

COMMUNITY FOUNDATION OF PULASKI COUNTY, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018



## Independent Auditors' Report

Board of Directors  
Community Foundation of Pulaski County, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of Pulaski County, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Pulaski County, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
July 8, 2020

## Community Foundation of Pulaski County, Inc.

## STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,214,192	\$ 1,819,759
Investments	10,282,308	7,959,254
Furniture and equipment, net of accumulated depreciation of \$22,408 and \$22,320 in 2019 and 2018, respectively	<u>667</u>	<u>-</u>
	<u>\$ 11,497,167</u>	<u>\$ 9,779,013</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 997	\$ 1,753
Accrued liabilities	5,056	3,857
Scholarships payable	11,435	5,933
Deferred revenue	-	348,508
Annuity reserves	46,548	54,381
Agency funds	<u>574,737</u>	<u>502,309</u>
Total liabilities	638,773	916,741
<b>NET ASSETS</b>		
Without donor restrictions	333,254	269,666
With donor restrictions	<u>10,525,140</u>	<u>8,592,606</u>
	<u>10,858,394</u>	<u>8,862,272</u>
	<u>\$ 11,497,167</u>	<u>\$ 9,779,013</u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue			
Contributions	\$ 58,563	\$ 781,492	\$ 840,055
Administrative fee income	177,099		177,099
Investment return (loss), net	9,976	1,629,741	1,639,717
Change in value of split-interest agreements		(2,367)	(2,367)
Other income	181		181
	<u>245,819</u>	<u>2,408,866</u>	<u>2,654,685</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	10,129	(10,129)	
Pursuant to spending policy	466,203	(466,203)	
Operating expenses			
Program services	360,677		360,677
Supporting services			
Management and general	265,013		265,013
Fundraising	32,873		32,873
	<u>658,563</u>	<u></u>	<u>658,563</u>
<b>CHANGE IN NET ASSETS</b>	63,588	1,932,534	1,996,122
Net assets at beginning of year	<u>269,666</u>	<u>8,592,606</u>	<u>8,862,272</u>
Net assets at end of year	<u>\$ 333,254</u>	<u>\$ 10,525,140</u>	<u>\$ 10,858,394</u>

The accompanying notes are an integral part of these statements.

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 6,810	\$ 500,551	\$ 507,361
156,947		156,947
2,929	(563,300)	(560,371)
	(4,641)	(4,641)
<u>409</u>		<u>409</u>
167,095	(67,390)	99,705
9,447	(9,447)	
465,948	(465,948)	
330,677		330,677
237,323		237,323
<u>28,901</u>		<u>28,901</u>
<u>596,901</u>		<u>596,901</u>
45,589	(542,785)	(497,196)
<u>224,077</u>	<u>9,135,391</u>	<u>9,359,468</u>
<u>\$ 269,666</u>	<u>\$ 8,592,606</u>	<u>\$ 8,862,272</u>

Community Foundation of Pulaski County, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2019			
	Grant- making	Management & General	Fundraising	Total
Salaries and wages	\$ 25,528	\$ 61,266	\$ 15,317	\$ 102,111
Payroll taxes	2,130	3,195	1,775	7,100
Employee benefits	2,426	3,639	2,022	8,087
Conferences and meetings	365	547	304	1,216
Grants	284,232			284,232
Donor development			2,035	2,035
Community leadership	35,309			35,309
Printing and publications	799	1,198	666	2,663
Postage	281	422	233	936
Administrative fees		169,111		169,111
Advertising	1,705		3,936	5,641
Dues and subscriptions	165	248	137	550
Website	143	213	119	475
Office supplies	657	986	548	2,191
Professional fees		13,779		13,779
Rent	2,071	3,106	1,726	6,903
Telephone	751	1,127	626	2,504
Utilities	909	1,364	758	3,031
Cleaning	96	144	79	319
Insurance	870	1,305	725	2,900
Technology	1,019	1,528	849	3,396
Miscellaneous	1,195	1,795	996	3,986
Depreciation	26	40	22	88
	<u>\$ 360,677</u>	<u>\$ 265,013</u>	<u>\$ 32,873</u>	<u>\$ 658,563</u>

The accompanying notes are an integral part of these statements.

