

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Financial Statements

June 30, 2015

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Financial Statements
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Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Independent Auditors' Report

To the Board of Directors
Community Foundation of Crawford County, Inc.

We have audited the accompanying financial statements of Community Foundation of Crawford County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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 auditors consider 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 Community Foundation of Crawford County, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Rodefer Moss & Co, PLLC
New Albany, Indiana
October 24, 2016

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Statement of Financial Position

June 30, 2015

ASSETS

Cash	\$ 22,360
Investments	5,916,024
Prepaid expenses	3,803
Other assets	5,500
Property and equipment, net	<u>109,172</u>
Total assets	<u>\$ 6,056,859</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ 35,640
Grants payable	10,000
Amounts held for other agencies	<u>47,065</u>
Total liabilities	<u>92,705</u>

Net Assets

Unrestricted net assets	
Unrestricted	191,917
Unrestricted - board designated	<u>5,772,237</u>
Total net assets	5,964,154
Total liabilities and net assets	<u>\$ 6,056,859</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Statement of Activities
Year Ended June 30, 2015

Revenue, Gains, and Other Support	
Investment income, net	\$ 255,085
Contributions and grants	67,677
Grant program administrative fees	<u>1,256</u>
Total revenue, gains, and other support	<u>324,018</u>
Expenses	
Program	
Scholarships and grants	36,263
Fundraising	
Marketing and fund development	11,050
Management and General	
Salaries	84,254
Occupancy	15,895
IT support	13,499
Office	11,879
Employee benefits	10,022
Insurance	9,958
Professional services	6,025
Payroll taxes	5,937
Dues and subscriptions	5,720
Other	3,999
Depreciation	3,476
Conferences and meetings	<u>1,799</u>
Total Management and General	<u>172,463</u>
Total expenses	<u>219,776</u>
Change in net assets	104,242
Net assets at the beginning of the year (restated)	<u>5,859,912</u>
Net assets at the end of the year	<u>\$ 5,964,154</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows From Operating Activities

Change in net assets	\$ 104,242
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	3,476
Investment income, net	(255,085)
Increase in liabilities:	
Accrued expenses	6,644
Grants payable	10,000
Amounts held for other agencies	<u>1,110</u>
Net cash flows from operating activities	<u>(129,613)</u>

Cash Flows From Investing Activities

Purchases of investments	(2,377,923)
Sales of investments	<u>2,515,579</u>
Net cash flows from investing activities	<u>137,656</u>
Net change in cash and cash equivalents	8,043

Cash at beginning of the year	<u>14,317</u>
Cash at end of the year	<u>\$ 22,360</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements
June 30, 2015

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Activities - This summary of significant accounting policies of Community Foundation of Crawford County, Inc. (the "Foundation") is presented to assist in understanding the Foundation's financial statements.

The Community Foundation of Crawford County, Inc. was founded in 1998 as a component fund of a regional Community Foundation. In May 2005, The Foundation became a standalone 501(c)(3) corporation. The Foundation was created to serve philanthropic and charitable needs in Crawford County, Indiana. To this end, the Foundation offers endowment services, grant making, scholarship, donor estate, and planned gift services to individuals and qualified organizations serving Crawford County.

Financial Statement Presentation - The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a Statement of Cash Flows. The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general and board designated assets and liabilities of the Foundation. The unrestricted net assets of the Foundation may be used at the discretion of management to support the Foundation's purposes and operations.

The Foundation currently maintains variance power over all funds received. Therefore, funds designated by the donor for endowment or pass-through purposes are deemed unrestricted assets of the Foundation. The Board has designated these unrestricted net assets to conform to donor requests.

The following classifications are used for internal reporting purposes:

Operating fund holds monies which provide the daily support for the operation of the Foundation.

Permanent funds are contributed funds in which the original gift is held in perpetuity and only the investment income is spent for the donor's recommend purpose.

Nonpermanent funds are contributed funds in which the original gift is not held in perpetuity and is considered fully expendable.

Designated purpose funds allow the donor to recommend in advance which organization will be supported by annual grants from the fund.

Scholarship funds enable students to pursue higher education or vocational training. These funds can be established to honor or memorialize an individual and/or to serve a specific purpose that is important to that donor.

Donor advised funds allow the donor to make recommendations for distribution to specific charities. Donors are invited annually to make recommendations for each year's grant.

Special project funds are gifts received for a specific purpose or project.

