

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

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

CPAs / ADVISORS



COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Community Foundation of Crawford County, Inc.
Marengo, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Crawford County, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2018, 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.

Auditor's 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 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 June 30, 2018, 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.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2017, were audited by other auditors whose report dated May 16, 2018, expressed an unmodified opinion on those statements.

Blue & Co., LLC

Seymour, Indiana

January 21, 2019

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 63,218	\$ 39,398
Investments	6,470,063	6,076,177
Property and equipment, net	107,202	107,973
Prepaid expense	-0-	6,012
Other assets	1,018	1,000
	<u>\$ 6,641,501</u>	<u>\$ 6,230,560</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ 1,424	\$ 2,863
Custodial funds	111,031	49,439
Total liabilities	112,455	52,302

Net assets

Unrestricted net assets		
Operating	104,001	139,052
Operating reserve	593,321	542,872
Funds for the benefit of other organizations	73,467	68,381
Endowed funds for the benefit of other organizations	5,758,257	5,427,953
Total unrestricted net assets	<u>6,529,046</u>	<u>6,178,258</u>
	<u>\$ 6,641,501</u>	<u>\$ 6,230,560</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Support, revenues and other		
Contributions and grant revenue	\$ 166,661	\$ 100,877
Investment return, net	578,587	507,929
Administrative fees	361	959
Loss on disposal of equipment	-0-	(4,500)
Total support, revenues and other	745,609	605,265
Expenses		
Scholarships and grants	213,280	75,434
Salaries and wages	103,324	79,201
Professional fees	19,655	23,958
Payroll taxes and employee benefits	11,117	8,110
Rent	8,280	9,287
IT support	6,608	9,816
Travel and entertainment	6,083	3,048
Utilities	3,889	2,813
Relocation expense	3,519	-0-
Office supplies	3,467	1,276
Insurance	3,439	4,618
Postage and printing	3,291	2,723
Advertising	2,925	3,384
Training and education	2,351	2,726
Repairs and maintenance	855	625
Depreciation	771	713
Membership dues	701	366
Donor development	595	4,970
Telephone	556	1,052
Miscellaneous	115	200
Total expenses	394,821	234,320
Change in net assets	350,788	370,945
Unrestricted net assets, beginning of year	6,178,258	5,807,313
Unrestricted net assets, end of year	\$ 6,529,046	\$ 6,178,258

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ 350,788	\$ 370,945
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	771	713
Loss on disposal of equipment	-0-	4,500
Reinvested interest and dividends received on investments	(162,457)	(161,447)
Realized and unrealized gains on investments	(461,183)	(390,399)
Changes in assets and liabilities:		
Prepaid expenses	6,012	3,404
Other assets	(18)	-0-
Accrued expenses	(1,439)	(718)
Accounts payable	-0-	(8,593)
Grants payable	-0-	(47,067)
Custodial funds	61,592	3,290
Net cash flows from operating activities	<u>(205,934)</u>	<u>(225,372)</u>
Investing activities		
Purchases of property and equipment	-0-	(2,881)
Purchases of investments	(2,395,073)	(2,718,210)
Proceeds from sales of investments	2,624,827	2,965,080
Net cash flows from investing activities	<u>229,754</u>	<u>243,989</u>
Net change in cash and cash equivalents	23,820	18,617
Cash and cash equivalents, beginning of year	<u>39,398</u>	<u>20,781</u>
Cash and cash equivalents, end of year	<u>\$ 63,218</u>	<u>\$ 39,398</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Crawford County, Inc. (the "Organization") is a not-for-profit entity that began operations in May 2005. The Organization is located in Marengo, Indiana, and was organized to serve philanthropic and charitable needs in Crawford County, Indiana. The Organization offers endowment services, grant making, scholarship, donor estate, and planned gift services to individuals and qualified organizations serving Crawford County.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of money market investments and exclude amounts held by the Organization's fund manager and included in investments.

Basis of Presentation

Net assets, support, investment return, revenues, gains and losses are subject to the variance power established by the Organization's governing documents, including those with donor-imposed restrictions. The variance provision gives the Organization's Board of Directors the right to vary the terms of the gift. Therefore, all gifts are generally classified as unrestricted net assets in the accompanying financial statements. Contributions with donor-imposed restrictions that are met during the same fiscal year as the contribution is made are included as unrestricted support that increases unrestricted net assets.

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 restriction. The Organization maintains unrestricted funds as follows:

Operating – used to fund current operations of the Organization.

Operating reserve – used to fund future operations of the Organization as designated by the Board.

Funds for the benefit of other organizations – represent amounts to be expended by the Organization for general or specifically designated community organizations, purposes, or programs.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Endowed funds for the benefit of other organizations – represent amounts to be maintained in perpetuity, whereby the earnings on such funds are intended for general or specifically designated community organizations, purposes, or programs. Distributions from these funds are based on the Organization's spending policy.

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.

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 seven 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 unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. 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 unrestricted net assets unless their use is prohibited by explicit donor stipulation or by law.

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

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the 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

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 June 30, 2018 and 2017, 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.

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.

