

# **SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

## **FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017 AND 2016**

*CPAs / ADVISORS*



**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

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SEPTEMBER 30, 2017 AND 2016

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
Scott County Community Foundation, Inc.  
Scottsburg, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Scott County Community Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of September 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blue & Co., LLC*

Seymour, Indiana

November 28, 2017

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

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**ASSETS**

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 91,785	\$ 90,621
Certificate of deposit	50,376	50,000
Investments	8,524,965	7,846,809
Property and equipment, net	<u>118,796</u>	<u>124,838</u>
	<u>\$ 8,785,922</u>	<u>\$ 8,112,268</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 2,602	\$ 2,443
Custodial funds	<u>401,070</u>	<u>361,784</u>
Total liabilities	403,672	364,227

**Net assets**

Unrestricted:		
Operating	184,101	173,281
Operating reserve	107,998	93,360
Board designated	<u>516,988</u>	<u>497,276</u>
Total unrestricted net assets	809,087	763,917
Temporarily restricted	7,301,701	6,712,953
Permanently restricted	<u>271,462</u>	<u>271,171</u>
Total net assets	<u>8,382,250</u>	<u>7,748,041</u>
	<u>\$ 8,785,922</u>	<u>\$ 8,112,268</u>

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*See accompanying notes to financial statements.*

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support, revenues, gains and losses</b>					
Contributions	\$ 32,961	\$ 73,636	\$ -0-	\$ 106,597	\$ 547,604
Investment return, net	42,957	927,165	291	970,413	771,926
Administrative fees	141,487	-0-	-0-	141,487	126,009
Miscellaneous income	37,826	-0-	-0-	37,826	32,571
Net assets released from restrictions	<u>412,053</u>	<u>(412,053)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	667,284	588,748	291	1,256,323	1,478,110
<b>Expenses</b>					
Administrative fees	136,541	-0-	-0-	136,541	121,386
Scholarships and grants	291,526	-0-	-0-	291,526	230,311
Salaries	124,763	-0-	-0-	124,763	122,564
Payroll taxes	9,505	-0-	-0-	9,505	9,364
Employee benefits	1,743	-0-	-0-	1,743	1,916
Advertising	2,626	-0-	-0-	2,626	2,349
Annual report	662	-0-	-0-	662	669
Conferences and meetings	2,512	-0-	-0-	2,512	1,634
Depreciation	6,042	-0-	-0-	6,042	6,041
Dues	703	-0-	-0-	703	1,937
Endowment development	2,279	-0-	-0-	2,279	1,621
Equipment rental and maintenance	9,024	-0-	-0-	9,024	7,349
Insurance	3,369	-0-	-0-	3,369	3,265
Utilities	2,086	-0-	-0-	2,086	2,110
Office expense	4,486	-0-	-0-	4,486	4,874
Postage and shipping	1,635	-0-	-0-	1,635	1,821
Professional development	1,010	-0-	-0-	1,010	1,305
Professional services	10,950	-0-	-0-	10,950	10,350
Special events	6,596	-0-	-0-	6,596	3,357
Telephone	1,326	-0-	-0-	1,326	1,254
Travel	2,200	-0-	-0-	2,200	2,094
Other	<u>530</u>	<u>-0-</u>	<u>-0-</u>	<u>530</u>	<u>106</u>
Total expenses	<u>622,114</u>	<u>-0-</u>	<u>-0-</u>	<u>622,114</u>	<u>537,677</u>
Change in net assets	45,170	588,748	291	634,209	940,433
<b>Net assets, beginning of year</b>	<u>763,917</u>	<u>6,712,953</u>	<u>271,171</u>	<u>7,748,041</u>	<u>6,807,608</u>
<b>Net assets, end of year</b>	<u>\$ 809,087</u>	<u>\$ 7,301,701</u>	<u>\$ 271,462</u>	<u>\$ 8,382,250</u>	<u>\$ 7,748,041</u>

