,292	517	776	2,585
Rent	4,800	1,920	2,880	9,600	4,800	1,920	2,880	9,600
Depreciation	1,164	466	698	2,328	1,918	767	1,151	3,836
Professional fees	6,393	12,425	-0-	18,818	6,467	2,587	3,881	12,935
Dues and subscriptions	-0-	6,992	-0-	6,992	5,715	2,286	3,430	11,431
Contracted services	1,026	410	616	2,052	2,000	800	1,200	4,000
Meetings and conferences	2,845	1,896	4,741	9,482	1,533	1,022	2,555	5,110
Insurance	1,926	770	1,155	3,851	952	381	572	1,905
Miscellaneous	971	389	583	1,943	904	362	542	1,808
Total expenses	<u>\$ 672,508</u>	<u>\$ 88,521</u>	<u>\$ 58,248</u>	<u>\$ 819,277</u>	<u>\$ 623,772</u>	<u>\$ 65,341</u>	<u>\$ 58,788</u>	<u>\$ 747,901</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating activities		
Change in net assets	\$ 1,882,847	\$ (1,280,598)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,328	3,836
Reinvested interest and dividends received on investments	(524,078)	(213,682)
Realized and unrealized (gains) losses on investments	(1,742,557)	1,099,983
Restricted contributions for endowment	(252,543)	(108,294)
Changes in assets and liabilities:		
Prepaid expenses	1,998	3,468
Accounts payable	-0-	(658)
Deferred revenue	(157,354)	157,354
Custodial funds	87,557	(55,758)
Net cash flows from operating activities	(701,802)	(394,349)
Investing activities		
Purchases of certificate of deposit	-0-	(700,000)
Proceeds from sale of certificate of deposit	-0-	600,000
Purchase of investments	(9,366,106)	(4,844,533)
Proceeds from sales of investments	9,904,450	5,320,092
Net cash flows from investing activities	538,344	375,559
Financing activities		
Restricted contributions for endowment	252,543	108,294
Net cash flows from investing activities	252,543	108,294
Net change in cash	89,085	89,504
Cash, beginning of year	549,597	460,093
Cash, end of year	\$ 638,682	\$ 549,597

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board of directors (Board) or designated by the Board for specific use. The Organization maintains net assets without donor restrictions as follows:

Operating – used to fund current operations of the Organization

Administrative endowment – established with the expectation that the principal be maintained in perpetuity to generate grants, subject to the spending policy, used to support the general operations of the Organization as designated by the Board

Net assets with donor restrictions: Net assets subject to donor stipulations for specific purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Restricted in perpetuity – endowment – all contributions to the Organization with the intention of the donor that the assets be held in perpetuity and managed in accordance with the Organization’s spending policy

Restricted subject to the Organization’s spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Organization’s spending policy

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 net assets with or without donor restrictions 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 five to twenty years using the straight-line method.

Deferred Revenue

During 2018, the Organization received a \$168,600 grant from Lilly Endowment through its GIFT Phase VII initiative. The grant is required to be matched with new contributions to help build the Organization’s unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from October 1, 2018 through December 31, 2020. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$0 and 157,354 as of December 31, 2019 and 2018.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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. Contributions received with donor imposed restrictions are reported as restricted support and increase net assets with donor restrictions.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund.

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

All other revenue is recorded when earned.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind rent. It is the policy of the Organization to record the estimated fair value of the in-kind rent as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2019 and 2018, revenue recognized as in-kind contributions was \$9,600.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current method of presentation.

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, 2019 and 2018, 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.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 and are considered program expenses. 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 Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time, effort, and usage. 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.

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 March 2, 2020.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. CERTIFICATE OF DEPOSIT

The Organization held a certificate of deposit of \$300,000 at December 31, 2019 and 2018, which bears interest at 2.35 percent and has a maturity date of March 2020. The certificate of deposit is recorded at cost plus accrued interest.