Temporarily and permanently restricted net assets

The Foundation does not have temporarily or permanently restricted net assets at June 30, 2015.

Cash Equivalents - For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents except for those cash equivalents included in short-term investments.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets when the Foundation is not granted variance power. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

In addition to receiving cash contributions, the Foundation may receive in-kind contributions from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount.

Revenues from exchange transactions are recognized as increases in unrestricted net assets measured by the increase in cash or other assets realized. Cost reimbursement type grant revenues are recorded to the extent of expenditures incurred, not to exceed the grant or contract award. All other grants, grants which are in essence gifts, are recognized as revenue when the award is made.

Investments - The Foundation carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair values in the Statement of Financial Position. Fair value is determined under the Fair Value Measurements Topic of FASB ASC. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investment allocation - The Foundation maintains investment accounts for its endowment and designated funds. Investment income, including realized and unrealized gains and losses from securities in the investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the investment accounts as adjusted for additions to or deductions from those accounts.

Property and Equipment - Expenditures in excess of \$1,000 for property, equipment, land and other items which substantially increase the useful life of existing assets are capitalized at cost if purchased and fair value if donated. The Foundation provides for depreciation on the straight-line method at rates designated to depreciate the cost of assets over estimated useful lives as follows:

Furniture, equipment, and software	5 - 7 Years
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Grants and Scholarships - Grants and scholarships are considered incurred and recorded as payable upon their unconditional approval by the Board of Directors and communication to designated grantees.

Advertising Costs - The Foundation uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2015 was \$8,090.

Expense Allocation - Expenses relating to more than one function are allocated to program services, general and administrative, fundraising, and development costs based on employee time estimates or other appropriate factors.

Income Taxes - The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation evaluates its uncertain tax positions in accordance with applicable standards. The Foundation has evaluated its tax positions, and believes that it has none that are uncertain.

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

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of June 30, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

Prior to the date of the issuance of the report, the Executive Director left employment. Per the Foundation's policy, accrued vacation and sick time was paid out when the Executive Director left employment. It was discovered that accrued vacation and sick time had not been recorded as of June 30, 2014. As a result, the Foundation determined that as of June 30, 2014, accrued expenses were understated and net assets were overstated.

During the audit it was discovered that the Foundation had been gifted ownership of a time share in a prior year, and this time share was not reflected on the Statement of Financial Position as of June 30, 2014. As a result, the Foundation determined that as of June 30, 2014, other assets and net assets were understated.

	June 30, 2014	
	As previously reported on compiled financial statements	Restated
Accrued expenses	\$ 7,164	\$ 28,996
Other assets	1,000	5,500
Net assets	5,877,244	5,859,912

NOTE 3 - INVESTMENTS

The Foundation's investments are as follows as of June 30, 2015:

	Cost	Fair Value
Cash equivalents	\$ 129,173	\$ 129,173
Fixed income	1,201,668	1,204,241
Equities	2,876,817	4,211,416
Real estate	376,031	371,194
Total investments	\$ 4,583,689	\$ 5,916,024

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 3 - INVESTMENTS (Continued)

Investment return is summarized as follows for the year ended June 30, 2015:

Interest and dividends	\$ 149,928
Net realized gains	484,742
Net unrealized losses	<u>(337,692)</u>
Total investment income	296,978
Investment related expenses	<u>(39,845)</u>
Net investment income	257,133
Less investment income allocated to amounts held for others	<u>(2,048)</u>
Net investment income reported on statement of activities	<u><u>\$ 255,085</u></u>

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements Topic of the FASB ASC establishes a framework for measuring fair value. That framework 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 or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liabilities; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of valuation methodologies used for assets measured at fair value.

Cash equivalents are not subject to fair value disclosure requirements and therefore are not included in the following table.

Fixed income is valued using pricing models maximizing the use of observable inputs for similar securities.

Equities are valued at the closing price reported on the active market on which the individual securities are traded.

