

BLACKFORD COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

BLACKFORD COUNTY COMMUNITY FOUNDATION, INC.

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Bollenbacher & Associates, LLC

Certified Public Accountants

Board of Directors
Blackford County Community Foundation, Inc.
Hartford City, Indiana 47348

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Blackford County Community Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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.

Board of Directors
Blackford County Community Foundation, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blackford County Community Foundation, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, in 2018 Blackford County Community Foundation, Inc. and affiliate adopted Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Bollenbacher & Associates, LLC

Portland, Indiana
January 2, 2020

Blackford County Community Foundation, Inc.Statements of Financial PositionDecember 31, 2018 and December 31, 2017

| | <u>Assets</u> | |
|---|---------------------|---------------------|
| | <u>12/31/2018</u> | <u>12/31/2017</u> |
| <u>Current Assets:</u> | | |
| Cash and cash equivalents | \$ 57,672 | \$ 160,639 |
| Cash and cash equivalents - Assets held for others | <u>141,600</u> | <u>161,842</u> |
| | 199,272 | 322,481 |
| Investments; at market - Without donor restrictions - Unrestricted | 1,720,705 | 1,414,139 |
| Investments; at market - Without donor restrictions - Board designated | 3,750 | 4,137 |
| Investments; at market - With donor restrictions - Temporarily restricted | <u>5,745,873</u> | <u>3,111,003</u> |
| Total current assets | <u>7,669,600</u> | <u>4,851,760</u> |
| <u>Property and Equipment; at cost</u> | | |
| Office equipment | 63,001 | 63,001 |
| <u>Less: Accumulated depreciation</u> | <u>(56,890)</u> | <u>(50,648)</u> |
| Total property and equipment | <u>6,111</u> | <u>12,353</u> |
| <u>Noncurrent Assets:</u> | | |
| Cash surrender value of life insurance | 68,725 | 67,098 |
| Investments; at market - With donor restrictions - Permanently restricted | <u>2,258,431</u> | <u>2,253,539</u> |
| Total noncurrent assets | <u>2,327,156</u> | <u>2,320,637</u> |
| Total assets | <u>\$10,002,867</u> | <u>\$ 7,184,750</u> |

Blackford County Community Foundation, Inc.Statements of Financial PositionDecember 31, 2018 and December 31, 2017

| | <u>12/31/2018</u> | <u>12/31/2017</u> |
|------------------------------------|---------------------|---------------------|
| <u>Liabilities and Net Assets</u> | | |
| <u>Current Liabilities:</u> | | |
| Accounts payable | \$ 8,125 | \$ 13,425 |
| Accrued wages | <u>8,004</u> | <u>7,533</u> |
| Total current liabilities | <u>16,129</u> | <u>20,958</u> |
| <u>Non-Current Liabilities:</u> | | |
| Assets held for others | <u>141,600</u> | <u>161,842</u> |
| Total non-current liabilities | <u>141,600</u> | <u>161,842</u> |
| Total liabilities | <u>157,729</u> | <u>182,800</u> |
| <u>Net Assets:</u> | | |
| Without donor restrictions: | | |
| Unrestricted | 1,837,084 | 1,633,271 |
| Unrestricted - Board designated | <u>3,750</u> | <u>4,137</u> |
| | 1,840,834 | 1,637,408 |
| With donor restrictions: | | |
| Time-restricted for future periods | 5,745,873 | 3,111,003 |
| Perpetual in nature | <u>2,258,431</u> | <u>2,253,539</u> |
| Total net assets | <u>9,845,138</u> | <u>7,001,950</u> |
| Total liabilities and net assets | <u>\$10,002,867</u> | <u>\$ 7,184,750</u> |