2018			
<u>Grant- making</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 23,150	\$ 55,560	\$ 13,890	\$ 92,600
1,922	2,883	1,602	6,407
2,061	3,091	1,717	6,869
760	1,139	633	2,532
292,132			292,132
		1,534	1,534
858	1,287	715	2,860
310	465	257	1,032
	148,457		148,457
2,108		2,408	4,516
165	248	137	550
90	134	75	299
686	1,030	572	2,288
	13,380		13,380
2,117	3,175	1,764	7,056
692	1,038	577	2,307
789	1,183	657	2,629
17	25	13	55
594	891	495	1,980
961	1,441	801	3,203
1,232	1,847	1,026	4,105
33	49	28	110
<u>\$ 330,677</u>	<u>\$ 237,323</u>	<u>\$ 28,901</u>	<u>\$ 596,901</u>

## Community Foundation of Pulaski County, Inc.

## STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,996,122	\$ (497,196)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	88	110
Realized gains on investments	(164,823)	(466,813)
Unrealized (gains) losses on investments	(1,182,878)	1,382,150
Change in value of split-interest agreements	2,367	4,641
Contributions to funds held in perpetuity	(759,050)	(474,009)
Non-cash contributions	(130,000)	
Decrease in accounts receivable		380
Increase (decrease) in liabilities:		
Accounts payable	(756)	(394)
Accrued liabilities	1,199	(115)
Scholarships payable	5,502	3,381
Deferred revenue	(348,508)	348,508
Agency funds	72,428	(64,718)
Net cash provided by (used in) operating activities	(508,309)	235,925
Cash flows from investing activities:		
Payments on charitable gift annuities	(10,200)	(10,200)
Purchase of equipment	(755)	
Proceeds from sale of investments	2,572,726	3,455,643
Purchase of investments	(3,418,079)	(3,812,833)
Net cash used in investing activities	(856,308)	(367,390)
Cash flows from financing activities:		
Cash received from contributors to be held in perpetuity	759,050	474,009
Net cash provided by financing activities	759,050	474,009
Net increase (decrease) in cash and cash equivalents	(605,567)	342,544
Cash and cash equivalents at beginning of year	1,819,759	1,477,215
Cash and cash equivalents at end of year	<u>\$ 1,214,192</u>	<u>\$ 1,819,759</u>

The accompanying notes are an integral part of these statements.



## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Community Foundation of Pulaski County, Inc. (Foundation) was incorporated as a not-for-profit organization on November 30, 2001, under the laws of the State of Indiana. The Foundation is a public foundation located in Winamac, Indiana, which serves individuals, families, organizations, and businesses who wish to enrich their community, now and in the future. The Foundation is a vehicle for people of all means to make a lasting difference in their community. Support consists of donations from private and public organizations or individuals. Other sources of revenue are primarily investment earnings from the endowed funds held by the Foundation.

2. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

3. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at financial institutions which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment return/(loss) is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

5. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 and 2018, the Foundation exceeded the insured limit by \$502,907 and \$414,153, respectively.

6. Property, Equipment and Depreciation

Purchased property and equipment is stated at cost. Donated property and equipment is recorded as support and revenue at the estimated fair value at the date of gift. Depreciation is computed according to the estimated useful lives of the respective assets, which range from three to forty years, using the straight-line method.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Grants and scholarships

Grants and scholarships, including multi-year awards, are recorded as an expense and a payable when grants are approved and communicated to the grantees. Grants and scholarships expense for the years ended December 31, 2019 and 2018 was \$284,232 and \$292,132, respectively.

8. Net Assets and Spending Policy

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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and comprised of the Foundation's operating fund and unrestricted income from endowment funds.

Net assets with donor restrictions - 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, net assets are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

The primary investment objective of the Foundation is to maximize total return of the Portfolio net of inflation, spending, and expenses, over a full market cycle without undue exposure to risk. It is expected that the Portfolio will outperform this weighted benchmark index over a full market cycle. The benchmark index is comprised of each asset class index weighted by its target allocation.

The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. The target spending amount for the Foundation will be 4.0% of the previous twelve-quarter, moving average of the Portfolio's market value. The formula shall be applied to the twelve quarters ending each fiscal year prior to payout.

9. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes. The Foundation is not considered to be a private foundation.

10. Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Deferred Revenue

During 2018, the Foundation received a \$500,000 grant from Lilly Endowment, Inc. GIFT VII, which has a matching requirement. The Foundation has raised \$174,254 and \$116,395 towards the matching requirement and recorded \$348,508 and \$151,492 as contribution revenue from the matching grant for the years ending December 31, 2019 and 2018, respectively. The unmatched portion of the Lilly Endowment, Inc. GIFT VII is \$0- and \$348,508 as of December 31, 2019 and 2018, respectively and is recorded as deferred revenue on the Statements of Financial Position.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Compensated Absences

The employees of the Foundation qualify for vacation time based upon length of service. Vacation time must be used by the end of the calendar year. Any unused vacation time is paid to an employee upon termination based upon the employee's hourly rate. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees.

13. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include depreciation, insurance, printing and publications, rent, telephone, utilities, cleaning, office supplies, postage, website, dues and subscriptions, salaries and wages, payroll taxes, employee benefits, conferences and meetings, and miscellaneous expenses. These expenses are allocated on the basis of estimates of time and effort.

14. Advertising

Advertising costs are expensed as incurred and included in functional expenses. Advertising expenses totaled \$5,641 and \$4,516 for 2019 and 2018, respectively.

15. Uncertain Tax Positions

The Foundation recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

16. Estimates

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

## NOTE B - RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note C). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE C - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2019 and 2018, by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

	<u>2019</u>	<u>2018</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Common stocks	\$ 1,300,250	\$ 834,655
Mutual funds - equities:		
Foreign large blend	1,231,796	758,673
Foreign small/mid growth	43,165	79,728
Foreign large growth	87,257	26,750
Large value	1,423,374	2,005,075
Small growth	550,571	363,732
Large growth	27,908	37,101
Small blend	516,853	345,914
Mid-cap blend	453,701	208,854
Large blend	1,292,499	210,631
Diversified emerging markets	369,908	399,781
Options-based	234,048	
Consumer defensive	25,255	
Energy	17,171	
Communication	23,865	
Real estate	134,969	87,809
Total mutual funds - equity	<u>6,432,340</u>	<u>4,524,048</u>
Mutual funds - fixed income:		
Corporate bonds	540,431	472,898
Intermediate-term bond	1,486,433	1,196,129
Tactical allocation	379,184	683,185
Treasury notes	143,670	248,339
Total mutual funds - fixed income	<u>2,549,718</u>	<u>2,600,551</u>
Total investments, at fair value	<u>\$ 10,282,308</u>	<u>\$ 7,959,254</u>
Total investments, at historical cost	<u>\$ 9,200,004</u>	<u>\$ 8,435,263</u>

## NOTE D - SPLIT-INTEREST AGREEMENTS

The Foundation administers two split-interest agreements which require future payments to contributors or their named beneficiaries. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuity totaled \$93,273 and \$87,353 at December 31, 2019 and 2018, respectively. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of future payment obligations at December 31, 2019 and 2018 was \$46,548 and \$54,381, respectively. The liability was determined using discount rates of 2.0% to 3.6%. The change in the actuarial value of the annuity obligations resulted in a decrease in revenue of \$2,367 at December 31, 2019, and a decrease in revenue of \$4,641 at December 31, 2018.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE E - ENDOWMENT FUNDS

The Foundation's endowment consists of 95 individual funds established for a variety of purposes as of December 31, 2019 and 2018, respectively. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 8,177,536	\$ 7,394,113
Accumulated investment gains	<u>2,138,728</u>	<u>1,030,595</u>
	<u>\$ 10,316,264</u>	<u>\$ 8,424,708</u>

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE E - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Revenue and support		
Contributions and other	\$ 874,820	\$ 524,741
Investment return (loss), net	1,482,939	(563,308)
Total revenue and support	2,357,759	(38,567)
Appropriation of endowment assets for expenditure	466,203	352,696
Change in endowment net assets	1,891,556	(391,263)
Endowment net assets, beginning of year	8,424,708	8,815,971
Endowment net assets, end of year	<u>\$ 10,316,264</u>	<u>\$ 8,424,708</u>

Occasionally, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2019, no endowment funds were underwater. As of December 31, 2018, 32 of the 95 endowment funds had deficiencies totaling \$62,917. Deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that may be deemed prudent by the board of directors.