Real estate investments are valued using pricing models maximizing the use of observable inputs for similar securities.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

A summary of the Foundation's investments measured at fair value on a recurring basis is as follows as of June 30, 2015:

June 30, 2015	Level 1	Level 2	Level 3	Total
Fixed Income	\$ 1,204,241	\$ -	\$ -	\$ 1,204,241
Equities	4,211,416	-	-	4,211,416
Real estate	371,194	-	-	371,194
Total assets at fair value	<u>\$ 5,786,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,786,851</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2015:

Land	\$ 105,233
Furniture, equipment, and software	<u>58,005</u>
Subtotal	163,238
Accumulated depreciation and amortization	<u>(54,066)</u>
Property and equipment, net	<u>\$ 109,172</u>

NOTE 6 - AMOUNTS HELD FOR OTHER AGENCIES

Amounts held for other agencies represent funds placed on deposit with the Foundation by other 501(c)(3) organizations, based on their individual board resolutions. The Foundation accounts for these transfers as a liability. Income is added to these funds periodically, in accordance with the Foundation'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 on the Foundation's Statement of Activities.

Amounts held for other agencies at July 1, 2014	\$ 45,955
Investment income, net of fees	2,048
Administrative Fee	<u>(938)</u>
Amounts held for other agencies at June 30, 2015	<u>\$ 47,065</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - NET ASSETS

The Board has designated unrestricted net assets to conform to donor requests. The following amounts are designated by the Board at June 30, 2015:

Permanent Funds	
Scholarship funds	\$ 2,028,249
Field of interest funds	1,604,535
Unrestricted	576,490
Designated purpose funds	526,332
Donor advised funds	<u>420,980</u>
	<u>5,156,586</u>
Non-Permanent Funds	
Unrestricted funds	600,591
Designated purpose funds	<u>15,060</u>
	<u>615,651</u>
Total designated funds	<u>\$ 5,772,237</u>

NOTE 8 - ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes. The majority of the individual fund agreements allow the Foundation to have variance power over the use of the funds and these funds are therefore classified as unrestricted. 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.

Interpretation of Relevant Law

The Board of Directors of the Foundation 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, absent explicit donor stipulations to the contrary. The Foundation classifies donor-restricted funds (in which variance power does not exist) as permanently restricted net assets and those with variance power as unrestricted net assets. The Foundation does not have any permanently restricted funds. Regardless of the net asset classification, funds are classified as permanent or non-permanent - as defined in Note 1. All funds have three components - spendable, accumulated earnings, and non-spendable. The endowed portion (permanent) represents a) the original value of gifts donated, b) the original value of subsequent gifts, and c) the accumulations to the endowment made in accordance with the gift instrument.

Funds subject to variance power are classified as unrestricted net assets. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation 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 Foundation
- 7) The investment policies of the Foundation

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 8 - ENDOWMENT - (Continued)

The endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	\$ 5,772,237	\$ -	\$ -	\$ 5,772,237

As discussed in Note 1, the Foundation maintains variance power over all of its endowment contributions and has classified them as board designated unrestricted net assets. The general fund maintains the investments for the Foundation. The individual funds held within the board designated endowment receive an allocation of monthly net investment income as explained in Note 1.

Changes in endowment net assets are as follows for the year ended June 30, 2015:

Endowment net assets, beginning of year	\$ 5,735,806
Investment income, net of fees	591,817
Net depreciation	(337,692)
Total investment return	254,125
Contributions	51,714
Appropriation for expenditure	(269,408)
Endowment net assets, end of year	\$ 5,772,237

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and board designated endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted general fund net assets were \$5,154 as of June 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted and board designated funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a total return, within prudent levels of risk, which is sufficient to maintain, in real terms, the purchasing power of the Foundation's investments. The Foundation expects the endowment funds, over time, to provide an average rate of return greater than the return on a balanced market with Lehman Brothers Intermediate Government Index. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment decisions are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 8 - ENDOWMENT - (Continued)

Spending Policy

The spending rate is based upon a modified total return approach that authorizes both income and net capital appreciation to be withdrawn for spending. The maximum allowable spending amount for the Foundation each year is four percent of the funds fair market value, based on the previous three year's rolling average.

NOTE 9 - RETIREMENT PLAN

The Foundation sponsors a 403(b) plan. The Foundation makes contributions which are immediately vested for the benefit of the participants. The Foundation's contribution to this plan for the year ended June 30, 2015 was \$3,881.

NOTE 10 - RISKS AND UNCERTAINTIES

The Foundation is supported by contributions from the public. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term. For the year ended June 30, 2015, one donor's contributions represented 37 percent of total contributions. The Foundation's donor base is concentrated on individuals and qualified organizations of Crawford County.

Money market funds, bond funds, and equity funds are held in a brokerage account. 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.