

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

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, 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 June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective July 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Seymour, Indiana

November 27, 2019

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018 As Restated (Note 2)
	<u>2019</u>	<u>(Note 2)</u>
Cash and cash equivalents	\$ 570,070	\$ 63,218
Investments	7,093,671	6,470,063
Property and equipment, net	109,968	107,202
Other assets	<u>2,018</u>	<u>1,018</u>
	<u>\$ 7,775,727</u>	<u>\$ 6,641,501</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 6,985	\$ -0-
Accrued expenses	1,724	1,424
Deferred revenue	304,772	-0-
Custodial funds	<u>135,620</u>	<u>111,031</u>
Total liabilities	449,101	112,455

Net assets

Without donor restrictions		
Operating	218,835	104,001
Operating reserve	<u>492,696</u>	<u>593,321</u>
	711,531	697,322
With donor restrictions		
Restricted for specified purposes	138,137	73,467
Restricted in perpetuity - endowment	4,137,034	3,623,309
Restricted subject to the Organization's spending policy	<u>2,339,924</u>	<u>2,134,948</u>
	<u>6,615,095</u>	<u>5,831,724</u>
Total net assets	<u>7,326,626</u>	<u>6,529,046</u>
	<u>\$ 7,775,727</u>	<u>\$ 6,641,501</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without donor	With donor	Total	As Restated
	Restrictions	Restrictions		(Note 2)
				Total
Support, revenues and other				
Contributions and grant revenue	\$ 14,364	\$ 595,226	\$ 609,590	\$ 166,661
Investment return, net	253	525,514	525,767	578,587
Administrative fees	151,343	-0-	151,343	114,774
Net assets released from restrictions	<u>337,369</u>	<u>(337,369)</u>	<u>-0-</u>	<u>-0-</u>
Total support, revenues and other	503,329	783,371	1,286,700	860,022
Expenses				
Program services	380,776	-0-	380,776	414,806
General and administrative	82,249	-0-	82,249	69,848
Fundraising	<u>26,095</u>	<u>-0-</u>	<u>26,095</u>	<u>24,580</u>
Total expenses	<u>489,120</u>	<u>-0-</u>	<u>489,120</u>	<u>509,234</u>
Change in net assets	14,209	783,371	797,580	350,788
Net assets, beginning of year	<u>697,322</u>	<u>5,831,724</u>	<u>6,529,046</u>	<u>6,178,258</u>
Net assets, end of year	<u>\$ 711,531</u>	<u>\$ 6,615,095</u>	<u>\$ 7,326,626</u>	<u>\$ 6,529,046</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018 (AS RESTATED)