Blackford County Community Foundation, Inc.Statement of ActivitiesFor the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | | | Total |
|--|----------------------------------|---------------------------|---------------------------|----------------------------|--------------------|
| | | Temporarily Restricted | Permanently Restricted | With Donor Restrictions | |
| <u>Support, Revenues, and Reclassifications:</u> | | | | | |
| Contributions | \$ 539,253 | \$3,443,064 | \$ 5,688 | \$3,448,752 | \$3,988,005 |
| Investment income (loss), net | (30,185) | (493,299) | - | (493,299) | (523,484) |
| Other income | 7,605 | - | - | - | 7,605 |
| Total support and revenues | 516,673 | 2,949,765 | 5,688 | 2,955,453 | 3,472,126 |
| Net assets released from restrictions | 315,691 | (314,895) | (796) | (315,691) | - |
| Total support, revenues, and reclassifications | 832,364 | 2,634,870 | 4,892 | 2,639,762 | 3,472,126 |
| <u>Grants, Scholarships, and Other Expenses:</u> | | | | | |
| Grants | 331,754 | - | - | - | 331,754 |
| Scholarships | 77,420 | - | - | - | 77,420 |
| Investment management fees | 56,831 | - | - | - | 56,831 |
| Functional expenses - Per attached schedule | 162,933 | - | - | - | 162,933 |
| Total grants, scholarships, and other expenses | 628,938 | - | - | - | 628,938 |
| <u>Change in Net Assets</u> | 203,426 | 2,634,870 | 4,892 | 2,639,762 | 2,843,188 |
| <u>Net Assets - Beginning</u> | 1,637,408 | 3,111,003 | 2,253,539 | 5,364,542 | 7,001,950 |
| <u>Net Assets - Ending</u> | <u>\$1,840,834</u> | <u>\$5,745,873</u> | <u>\$2,258,431</u> | <u>\$8,004,304</u> | <u>\$9,845,138</u> |

Blackford County Community Foundation, Inc.Statement of ActivitiesFor the Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | | | Total |
|--|----------------------------------|---------------------------|---------------------------|----------------------------|--------------------|
| | | Temporarily Restricted | Permanently Restricted | With Donor Restrictions | |
| <u>Support, Revenues, and Reclassifications:</u> | | | | | |
| Contributions | \$ 13,459 | \$ 216,720 | \$ 12,388 | \$ 229,108 | \$ 242,567 |
| Investment income (loss), net | 309,975 | 527,825 | - | 527,825 | 837,800 |
| Other income | 5,780 | - | - | - | 5,780 |
| Total support and revenues | 329,214 | 744,545 | 12,388 | 756,933 | 1,086,147 |
| Net assets released from restrictions | 400,311 | (398,311) | (2,000) | (400,311) | - |
| Total support, revenues, and reclassifications | 729,525 | 346,234 | 10,388 | 356,622 | 1,086,147 |
| <u>Grants, Scholarships, and Other Expenses:</u> | | | | | |
| Grants | 243,806 | - | - | - | 243,806 |
| Scholarships | 120,765 | - | - | - | 120,765 |
| Investment management fees | 47,943 | - | - | - | 47,943 |
| Functional expenses - Per attached schedule | 161,529 | - | - | - | 161,529 |
| Total grants, scholarships, and other expenses | 574,043 | - | - | - | 574,043 |
| <u>Change in Net Assets</u> | 155,482 | 346,234 | 10,388 | 356,622 | 512,104 |
| <u>Net Assets - Beginning</u> | 1,481,926 | 2,764,769 | 2,243,151 | 5,007,920 | 6,489,846 |
| <u>Net Assets - Ending</u> | <u>\$1,637,408</u> | <u>\$3,111,003</u> | <u>\$2,253,539</u> | <u>\$5,364,542</u> | <u>\$7,001,950</u> |

Blackford County Community Foundation, Inc.Statement of Functional ExpensesFor the Year Ended December 31, 2018