*See accompanying notes to financial statements.*

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenues, gains and losses</b>				
Contributions	\$ 306,947	\$ 240,657	\$ -0-	\$ 547,604
Investment return, net	17,375	754,310	241	771,926
Administrative fees	126,009	-0-	-0-	126,009
Miscellaneous income	32,571	-0-	-0-	32,571
Net assets released from restrictions	<u>338,784</u>	<u>(338,784)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	821,686	656,183	241	1,478,110
<b>Expenses</b>				
Administrative fees	121,386	-0-	-0-	121,386
Scholarships and grants	230,311	-0-	-0-	230,311
Salaries	122,564	-0-	-0-	122,564
Payroll taxes	9,364	-0-	-0-	9,364
Employee benefits	1,916	-0-	-0-	1,916
Advertising	2,349	-0-	-0-	2,349
Annual report	669	-0-	-0-	669
Conferences and meetings	1,634	-0-	-0-	1,634
Depreciation	6,041	-0-	-0-	6,041
Dues	1,937	-0-	-0-	1,937
Endowment development	1,621	-0-	-0-	1,621
Equipment rental and maintenance	7,349	-0-	-0-	7,349
Insurance	3,265	-0-	-0-	3,265
Utilities	2,110	-0-	-0-	2,110
Office expense	4,874	-0-	-0-	4,874
Postage and shipping	1,821	-0-	-0-	1,821
Professional development	1,305	-0-	-0-	1,305
Professional services	10,350	-0-	-0-	10,350
Special events	3,357	-0-	-0-	3,357
Telephone	1,254	-0-	-0-	1,254
Travel	2,094	-0-	-0-	2,094
Other	<u>106</u>	<u>-0-</u>	<u>-0-</u>	<u>106</u>
Total expenses	<u>537,677</u>	<u>-0-</u>	<u>-0-</u>	<u>537,677</u>
Change in net assets	284,009	656,183	241	940,433
<b>Net assets, beginning of year</b>	<u>479,908</u>	<u>6,056,770</u>	<u>270,930</u>	<u>6,807,608</u>
<b>Net assets, end of year</b>	<u>\$ 763,917</u>	<u>\$ 6,712,953</u>	<u>\$ 271,171</u>	<u>\$ 7,748,041</u>

*See accompanying notes to financial statements.*

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Operating activities</b>		
Change in net assets	\$ 634,209	\$ 940,433
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,042	6,041
Loss on asset disposal	-0-	104
Interest earned on certificate of deposit	(376)	-0-
Reinvested interest and dividends received on investments	(279,762)	(256,879)
Realized and unrealized gains on investments	(779,700)	(591,004)
Changes in assets and liabilities:		
Contribution receivable	-0-	50,000
Prepaid expenses	-0-	8,668
Accounts payable and accrued expenses	159	110
Deferred revenue	-0-	(424,408)
Custodial funds	<u>39,286</u>	<u>26,584</u>
Net cash flows from operating activities	(380,142)	(240,351)
<b>Investing activities</b>		
Purchase of equipment	-0-	(12,383)
Purchase of certificates of deposit	-0-	(50,000)
Maturities of certificates of deposit	-0-	250,000
Purchase of investments	(365,498)	(760,327)
Proceeds from sales of investments	<u>746,804</u>	<u>612,089</u>
Net cash flows from investing activities	<u>381,306</u>	<u>39,379</u>
Net change in cash and cash equivalents	1,164	(200,972)
<b>Cash and cash equivalents, beginning of year</b>	<u>90,621</u>	<u>291,593</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 91,785</u></u>	<u><u>\$ 90,621</u></u>

*See accompanying notes to financial statements.*



# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Scott County Community Foundation, Inc. (the "Foundation") is a not-for-profit organization. The Foundation was established primarily to grow and preserve charitable gifts to strengthen Scott County by looking forward and giving back.

#### 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

Net assets, support, investment return, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. While most gift instruments give the Foundation's Board of Directors the right to vary the terms of the gift, this only allows for a limited right of modification and does not relieve the restrictions imposed by the donor. Accordingly, the net assets of the Foundation are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. The Foundation maintains unrestricted funds as follows:

*Operating* – used to fund current operations of the Foundation

*Operating reserve* – used to fund emergency and strategic activities as determined by the Board

*Board Designated* – used to fund future operations of the Foundation as designated by the Board

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Foundation's Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income.

### Cash and Cash Equivalents

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

### Investments and Investment Return

The Foundation 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, temporarily restricted, or permanently restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Foundation'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 Foundation are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

### Support, Revenues and Expense Recognition

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

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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Support and revenues are reported as increases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Foundation's spending policy. 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 either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Foundation's spending policy.

All other revenues are recorded when earned.

### Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. 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.

### 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.

### Income Taxes

The Scott County Community Foundation, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation 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 Foundation, and has concluded that as of September 30, 2017 and 2016, 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 Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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### Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Foundation'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

### Reclassifications

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

### Subsequent Events

The Foundation 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 28, 2017.

## **2. CERTIFICATES OF DEPOSIT**

Certificates of deposit consist of the following at September 30, 2017 and 2016:

2017			2016		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
<u>\$ 50,376</u>	8/29/2018	0.75%	<u>\$ 50,000</u>	8/29/2018	0.75%

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

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**3. INVESTMENTS**

Investments are reported at fair value and consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 92,267	\$ 81,679
Mutual Funds		
U.S. Equities		
Large	2,856,911	2,476,244
International Equities		
Large	1,305,021	1,155,281
Growth Real Estate	546,097	545,741
Aggressive		
Small/mid	1,379,620	1,254,119
Aggressive International	272,477	249,240
Energy/Natural Resources	575,826	330,169
Other	60,814	329,390
Fixed Income		
Short term	336,850	330,538
Intermediate	339,678	331,390
Treasury Inflation Protected	308,032	311,158
International bonds	<u>451,372</u>	<u>451,860</u>
	<u>\$ 8,524,965</u>	<u>\$ 7,846,809</u>

The following schedule summarizes the investment return, excluding the investment return related to custodial funds, and its classification in the Statements of Activities for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 266,440	\$ 243,864
Realized and unrealized gains on investments	741,386	561,518
Investment fees	<u>(37,413)</u>	<u>(33,456)</u>
	<u>\$ 970,413</u>	<u>\$ 771,926</u>

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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### 4. RISKS AND UNCERTAINTIES

The Foundation 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.