	Without donor Restrictions	With donor Restrictions	Total
Support and revenues			
Contributions	\$ 27,155	\$ 139,506	\$ 166,661
Investment return, net	52,200	526,387	578,587
Administrative fees	114,774	-0-	114,774
Net assets released from restrictions	<u>330,503</u>	<u>(330,503)</u>	<u>-0-</u>
Total support and revenues	524,632	335,390	860,022
Expenses			
Program services	414,806	-0-	414,806
General and administrative	69,848	-0-	69,848
Fundraising	<u>24,580</u>	<u>-0-</u>	<u>24,580</u>
Total expenses	<u>509,234</u>	<u>-0-</u>	<u>509,234</u>
Change in net assets	15,398	335,390	350,788
Net assets, beginning of year	<u>681,924</u>	<u>5,496,334</u>	<u>6,178,258</u>
Net assets, end of year	<u>\$ 697,322</u>	<u>\$ 5,831,724</u>	<u>\$ 6,529,046</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants and scholarships	\$ 139,625	\$ -0-	\$ -0-	\$ 139,625
Salaries and wages	50,202	45,378	14,976	110,556
Payroll taxes and employee benefits	5,422	4,901	1,618	11,941
Administrative fees	149,054	-0-	-0-	149,054
Advertising	935	-0-	2,805	3,740
Office supplies	179	180	359	718
Postage and printing	509	1,188	1,697	3,394
Telephone	637	182	91	910
Utilities	2,359	674	337	3,370
Repairs and maintenance	2,747	785	392	3,924
Rent	4,991	1,426	713	7,130
Depreciation	988	282	141	1,411
Professional fees	2,369	21,321	-0-	23,690
IT support	6,025	1,722	861	8,608
Membership dues	561	160	80	801
Travel and entertainment	2,686	768	384	3,838
Insurance	2,457	702	351	3,510
Miscellaneous	<u>9,030</u>	<u>2,580</u>	<u>1,290</u>	<u>12,900</u>
Total expenses	<u>\$ 380,776</u>	<u>\$ 82,249</u>	<u>\$ 26,095</u>	<u>\$ 489,120</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ 797,580	\$ 350,788
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,411	771
Reinvested interest and dividends received on investments	(219,616)	(162,457)
Realized and unrealized gains on investments	(354,011)	(461,183)
Changes in assets and liabilities:		
Prepaid expenses	-0-	6,012
Other assets	(1,000)	(18)
Accounts payable	6,985	-0-
Accrued expenses	300	(1,439)
Deferred revenue	304,772	-0-
Custodial funds	<u>24,589</u>	<u>61,592</u>
Net cash flows from operating activities	561,010	(205,934)
Investing activities		
Purchases of property and equipment	(4,177)	-0-
Purchases of investments	(1,800,197)	(2,395,073)
Proceeds from sales of investments	<u>1,750,216</u>	<u>2,624,827</u>
Net cash flows from investing activities	<u>(54,158)</u>	<u>229,754</u>
Net change in cash and cash equivalents	506,852	23,820
Cash and cash equivalents, beginning of year	<u>63,218</u>	<u>39,398</u>
Cash and cash equivalents, end of year	<u>\$ 570,070</u>	<u>\$ 63,218</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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.

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

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

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating 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

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

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 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.

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 seven years using the straight-line method.

Deferred revenue

During 2019, the Organization received a \$500,000 grant from Lilly Endowment through its GIFT Phase VII initiative. The grant is required to be matched with new contributions to help build 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 \$304,772 at June 30, 2019.

Support, Revenues and Expense Recognition

Contributions are recognized as revenues in the period the contribution is received or the promise is made.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or directed to a donor-restricted fund. 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 revenues are recorded when earned.

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 (agency endowments) are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

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 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, 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.

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

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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.

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 November 27, 2019.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Organization has adjusted the presentation of its 2019 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 9), and disclosures related to the functional allocation of expenses were expanded (Note 1).

During the adoption of this standard, the Organization reevaluated their presentation of net assets and identified a correction needed to reflect proper net asset classifications as of July 1, 2017. The correction resulted in a decrease in net assets without donor restrictions and a corresponding increase in net assets with donor restrictions by \$5,496,334. This restatement had no effect on the overall change in net assets.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

The impact of this correction and the adoption of ASU No. 2016-14 on the Organization's net assets is as follows:

Statement of Financial Position

	As previously stated, June 30, 2018	Adjustment	As restated June 30, 2018
Unrestricted net assets	\$ 6,529,046	\$ (6,529,046)	\$ -0-
Without donor restrictions	-0-	697,322	697,322
With donor restrictions	<u>-0-</u>	<u>5,831,724</u>	<u>5,831,724</u>
Total net assets	<u>\$ 6,529,046</u>	<u>\$ -0-</u>	<u>\$ 6,529,046</u>

Statement of Activities

	As previously stated, June 30, 2018	Adjustment	As restated June 30, 2018
Changes in unrestricted net assets	\$ 350,788	\$ (350,788)	\$ -0-
Changes in net assets without donor restrictions	-0-	15,398	15,398
Changes in net assets with donor restrictions	<u>-0-</u>	<u>335,390</u>	<u>335,390</u>
Total changes in net assets	<u>\$ 350,788</u>	<u>\$ -0-</u>	<u>\$ 350,788</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