3. INVESTMENTS

Investments consist of the following:

	2019	2018
Cash	\$ 426,857	\$ 507,711
Equity mutual funds		
Mid/small	2,481,201	2,751,369
Large cap	6,570,312	4,714,192
World/emerging market	952,730	768,337
Fixed income mutual funds		
Short-term	239,269	283,425
High yield	186,057	468,335
World/emerging market	374,238	504,992
Inflation-protected bond	239,249	627,580
U.S. government securities	915,473	333,081
Corporate bonds	531,739	229,812
	<u>\$ 12,917,125</u>	<u>\$ 11,188,834</u>

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3), which 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

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosures for 2019 and 2018 have been restated for these changes.

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 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.

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, 2019 and 2018.

- *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.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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, 2019 and 2018:

	2019		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Mutual funds	\$ 11,043,056	\$ 11,043,056	\$ -0-
U.S. government securities	915,473	-0-	915,473
Corporate bonds	531,739	-0-	531,739
	2018		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Mutual funds	\$ 10,118,230	\$ 10,118,230	\$ -0-
U.S. government securities	333,081	-0-	333,081
Corporate bonds	229,812	-0-	229,812

6. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2019	2018
Furniture and fixtures	\$ 10,027	\$ 10,027
Office equipment	9,978	9,978
Software	18,100	18,100
	38,105	38,105
Less accumulated depreciation	(37,175)	(34,847)
	\$ 930	\$ 3,258

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

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 2019 and 2018:

	2019	2018
Beginning balance	\$ 395,011	\$ 450,769
Contributions	28,878	764
Investment return, net	80,541	(34,044)
Administrative fees	(6,635)	(6,505)
Grant payments	(15,227)	(15,973)
Ending balance	<u>\$ 482,568</u>	<u>\$ 395,011</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$615,728 and \$544,523 based on funds appropriated for expenditure for the years ended December 31, 2019 and 2018, respectively.

9. 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 the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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:

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

- (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 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, 2019 and 2018 were as follows:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	\$ 1,032,291	\$ -0-	\$ 882,536	\$ -0-
Donor Restricted Funds	-0-	11,571,282	-0-	9,876,726
	\$ 1,032,291	\$ 11,571,282	\$ 882,536	\$ 9,876,726

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Changes in endowed funds for the years ending December 31, 2019 and 2018 were as follows:

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 882,536	\$ 9,876,726	\$ 1,003,959	\$ 11,088,603
Contributions and other revenue	-0-	271,509	-0-	126,364
Investment return, net	163,086	1,963,128	(68,971)	(841,701)
Funds transfer	-0-	-0-	(39,000)	-0-
Appropriation of endowment assets for expenditure	<u>(13,331)</u>	<u>(540,081)</u>	<u>(13,452)</u>	<u>(496,540)</u>
Endowment net assets, end of year	<u>\$ 1,032,291</u>	<u>\$ 11,571,282</u>	<u>\$ 882,536</u>	<u>\$ 9,876,726</u>

10. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts, certificates of deposit, and other short-term investments. Financial assets available for general expenditures within one year of the Statement of Financial Position date are comprised of the following as of December 31, 2019 and 2018:

	2019	2018
Cash	\$ 352,310	\$ 293,161
Certificate of deposit	36,201	35,201
Operating investments	<u>-0-</u>	<u>47,338</u>
	<u>\$ 388,511</u>	<u>\$ 375,700</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization has an annual grant approval process. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash, certificates of deposits or liquid investments and are made available upon appropriation.

COMMUNITY FOUNDATION OF SWITZERLAND COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The administrative endowment is subject to an annual spending rate of 4 percent as described in Note 9. Although the Organization does not intend to spend from this administrative endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Organization also relies on the administrative fees it charges its funds annually ranging from 1.5% to 2% of fund balance to fund operational expenditures.

11. 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, 2019 and 2018.

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.