### 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Foundation'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 2017 or 2016.

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 or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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.

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

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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 September 30, 2017 and 2016.

- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds (“funds”) held by the Foundation 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 Foundation are deemed to be actively traded.

The following tables set forth financial assets measured at fair value in the Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy on a recurring basis at September 30, 2017 and 2016:

	2017		2016	
	Fair Value	Level 1	Fair Value	Level 1
Mutual funds	\$ 8,432,698	\$ 8,432,698	\$ 7,765,130	\$ 7,765,130

**6. PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30, 2017 and 2016 is as follows:

	2017	2016
Property and equipment	\$ 254,468	\$ 254,468
Less accumulated depreciation	(135,672)	(129,630)
	\$ 118,796	\$ 124,838

**7. CUSTODIAL FUNDS**

Custodial funds represent funds placed on deposit with the Foundation by other organizations based on their individual board resolutions. The Foundation accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Foundation’s investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected on the Statements of Activities.

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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Following is a progression of custodial funds during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 361,784	\$ 335,200
Contributions	6,637	7,717
Interest and dividend income	13,698	13,015
Realized and unrealized gains on investments	38,314	29,486
Investment fees	(1,927)	(1,775)
Administrative fees	(4,942)	(4,548)
Grant payments	<u>(12,494)</u>	<u>(17,311)</u>
Ending balance	<u>\$ 401,070</u>	<u>\$ 361,784</u>

### 8. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of \$7,301,701 and \$6,712,953 consist of endowment funds not yet appropriated for expenditure at September 30, 2017 and 2016, respectively.

Endowment funds appropriated for expenditure and released from donor restrictions for the years ended September 30, 2017 and 2016 were \$412,053 and \$338,784, respectively. Endowment funds appropriated for expenditure primarily consist of grants, as well as fees and other program expenses.

### 9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include designated purpose restrictions related to promoting charitable activities in Scott and Jefferson County and total \$271,462 and \$271,171 at September 30, 2017 and 2016, respectively.



# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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### 10. ENDOWMENT

The majority of the Foundation's funds consist of endowed funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation 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 Foundation has a policy of appropriating for distribution each year 4 percent of its endowment funds' average fair value over the prior 20 quarters, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

Endowed funds by net asset type at September 30, 2017 and 2016 were as follows:

	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 516,988	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>7,301,701</u>	<u>271,462</u>
	<u>\$ 516,988</u>	<u>\$ 7,301,701</u>	<u>\$ 271,462</u>

  

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 497,276	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>6,712,953</u>	<u>271,171</u>
	<u>\$ 497,276</u>	<u>\$ 6,712,953</u>	<u>\$ 271,171</u>

Changes in endowed funds for the years ended September 30, 2017 and 2016 were as follows:

	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 497,276	\$ 6,712,953	\$ 271,171
Contributions and other revenues	-0-	73,636	-0-
Investment return, net	42,461	927,165	291
Appropriation of endowment assets for expenditure	<u>(22,749)</u>	<u>(412,053)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 516,988</u>	<u>\$ 7,301,701</u>	<u>\$ 271,462</u>

  

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 224,599	\$ 6,006,770	\$ 270,930
Contributions and other revenues	269,647	240,657	-0-
Investment return, net	17,330	754,310	241
Appropriation of endowment assets for expenditure	<u>(14,300)</u>	<u>(288,784)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 497,276</u>	<u>\$ 6,712,953</u>	<u>\$ 271,171</u>

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2017 AND 2016

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### 11. FUNCTIONAL EXPENSES

The Foundation serves as a vehicle for residents of Scott County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended September 30, 2017 and 2016 are classified as follows:

	<u>2017</u>	<u>2016</u>
Development of Scott County	\$ 458,902	\$ 384,313
Fundraising	65,204	60,129
General and administrative expenses	<u>98,008</u>	<u>93,235</u>
	<u>\$ 622,114</u>	<u>\$ 537,677</u>

### 12. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

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.

### 13. RECENTLY ISSUED ACCOUNTING STANDARDS

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 Foundation is not required to adopt until its year ending September 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.

The Foundation is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.