

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

## **FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018 AND 2017**

*CPAs / ADVISORS*



**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

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SEPTEMBER 30, 2018 AND 2017

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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, 2018 and 2017 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, 2018 and 2017, 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 30, 2018

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017

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**ASSETS**

	2018	2017
Cash and cash equivalents	\$ 112,475	\$ 91,785
Certificate of deposit	50,755	50,376
Investments	8,831,366	8,524,965
Property and equipment, net	<u>115,811</u>	<u>118,796</u>
	<u>\$ 9,110,407</u>	<u>\$ 8,785,922</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$ 2,655	\$ 2,602
Custodial funds	<u>420,353</u>	<u>401,070</u>
Total liabilities	423,008	403,672

**Net assets**

Unrestricted:		
Operating	180,966	184,101
Operating reserve	112,865	107,998
Board designated	<u>542,275</u>	<u>516,988</u>
Total unrestricted net assets	836,106	809,087
Temporarily restricted	7,579,634	7,301,701
Permanently restricted	<u>271,659</u>	<u>271,462</u>
Total net assets	<u>8,687,399</u>	<u>8,382,250</u>
	<u>\$ 9,110,407</u>	<u>\$ 8,785,922</u>

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*See accompanying notes to financial statements.*

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENTS OF ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2018  
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support, revenues, gains and losses</b>					
Contributions	\$ 17,426	\$ 65,445	\$ -0-	\$ 82,871	\$ 106,597
Investment return, net	50,650	585,702	197	636,549	970,413
Administrative fees	153,434	-0-	-0-	153,434	141,487
Miscellaneous income	37,507	3,846	-0-	41,353	37,826
Net assets released from restrictions	<u>377,060</u>	<u>(377,060)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	636,077	277,933	197	914,207	1,256,323
<b>Expenses</b>					
Administrative fees	148,049	-0-	-0-	148,049	136,541
Scholarships and grants	253,089	-0-	-0-	253,089	291,526
Salaries	128,337	-0-	-0-	128,337	124,763
Payroll taxes	9,700	-0-	-0-	9,700	9,505
Employee benefits	2,824	-0-	-0-	2,824	1,743
Advertising	2,530	-0-	-0-	2,530	2,626
Annual report	406	-0-	-0-	406	662
Conferences and meetings	2,367	-0-	-0-	2,367	2,512
Depreciation	6,685	-0-	-0-	6,685	6,042
Dues	1,983	-0-	-0-	1,983	703
Endowment development	2,260	-0-	-0-	2,260	2,279
Equipment rental and maintenance	14,286	-0-	-0-	14,286	9,024
Insurance	5,805	-0-	-0-	5,805	3,369
Utilities	2,171	-0-	-0-	2,171	2,086
Office expense	5,008	-0-	-0-	5,008	4,486
Postage and shipping	2,036	-0-	-0-	2,036	1,635
Professional development	695	-0-	-0-	695	1,010
Professional services	11,450	-0-	-0-	11,450	10,950
Special events	6,033	-0-	-0-	6,033	6,596
Telephone	1,432	-0-	-0-	1,432	1,326
Travel	1,676	-0-	-0-	1,676	2,200
Other	<u>236</u>	<u>-0-</u>	<u>-0-</u>	<u>236</u>	<u>530</u>
Total expenses	609,058	-0-	-0-	609,058	622,114
Change in net assets	27,019	277,933	197	305,149	634,209
<b>Net assets, beginning 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>
<b>Net assets, end of year</b>	<u>\$ 836,106</u>	<u>\$ 7,579,634</u>	<u>\$ 271,659</u>	<u>\$ 8,687,399</u>	<u>\$ 8,382,250</u>

*See accompanying notes to financial statements.*

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support, revenues, gains and losses</b>				
Contributions	\$ 32,961	\$ 73,636	\$ -0-	\$ 106,597
Investment return, net	42,957	927,165	291	970,413
Administrative fees	141,487	-0-	-0-	141,487
Miscellaneous income	37,826	-0-	-0-	37,826
Net assets released from restrictions	<u>412,053</u>	<u>(412,053)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	667,284	588,748	291	1,256,323
<b>Expenses</b>				
Administrative fees	136,541	-0-	-0-	136,541
Scholarships and grants	291,526	-0-	-0-	291,526
Salaries	124,763	-0-	-0-	124,763
Payroll taxes	9,505	-0-	-0-	9,505
Employee benefits	1,743	-0-	-0-	1,743
Advertising	2,626	-0-	-0-	2,626
Annual report	662	-0-	-0-	662
Conferences and meetings	2,512	-0-	-0-	2,512
Depreciation	6,042	-0-	-0-	6,042
Dues	703	-0-	-0-	703
Endowment development	2,279	-0-	-0-	2,279
Equipment rental and maintenance	9,024	-0-	-0-	9,024
Insurance	3,369	-0-	-0-	3,369
Utilities	2,086	-0-	-0-	2,086
Office expense	4,486	-0-	-0-	4,486
Postage and shipping	1,635	-0-	-0-	1,635
Professional development	1,010	-0-	-0-	1,010
Professional services	10,950	-0-	-0-	10,950
Special events	6,596	-0-	-0-	6,596
Telephone	1,326	-0-	-0-	1,326
Travel	2,200	-0-	-0-	2,200
Other	<u>530</u>	<u>-0-</u>	<u>-0-</u>	<u>530</u>
Total expenses	<u>622,114</u>	<u>-0-</u>	<u>-0-</u>	<u>622,114</u>
Change in net assets	45,170	588,748	291	634,209
<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>
<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>