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|------------------|-----------------------------------|--------------------|-------------------|
| <u>Salaries and Related Expenses:</u> | | | | |
| Director's salary | \$ 24,415 | \$ 24,415 | \$ - | \$ 48,830 |
| Other salaries and wages | 34,400 | 15,431 | - | 49,831 |
| Payroll taxes | 3,986 | 2,700 | - | 6,686 |
| Travel | - | 369 | - | 369 |
| Total salaries and related expenses | <u>62,801</u> | <u>42,915</u> | <u>-</u> | <u>105,716</u> |
| <u>Other Expenses:</u> | | | | |
| Advertising | - | 4,943 | 4,943 | 9,886 |
| Conferences and seminars | - | - | - | - |
| Dues and subscriptions | - | 1,389 | - | 1,389 |
| Insurance | - | 3,128 | - | 3,128 |
| Legal and accounting | - | 12,730 | - | 12,730 |
| Miscellaneous | - | 358 | - | 358 |
| Office supplies | - | 4,199 | - | 4,199 |
| Postage | - | 1,124 | - | 1,124 |
| Printing and promotion | - | - | 5,135 | 5,135 |
| Rent | - | 5,500 | - | 5,500 |
| Repairs and maintenance | - | 2,295 | - | 2,295 |
| Telephone | - | 1,844 | - | 1,844 |
| Website | - | 357 | 357 | 714 |
| Women of Worth | <u>2,673</u> | <u>-</u> | <u>-</u> | <u>2,673</u> |
| Total other expenses | <u>2,673</u> | <u>37,867</u> | <u>10,435</u> | <u>50,975</u> |
| <u>Depreciation of property and equipment</u> | <u>-</u> | <u>6,242</u> | <u>-</u> | <u>6,242</u> |
| <u>Total expenses</u> | <u>\$ 65,474</u> | <u>\$ 87,024</u> | <u>\$ 10,435</u> | <u>\$ 162,933</u> |

Blackford County Community Foundation, Inc.Statement of Functional ExpensesFor the Year Ended December 31, 2017

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|------------------|-----------------------------------|--------------------|-------------------|
| <u>Salaries and Related Expenses:</u> | | | | |
| Director's salary | \$ 23,740 | \$ 23,740 | \$ - | \$ 47,480 |
| Other salaries and wages | 33,137 | 14,288 | - | 47,425 |
| Payroll taxes | 3,777 | 2,526 | - | 6,303 |
| Travel | - | 610 | - | 610 |
| Total salaries and related expenses | <u>60,654</u> | <u>41,164</u> | <u>-</u> | <u>101,818</u> |
| <u>Other Expenses:</u> | | | | |
| Advertising | - | 2,131 | 2,130 | 4,261 |
| Conferences and seminars | - | 195 | - | 195 |
| Dues and subscriptions | - | 2,118 | - | 2,118 |
| Insurance | - | 3,010 | - | 3,010 |
| Legal and accounting | - | 12,538 | - | 12,538 |
| Miscellaneous | - | 878 | - | 878 |
| Office supplies | - | 5,258 | - | 5,258 |
| Postage | - | 1,518 | - | 1,518 |
| Printing and promotion | - | - | 9,207 | 9,207 |
| Rent | - | 6,000 | - | 6,000 |
| Repairs and maintenance | - | 598 | - | 598 |
| Telephone | - | 2,274 | - | 2,274 |
| Website | - | 899 | 900 | 1,799 |
| Women of Worth | <u>3,629</u> | <u>-</u> | <u>-</u> | <u>3,629</u> |
| Total other expenses | <u>3,629</u> | <u>37,417</u> | <u>12,237</u> | <u>53,283</u> |
| <u>Depreciation of property and equipment</u> | <u>-</u> | <u>6,428</u> | <u>-</u> | <u>6,428</u> |
| <u>Total expenses</u> | <u>\$ 64,283</u> | <u>\$ 85,009</u> | <u>\$ 12,237</u> | <u>\$ 161,529</u> |