Reclassifications

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

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 January 21, 2019.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. INVESTMENTS

Investments consist of the following:

	2018	2017
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 218,621	\$ 84,935
Common stocks		
Mid/small	142,409	124,081
Large	2,859,640	2,334,515
Developed international	-0-	73,280
Emerging markets	-0-	40,854
Equity mutual funds		
Mid/small	702,968	639,196
Developed international	166,073	90,587
Emerging markets	172,388	91,795
Fixed income mutual funds		
Intermediate	115,958	88,039
Multi-sector	100,437	60,203
World	32,334	-0-
High-yield	82,770	-0-
Non-traditional	99,981	-0-
Exchange traded funds		
Mid/small	-0-	206,518
Large	292,687	429,758
Developed international	130,888	187,428
Real assets	95,521	264,755
U.S. government securities	106,636	110,820
Corporate bonds		
Short	254,981	261,601
Intermediate	895,771	987,812
	<u> </u>	<u> </u>
	\$ 6,470,063	\$ 6,076,177
	<u> </u>	<u> </u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 160,983	\$ 157,298
Realized and unrealized gains	457,310	390,399
Investment fees	<u>(39,706)</u>	<u>(39,768)</u>
	<u>\$ 578,587</u>	<u>\$ 507,929</u>

3. 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.

4. 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 2018 or 2017. 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.

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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 June 30, 2018 and 2017.

- *Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual and exchange traded funds are held by the Organization and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The 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 June 30, 2018 and 2017:

	2018		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Common stocks	\$ 3,002,049	\$ 3,002,049	\$ -0-
Mutual funds	1,472,909	1,472,909	-0-
Exchange traded funds	519,096	519,096	-0-
U.S. government securities	106,636	-0-	106,636
Corporate bonds	1,150,752	-0-	1,150,752
Total assets at fair value	\$ 6,251,442	\$ 4,994,054	\$ 1,257,388

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

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	Fair Value	2017	
		Level 1	Level 2
Assets:			
Investments			
Common stocks	\$ 2,572,730	\$ 2,572,730	\$ -0-
Mutual funds	969,820	969,820	-0-
Exchange traded funds	1,088,459	1,088,459	-0-
U.S. government securities	110,820	-0-	110,820
Corporate bonds	1,249,413	-0-	1,249,413
Total assets at fair value	<u>\$ 5,991,242</u>	<u>\$ 4,631,009</u>	<u>\$ 1,360,233</u>

5. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2018	2017
Furniture and fixtures	\$ 23,496	\$ 23,496
Software	26,362	26,362
Land	105,233	105,233
	155,091	155,091
Less accumulated depreciation	(47,889)	(47,118)
	<u>\$ 107,202</u>	<u>\$ 107,973</u>

6. 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.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
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Following is a progression of custodial funds during 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 49,439	\$ 46,149
Contributions	93,417	100
Interest and dividend income	1,474	4,149
Realized and unrealized gains	3,873	-0-
Program expense	(33,539)	-0-
Administrative fees	(1,554)	(959)
Grant payments	<u>(2,079)</u>	<u>-0-</u>
Ending balance	<u>\$ 111,031</u>	<u>\$ 49,439</u>

7. ENDOWMENT

The majority of the Organization’s funds consist of endowed funds established for a variety of purposes. 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 unrestricted due to the variance power granted to the Organization. These funds are designated by the Board of Directors to function as endowments. 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 board designated funds that the Organization intends to use for donor-specified purposes. 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

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

exposure to risk. The Organization expects its endowment funds to meet or exceed the return of a balanced market with the Lehman Brothers Intermediate Government Index. 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' fair value based on the previous three years rolling average, 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 are considered to be board designated and are \$5,758,257 and \$5,427,953 at June 30, 2018 and 2017, respectively.

Changes in endowed funds for the years ending June 30, 2018 and 2017 were as follows:

	2018	2017
Endowment net assets, beginning of year	\$ 5,427,953	\$ 5,076,124
Contributions and other revenue	139,506	74,151
Investment return, net	404,883	452,675
Appropriation of endowment assets for expenditure	(214,085)	(174,997)
Endowment net assets, end of year	<u>\$ 5,758,257</u>	<u>\$ 5,427,953</u>

8. FUNCTIONAL EXPENSES

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

	2018	2017
Development of Crawford County	\$ 340,524	\$ 185,340
Fundraising	18,100	18,356
General and administrative expenses	36,197	30,624
	<u>\$ 394,821</u>	<u>\$ 234,320</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

9. COMMITMENTS

The Organization had conditional scholarships of \$89,072 and \$86,146 at June 30, 2018 and 2017, respectively. These amounts will not be paid until the related conditions have been met; therefore, a liability related to these scholarships has not been recognized.

10. 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 June 30, 2018 and 2017.

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.

11. RECENTLY ISSUED ACCOUNTING STANDARDS

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This new standard, which the Organization is not required to adopt until its year ending June 30, 2021, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

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 Organization is not required to adopt until its year ending June 30, 2019, 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.

On June 21, 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate

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value in return for the resources transferred . Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow an NFP entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. The Organization will be required to adopt this new standard in the year ending June 30, 2020.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.