*See accompanying notes to financial statements.*

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Operating activities</b>		
Change in net assets	\$ 305,149	\$ 634,209
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,685	6,042
Interest earned on certificate of deposit	(379)	(376)
Reinvested interest and dividends received on investments	(337,168)	(279,762)
Realized and unrealized gains on investments	(374,688)	(779,700)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	53	159
Custodial funds	<u>19,283</u>	<u>39,286</u>
Net cash flows from operating activities	(381,065)	(380,142)
<b>Investing activities</b>		
Purchase of equipment	(3,700)	-0-
Purchase of certificate of deposit	(50,000)	-0-
Maturities of certificate of deposit	50,000	-0-
Purchase of investments	(546,552)	(365,498)
Proceeds from sales of investments	<u>952,007</u>	<u>746,804</u>
Net cash flows from investing activities	<u>401,755</u>	<u>381,306</u>
Net change in cash and cash equivalents	20,690	1,164
<b>Cash and cash equivalents, beginning of year</b>	<u>91,785</u>	<u>90,621</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 112,475</u>	<u>\$ 91,785</u>

*See accompanying notes to financial statements.*



# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

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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, 2018 AND 2017

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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, 2018 AND 2017

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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, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The 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, 2018 AND 2017

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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

### 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 30, 2018.

## **2. CERTIFICATE OF DEPOSIT**

The Foundation's certificate of deposit consists of the following at September 30, 2018 and 2017:

2018			2017		
Amount	Maturity	Interest Rate	Amount	Maturity	Interest Rate
<u>\$ 50,755</u>	8/29/2020	1.50%	<u>\$ 50,376</u>	8/29/2018	0.75%

**SCOTT COUNTY COMMUNITY FOUNDATION, INC.**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

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**3. INVESTMENTS**

Investments are reported at fair value and consist of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 62,298	\$ 92,267
Mutual funds		
U.S. equities		
Large	3,042,490	2,856,911
International equities		
Large	1,018,981	1,305,021
Growth real estate	559,525	546,097
Aggressive		
Small/mid	1,468,639	1,379,620
Aggressive international	510,412	272,477
Energy/natural resources	698,200	575,826
Other	-0-	60,814
Fixed income		
Short term	336,788	336,850
Intermediate	336,908	339,678
Treasury inflation protected	343,881	308,032
International bonds	<u>453,244</u>	<u>451,372</u>
	<u>\$ 8,831,366</u>	<u>\$ 8,524,965</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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 320,902	\$ 266,440
Realized and unrealized gains		
on investments	355,969	741,386
Investment fees	<u>(40,322)</u>	<u>(37,413)</u>
	<u>\$ 636,549</u>	<u>\$ 970,413</u>

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

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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 2018 or 2017.

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets 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, 2018 AND 2017

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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, 2018 and 2017.

- *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, 2018 and 2017:

	2018		2017	
	Fair Value	Level 1	Fair Value	Level 1
Mutual funds	\$ 8,769,068	\$ 8,769,068	\$ 8,432,698	\$ 8,432,698

**6. PROPERTY AND EQUIPMENT**

A summary of property and equipment at September 30, 2018 and 2017 is as follows:

	2018	2017
Property and equipment	\$ 253,531	\$ 254,468
Less accumulated depreciation	<u>(137,720)</u>	<u>(135,672)</u>
	<u>\$ 115,811</u>	<u>\$ 118,796</u>

**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, 2018 AND 2017

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Following is a progression of custodial funds during 2018 and 2017:

	2018	2017
Beginning balance	\$ 401,070	\$ 361,784
Contributions	6,030	6,637
Interest and dividend income	16,645	13,698
Realized and unrealized gains on investments	18,719	38,314
Investment fees	(2,087)	(1,927)
Administrative fees	(5,385)	(4,942)
Grant payments	(14,639)	(12,494)
Ending balance	<u>\$ 420,353</u>	<u>\$ 401,070</u>

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

Temporarily restricted net assets of \$7,579,634 and \$7,301,701 consist of endowment funds not yet appropriated for expenditure at September 30, 2018 and 2017, respectively.

Endowment funds appropriated for expenditure and released from donor restrictions for the years ended September 30, 2018 and 2017 were \$377,060 and \$412,053, 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 \$271,659 and \$271,462 at September 30, 2018 and 2017, respectively.



# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

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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 8 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, 2018 AND 2017

Endowed funds by net asset type at September 30, 2018 and 2017 were as follows:

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 542,275	\$ -0-	\$ -0-
Donor Restricted Funds	<u>-0-</u>	<u>7,579,634</u>	<u>271,659</u>
	<u>\$ 542,275</u>	<u>\$ 7,579,634</u>	<u>\$ 271,659</u>

  

	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>

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

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 516,988	\$ 7,301,701	\$ 271,462
Contributions and other revenues	-0-	69,291	-0-
Investment return, net	50,148	585,702	197
Appropriation of endowment assets for expenditure	<u>(24,861)</u>	<u>(377,060)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 542,275</u>	<u>\$ 7,579,634</u>	<u>\$ 271,659</u>

  

	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>

# SCOTT COUNTY COMMUNITY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2018 AND 2017

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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, 2018 and 2017 are classified as follows:

	2018	2017
Development of Scott County	\$ 434,981	\$ 458,902
Fundraising	69,063	65,204
General and administrative expenses	105,014	98,008
	<u>\$ 609,058</u>	<u>\$ 622,114</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.