Blackford County Community Foundation, Inc.Statements of Cash FlowsFor the Years Ended December 31, 2018 and December 31, 2017

| | <u>12/31/2018</u> | <u>12/31/2017</u> |
|--|---------------------|--------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Change in net assets | <u>\$ 2,843,188</u> | <u>\$ 512,104</u> |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 6,242 | 6,428 |
| Realized (gains) and losses from investments, net | (3,564) | (357,254) |
| Unrealized (gains) and losses from investments, net | 871,352 | (298,822) |
| (Increase) decrease in assets: | | |
| Cash surrender value of life insurance | (1,627) | (1,644) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (5,300) | 13,385 |
| Accrued wages | 471 | (608) |
| Accrued expenses | - | (403) |
| Assets held for others | (20,242) | 91,295 |
| Contributions - With donor restrictions | (3,448,752) | (229,108) |
| Interest and dividends - With donor restrictions | <u>(344,304)</u> | <u>(181,724)</u> |
| Total adjustments | <u>(2,945,724)</u> | <u>(958,455)</u> |
| Net cash used by operating activities | <u>(102,536)</u> | <u>(446,351)</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Proceeds - Sale of investments | 175,827 | 3,690,589 |
| Payments - Purchase of investments | <u>(3,989,556)</u> | <u>(3,463,119)</u> |
| Net cash provided (used) by investing activities | <u>(3,813,729)</u> | <u>227,470</u> |
| <u>Cash Flows from Financing Activities:</u> | | |
| Proceeds - Contributions - With donor restrictions | 3,448,752 | 229,108 |
| Proceeds - Interest and dividends - With donor restrictions | <u>344,304</u> | <u>181,724</u> |
| Net cash provided by financing activities | <u>3,793,056</u> | <u>410,832</u> |

Blackford County Community Foundation, Inc.Statements of Cash FlowsFor the Years Ended December 31, 2018 and December 31, 2017(Continued)

| | <u>12/31/2018</u> | <u>12/31/2017</u> |
|---|-------------------|-------------------|
| Net change in cash and cash equivalents | (123,209) | 191,951 |
| Cash and cash equivalents - Beginning | <u>322,481</u> | <u>130,530</u> |
| Cash and cash equivalents - Ending | <u>\$ 199,272</u> | <u>\$ 322,481</u> |

Blackford County Community Foundation, Inc.

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The Blackford County Community Foundation, Inc. (Foundation) was organized exclusively to seek and accept donations from private and public sources for the purpose of distributing the income for scholarships and other charitable purposes, and to enhance and promote philanthropy in Blackford County, Indiana.

BASIS OF ACCOUNTING - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION - The Foundation presents its financial statements in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CONTRIBUTIONS - Contributions, including grants, that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same period are reported as unrestricted support and increase net assets without donor restrictions.

Blackford County Community Foundation, Inc.

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTED SERVICES - A variety of people have contributed significant amounts of non-compensatory time to the activities of the Foundation. The financial statements do not reflect the value of these contributed services because, although substantial, no reliable basis exists for determining an appropriate amount.

ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation that is not a private foundation under Section 509(a)(3).

Management evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2018, the Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

The Foundation's information returns are subject to examination, generally for three years after the filing date.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The money market funds within the brokerage accounts are not considered to be cash equivalents.

INVESTMENTS - The Foundation carries the majority of its investments at market value. Accordingly, unrealized gains and losses are recorded for the increase or decrease in the market value of assets from the beginning of the period to the end of the period.

RECEIVABLES AND UNCOLLECTIBLES - Accounts and pledge receivables are recorded at cost at the time of their occurrence and adjusted to fair value through the allowance for doubtful accounts at year end by the Foundation determining the amount that may be uncollectible. The Foundation does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Foundation writes off the receivable and reduces the allowance for doubtful accounts. The Foundation usually determines when an account or pledge is totally uncollectible by estimating whether any payments will ever be received on that account or pledge. As of December 31, 2018 and 2017, there were no pledge receivables, and accordingly, no allowance for doubtful accounts.

Blackford County Community Foundation, Inc.

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND DEPRECIATION - Property and equipment owned by the Foundation are carried at cost or, in the case of donated property, at fair-market value determined at the date of gift less accumulated depreciation. Depreciation is recorded on the straight-line method over estimated useful lives of the assets.

Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation expense totaled \$6,242 and \$6,428 for the years ended December 31, 2018 and 2017, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Program usage studies are conducted annually.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|------------------------|-----------------------------|
| Salaries and benefits | Time and effort |
| Advertising | Program usage |
| Printing and promotion | Program usage |

GRANTS AND SCHOLARSHIPS - Grants and scholarships are made from available income and principal in accordance with the designations by the donors and approved by the Board of Directors and are recorded at the date the grant or scholarship is approved.

ASSETS HELD FOR OTHERS - The Foundation has reported liabilities for assets held for others in conformity with FASB *Accounting Standards Codification 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. Under this standard, the Foundation is required to report as liabilities any amounts received from a donor that specifies itself or its affiliates as the beneficiary of the transferred assets, and any activity attributed to these amounts is recorded as an increase or decrease in the liabilities. Accordingly, the Foundation has reported \$141,600 and \$161,842 at December 31, 2018 and 2017, respectively, as liabilities for assets held for others on the statements of financial position.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING PRONOUNCEMENT - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> |
|------------------------------|------------------|-------------------------------------|
| Equipment: | | |
| Office equipment | \$ 63,001 | \$ (56,890) |
| Total equipment | <u>63,001</u> | <u>(56,890)</u> |
| Total property and equipment | <u>\$ 63,001</u> | <u>\$ (56,890)</u> |

Property and equipment consisted of the following at December 31, 2017:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> |
|------------------------------|------------------|-------------------------------------|
| Equipment: | | |
| Office equipment | \$ 63,001 | \$ (50,648) |
| Total equipment | <u>63,001</u> | <u>(50,648)</u> |
| Total property and equipment | <u>\$ 63,001</u> | <u>\$ (50,648)</u> |

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, equity, and other investments. The Foundation generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Cash deposits at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits in excess of the FDIC limit totaled \$0 and \$72,204 as of December 31, 2018 and 2017, respectively. On December 31, 2018 and 2017, the Foundation had \$9,728,759 and \$6,782,818, respectively, invested in different brokerage accounts. The Foundation maintains a continually managed investment strategy to diversify the risk of these investments; however, they are subject to normal market risk. Investments held in brokerage accounts are not FDIC insured. The Foundation does not require any collateral to support its financial instruments.

NOTE 4 - INVESTMENTS; AT MARKET

At December 31, 2018, the Foundation maintained the following investment portfolio:

| | <u>Cost</u> | <u>Unrealized Gain (Loss)</u> | <u>Carrying Value (Market)</u> |
|-------------------------|----------------------|-----------------------------------|------------------------------------|
| Money market funds | \$ 1,993,134 | \$ - | \$ 1,993,134 |
| Mutual funds | 7,331,283 | (489,828) | 6,841,455 |
| Alternative investments | 900,859 | (6,689) | 894,170 |
| Total | <u>\$ 10,225,276</u> | <u>\$ (496,517)</u> | <u>\$ 9,728,759</u> |

The above funds are included on the statements of financial position at market value.

Investment income earned on these investments during the year ended December 31, 2018, consisted of the following:

| | |
|---|---------------------|
| Interest and dividends | \$ 344,304 |
| Realized gains (losses) on sale of investments, net | 3,564 |
| Unrealized gains (losses) on sale of investments, net | <u>(871,352)</u> |
| Total | <u>\$ (523,484)</u> |

The above income is included on the statement of activities.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 4 - INVESTMENTS; AT MARKET (continued)

At December 31, 2017, the Foundation maintained the following investment portfolio:

| | Cost | Unrealized Gain (Loss) | Carrying Value (Market) |
|-------------------------|---------------------|---------------------------|----------------------------|
| Money market funds | \$ 367,651 | \$ - | \$ 367,651 |
| Mutual funds | 5,220,968 | 394,309 | 5,615,277 |
| Alternative investments | 819,919 | (20,029) | 799,890 |
| Total | <u>\$ 6,408,538</u> | <u>\$ 374,280</u> | <u>\$ 6,782,818</u> |

The above funds are included on the statements of financial position at market value.