## NOTE F - NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Growing and pass-through funds	\$ 10,129	\$ 9,447
Restricted-purpose spending-rate distributions and appropriations:		
Endowments	349,893	354,306
Scholarship	116,310	111,642
	466,203	465,948
	<u>\$ 476,332</u>	<u>\$ 475,395</u>

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Growing and pass-through funds	\$ 208,876	\$ 167,898
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Proceeds from gift annuities upon death of the annuitant	95,823	87,353
Restricted by donors for:		
Endowments	246,164	187,054
Scholarships	<u>182,598</u>	<u>148,857</u>
	428,762	335,911
Subject to Foundation spending and appropriation:		
Endowments	7,579,939	6,041,126
Scholarships	<u>2,211,740</u>	<u>1,960,318</u>
	<u>9,791,679</u>	<u>8,001,444</u>
	<u>\$ 10,525,140</u>	<u>\$ 8,592,606</u>

## NOTE H - LIQUIDITY

The Foundation has financial assets available within one year of the Statements of Financial Position date consisting the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	<u>\$ 385,289</u>	<u>\$ 325,590</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statements of Financial Position date. As part of its liquidity management, the Foundation invests cash in excess of daily requirements in various cash equivalents including money market funds and other interest earning opportunities.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE I - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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 as of December 31, 2019 and 2018, respectively:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Common stocks	\$ 1,300,250	\$ 1,300,250		
Mutual funds - equities	\$ 6,432,340	\$ 6,432,340		
Mutual funds - fixed income	\$ 2,549,718	\$ 2,549,718		
Liabilities:				
Annuity reserves	\$ 46,548		\$ 46,548	



## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

## NOTE I - FAIR VALUE MEASUREMENTS - Continued

	2018			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Common stocks	\$ 834,655	\$ 834,655		
Mutual funds - equities	\$ 4,524,048	\$ 4,524,048		
Mutual funds - fixed income	\$ 2,600,551	\$ 2,600,551		
Liabilities:				
Annuity reserves	\$ 54,381		\$ 54,381	

Fair value for investments is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for annuity reserves is determined by present value calculations done on an annual basis.

## NOTE J - AGENCY FUNDS

The Foundation reports contributions as a liability when third party organizations transfer these assets to the Foundation and specify themselves, or their affiliates, as the beneficiary. These liabilities are offset by the Foundation's investments.

During the years ended December 31, 2019 and 2018, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the Statements of Activities.

	2019	2018
Support and revenue		
Contributions and pledges	\$ 4,301	\$ 1,897
Investment return (loss), net	97,453	(36,770)
	\$ 101,754	\$ (34,873)
Expenses		
Grants expense	21,338	21,355
Administrative fees	7,988	8,490
	29,326	29,845
Change in agency funds	72,428	(64,718)
Balance at beginning of year	502,309	567,027
Balance at end of year	\$ 574,737	\$ 502,309

## NOTE K - OPERATING LEASE AGREEMENT

In December 2019, the Foundation entered into a one year operating lease for its office facility. The lease requires annual payments of \$7,200 payable in installments of \$600 per month. Rent expense at December 31, 2019 and 2018 was \$7,200 and \$7,200, respectively.

## Community Foundation of Pulaski County, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE L - ADMINISTRATION MANAGEMENT**

The Foundation assesses an administrative charge of 1.5% to 2.0% on endowment and pass-through funds. The amount assessed to the funds is based upon the type of fund and the balance of the fund. This amount is used primarily to support the operations of the Foundation.

For the years ended December 31, 2019 and 2018, \$177,099 and \$156,947, respectively, is included as support and revenue and \$169,111 and \$148,457, respectively is included as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

**NOTE M - RELATED-PARTY TRANSACTIONS**

During 2019 and 2018, officers and board members made donations to the Foundation totaling \$11,902 and \$13,888, respectively.

**NOTE N - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through July 8, 2020, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2019, have been incorporated into these financial statements herein.

**NOTE O - ADOPTION OF NEW ACCOUNTING STANDARD**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019, the first day of the Foundation's fiscal year, using the full retrospective method.

As part of the adoption of the ASU, the Foundation elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Foundation used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Foundation expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Foundation has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The adoption of this ASU did not have an impact on the Foundation's financial statements. All of the Foundation's revenue is exempt from the standard. Therefore, no changes were required to previously reported revenues as a result of the adoption.