3. INVESTMENTS

Investments consist of the following:

	2019	2018
Cash and cash equivalents	\$ 251,301	\$ 218,621
Common stocks		
Mid/small	115,267	142,409
Large	3,335,184	2,859,640
Equity mutual funds		
Mid/small	737,261	702,968
Developed international	44,484	166,073
Emerging markets	44,732	172,388
Fixed income mutual funds		
Intermediate	335,808	115,958
Multi-sector	83,863	100,437
World	-0-	32,334
High-yield	107,569	82,770
Non-traditional	84,221	99,981
Exchange traded funds		
Large	393,113	292,687
Developed international	-0-	130,888
Real assets	211,770	95,521
U.S. government securities	207,636	106,636
Corporate bonds		
Long	62,430	-0-
Intermediate	1,079,032	1,150,752
	<u>\$ 7,093,671</u>	<u>\$ 6,470,063</u>

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3). 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.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 2019 or 2018. 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 June 30, 2019 and 2018.

- *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.
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COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 June 30, 2019 and 2018:

	2019		
	Fair Value	Level 1	Level 2
Assets:			
Investments			
Common stocks	\$ 3,450,451	\$ 3,450,451	\$ -0-
Mutual funds	1,437,938	1,437,938	-0-
Exchange traded funds	604,883	604,883	-0-
U.S. government securities	207,636	-0-	207,636
Corporate bonds	1,141,462	-0-	1,141,462
Total assets at fair value	\$ 6,842,370	\$ 5,493,272	\$ 1,349,098
	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

6. PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2019	2018
Furniture and fixtures	\$ 25,673	\$ 23,496
Software	26,362	26,362
Land	105,233	105,233
	157,268	155,091
Less accumulated depreciation	(47,300)	(47,889)
	\$ 109,968	\$ 107,202

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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 2019 and 2018:

	2019	2018
Beginning balance	\$ 111,031	\$ 49,439
Contributions	48,090	93,417
Investment return, net	5,704	5,347
Program expense	(26,878)	(33,539)
Administrative fees	(1,302)	(1,554)
Grant payments	(1,025)	(2,079)
Ending balance	<u>\$ 135,620</u>	<u>\$ 111,031</u>

8. ENDOWMENT

The majority of the Organization's funds consist of donor-restricted 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 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, the Organization retains 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 endowment funds 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:

- (1) The duration and preservation of the fund
 - (2) The purposes of the Organization and the donor-restricted endowment fund
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COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

- (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. 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 to meet or exceed the return of a balanced market index using the S&P 500 Index, the Barclays Intermediate Government Credit Index, the Treasury Bill Index and the US REIT 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 donor-restricted endowments and the changes in endowed funds are for the years ending June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets,		
beginning of year	\$ 5,758,257	\$ 5,427,953
Contributions and other revenue	533,208	139,506
Investment return, net	477,377	404,883
Appropriation of endowment assets for expenditure	<u>(291,884)</u>	<u>(214,085)</u>
Endowment net assets, end of year	<u>\$ 6,476,958</u>	<u>\$ 5,758,257</u>

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

9. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it structures its financial assets to be available as it awarded grants, general expenditures, and other obligations become due. The Organization invests cash in excess of daily requirements in money market accounts and other short-term investments.

Financial assets available for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$	115,558
Investments		<u>492,696</u>
	\$	<u>608,254</u>

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specified 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, money market accounts, or liquid investments and are made available upon appropriation.

The Organization relies on the administrative fees it charges its funds annually which is 2% of fund balance to fund operational expenditures. The Organization also has an operating reserve with the intention that it not be depleted and only used for reserve funding of the operations when needed.

10. COMMITMENTS

The Organization had conditional scholarships of \$126,668 and \$89,072 at June 30, 2019 and 2018, 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.

COMMUNITY FOUNDATION OF CRAWFORD COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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.

Investments are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

12. 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 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 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.