Investment income earned on these investments during the year ended December 31, 2017, consisted of the following:

| | |
|---|-------------------|
| Interest and dividends | \$ 181,724 |
| Realized gains (losses) on sale of investments, net | 357,254 |
| Unrealized gains (losses) on sale of investments, net | <u>298,822</u> |
| Total | <u>\$ 837,800</u> |

The above income is included on the statement of activities.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | 2018 |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 199,272 |
| Investments; at market | <u>1,724,455</u> |
| Total | <u>\$ 1,923,727</u> |

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 6 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2018:

| <u>Contributor</u> | <u>Amount</u> | <u>% of Total Contributions</u> |
|--------------------|---------------|---------------------------------|
| | \$ 3,327,927 | 83% |
| | \$ 500,000 | 13% |

Significant amounts of income were recorded from the following sources during the year ended December 31, 2017:

| <u>Contributor</u> | <u>Amount</u> | <u>% of Total Contributions</u> |
|--------------------|---------------|---------------------------------|
| | \$ 68,750 | 28% |
| | \$ 30,000 | 12% |

NOTE 7 - PRINTING AND PROMOTIONAL AND ADVERTISING EXPENSES

For the years ended December 31, 2018 and 2017, respectively, printing and promotional expenses in the amount of \$5,135 and \$9,207 and advertising expenses in the amount of \$9,886 and \$4,261 were incurred by the Foundation to promote its programs among the Blackford County community.

NOTE 8 - COMMITMENTS

During 2016, the Foundation entered into a five-year lease of office facilities for \$500 per month effective January 2017 through December 2021. Rent expense for the years ended December 31, 2018 and 2017, was \$5,500 and \$6,000, respectively.

Future minimum lease payments are as follows:

| | |
|-------|-----------------|
| 2019 | \$ 6,000 |
| 2020 | 6,000 |
| 2021 | <u>6,000</u> |
| Total | <u>\$18,000</u> |

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 9 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|---------------------|---------------------|
| Time Restricted | | |
| Restricted for future periods | \$ 5,745,873 | \$ 3,111,003 |
| Perpetual | 2,258,431 | 2,253,539 |
| Total | <u>\$ 8,004,304</u> | <u>\$ 5,364,542</u> |

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|--------------|---------------------|---------------------|
| Undesignated | <u>\$ 1,840,834</u> | <u>\$ 1,637,408</u> |

Net assets released from net assets with donor restrictions are as follows:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------------|-------------------|
| Satisfaction of Purpose Restrictions | | |
| Restricted for future periods | \$ 314,895 | \$ 398,311 |
| Total | <u>\$ 314,895</u> | <u>\$ 398,311</u> |

NOTE 10 - FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 10 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Foundation's financial instruments at December 31, 2018, none of which are held for trading purposes, are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|----------------|----------------|---------------------|
| <u>Financial Assets:</u> | | | | |
| Money market funds | \$ 1,993,134 | \$ - | \$ - | \$ 1,993,134 |
| Mutual funds | 6,841,455 | - | - | 6,841,455 |
| Alternative investments | 894,170 | - | - | 894,170 |
| Total assets at fair value | <u>\$ 9,728,759</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,728,759</u> |

The estimated fair values of the Foundation's financial instruments at December 31, 2017, none of which are held for trading purposes, are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|----------------|----------------|---------------------|
| <u>Financial Assets:</u> | | | | |
| Money market funds | \$ 367,651 | \$ - | \$ - | \$ 367,651 |
| Mutual funds | 5,615,277 | - | - | 5,615,277 |
| Alternative investments | 799,890 | - | - | 799,890 |
| Total assets at fair value | <u>\$ 6,782,818</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,782,818</u> |

NOTE 11 - UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At December 31, 2018, the Foundation had funds with original gift values of \$6,301,066, fair values of \$5,783,351, and deficiencies of \$517,715 reported in net assets. At December 31, 2017, the Foundation had funds with original gift values of \$908,854, fair values of \$889,858, and deficiencies of \$18,996 reported in net assets. The deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain purposes was deemed prudent by the Board of Directors.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 12 - ENDOWMENT FUND

Change in endowment net assets for the year ended December 31, 2018:

| | <u>Without Donor Restrictions</u> | | <u>With Donor Restrictions</u> | | <u>Total</u> |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Endowment net assets, beginning of year | \$ 1,414,139 | \$ 4,137 | \$ 3,111,003 | \$ 2,253,539 | \$ 6,782,818 |
| Investment return: | | | | | |
| Interest, dividends, capital gains (losses) (realized and unrealized) | (30,030) | (155) | (493,299) | - | (523,484) |
| Contributions | 539,253 | - | 3,443,064 | 5,688 | 3,988,005 |
| Appropriation of endowment assets for expenditure | (202,657) | (232) | (314,895) | (796) | (518,580) |
| Endowment net assets, end of year | <u>\$ 1,720,705</u> | <u>\$ 3,750</u> | <u>\$ 5,745,873</u> | <u>\$ 2,258,431</u> | <u>\$ 9,728,759</u> |

Change in endowment net assets for the year ended December 31, 2017:

| | <u>Without Donor Restrictions</u> | | <u>With Donor Restrictions</u> | | <u>Total</u> |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Endowment net assets, beginning of year | \$ 1,339,790 | \$ 6,502 | \$ 2,764,769 | \$ 2,243,151 | \$ 6,354,212 |
| Investment return: | | | | | |
| Interest, dividends, capital gains (losses) (realized and unrealized) | 309,511 | 464 | 527,825 | - | 837,800 |
| Contributions | 13,409 | 50 | 216,720 | 12,388 | 242,567 |
| Appropriation of endowment assets for expenditure | (248,571) | (2,879) | (398,311) | (2,000) | (651,761) |
| Endowment net assets, end of year | <u>\$ 1,414,139</u> | <u>\$ 4,137</u> | <u>\$ 3,111,003</u> | <u>\$ 2,253,539</u> | <u>\$ 6,782,818</u> |

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 12 - ENDOWMENT FUND (continued)

In 1996, the Foundation adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the funds are that required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

NOTE 13 - INVESTMENT AND SPENDING POLICIES

The Foundation has adopted investment and spending policies for endowment assets with an objective to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board, the endowment assets are invested in a manner intended to produce positive results while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a discretionary amount, of 4%, based on its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 14 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and such changes could materially affect amounts reported.

Blackford County Community Foundation, Inc.Notes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 15 - RELATED PARTIES

Several board members of the Foundation also serve as board members, or have related parties that serve as board members, of other organizations that receive grants from the Foundation.

NOTE 16 - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions that occurred between January 1, 2019 and January 2, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No subsequent events were noted by the Foundation.

January 2, 2020

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

We have audited the financial statements of Blackford County Community Foundation, Inc. for the year ended December 31, 2018, and have issued our report thereon dated January 2, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Blackford County Community Foundation, Inc. are described in Note 1 to the financial statements. As described in Note 1, the Organization changed accounting policies related to presentation of financial statements by adopting FASB Accounting Standards Update (ASU) No. 958, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Board of Directors
Blackford County Community Foundation, Inc.
January 2, 2020
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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 2, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Directors
Blackford County Community Foundation, Inc.
January 2, 2020
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Other Matters

This information is intended solely for the use of the Board of Directors and management of Blackford County Community Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bollenbacher & Associates, LLC
Bollenbacher & Associates, LLC
Portland, Indiana

January 2, 2020

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

In planning and performing our audit of the financial statements of Blackford County Community Foundation, Inc. as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Blackford County Community Foundation, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Bollenbacher & Associates, LLC
Portland, Indiana