

COMMUNITY FOUNDATION OF PULASKI COUNTY, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2017 and 2016



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, 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 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, 2017 and 2016, 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 30, 2018

Community Foundation of Pulaski County, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,477,215	\$ 553,066
Accounts receivable	380	-
Investments	8,517,402	8,419,012
Furniture and equipment, net of accumulated depreciation of \$22,210 and \$21,990 in 2017 and 2016, respectively	<u>110</u>	<u>330</u>
	<u><u>\$ 9,995,107</u></u>	<u><u>\$ 8,972,408</u></u>
LIABILITIES		
Accounts payable	\$ 2,147	\$ 3,235
Accrued liabilities	3,972	4,559
Scholarships payable	2,552	7,208
Annuity reserves	59,941	65,762
Agency funds	<u>567,027</u>	<u>518,873</u>
Total liabilities	635,639	599,637
NET ASSETS		
Unrestricted	2,297,256	2,026,236
Temporarily restricted	1,586,729	1,139,642
Permanently restricted	<u>5,475,483</u>	<u>5,206,893</u>
	<u>9,359,468</u>	<u>8,372,771</u>
	<u><u>\$ 9,995,107</u></u>	<u><u>\$ 8,972,408</u></u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue				
Contributions	\$ 25,386	\$ 42,460	\$ 268,590	\$ 336,436
Administrative fee income	157,450			157,450
Interest and dividends	70,649	240,317		310,966
Realized gains on investments	50,668	13,319		63,987
Unrealized gains (losses) on investments	138,321	629,263		767,584
Change in value of split-interest agreements		(4,378)		(4,378)
Other income	88			88
	<u>442,562</u>	<u>920,981</u>	<u>268,590</u>	<u>1,632,133</u>
Net assets released from restrictions				
Restrictions satisfied by payments	473,894	(473,894)		
Expenses				
Program services				
Grants and scholarships	321,289			321,289
Program expenses	36,827			36,827
Supporting services				
Operating expenses	85,164			85,164
Administrative fee expense	149,206			149,206
Investment fees	23,595			23,595
Fundraising expenses	29,355			29,355
	<u>645,436</u>			<u>645,436</u>
CHANGE IN NET ASSETS	271,020	447,087	268,590	986,697
Net assets at beginning of year	<u>2,026,236</u>	<u>1,139,642</u>	<u>5,206,893</u>	<u>8,372,771</u>
Net assets at end of year	<u>\$ 2,297,256</u>	<u>\$ 1,586,729</u>	<u>\$ 5,475,483</u>	<u>\$ 9,359,468</u>

The accompanying notes are an integral part of these statements.

2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 84,777	\$ 177,358	\$ 187,999	\$ 450,134
145,056			145,056
79,710	265,615		345,325
106,521	391,165		497,686
(45,254)	(147,429)		(192,683)
	(7,036)		(7,036)
<u>141</u>			<u>141</u>
370,951	679,673	187,999	1,238,623
432,451	(432,451)		
359,378			359,378
36,251			36,251
86,110			86,110
137,412			137,412
29,276			29,276
<u>27,473</u>			<u>27,473</u>
<u>675,900</u>			<u>675,900</u>
127,502	247,222	187,999	562,723
<u>1,898,734</u>	<u>892,420</u>	<u>5,018,894</u>	<u>7,810,048</u>
<u>\$ 2,026,236</u>	<u>\$ 1,139,642</u>	<u>\$ 5,206,893</u>	<u>\$ 8,372,771</u>

Community Foundation of Pulaski County, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 986,697	\$ 562,723
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:		
Depreciation	220	220
Realized gains on investments	(63,987)	(497,686)
Unrealized (gains) losses on investments	(767,584)	192,683
Change in value of split-interest agreements	4,378	7,036
Contributions to restricted funds	(268,590)	(187,999)
Increase in accounts receivable	(380)	
Increase (decrease) in liabilities:		
Accounts payable	(1,088)	2,459
Accrued liabilities	(587)	1,012
Scholarships payable	(4,656)	3,459
Deferred revenue		(105,585)
Agency funds	48,154	38,160
Net cash provided by (used in) operating activities	<u>(67,423)</u>	<u>16,482</u>
Cash flows from investing activities:		
Payments on charitable gift annuities	(10,200)	(10,200)
Proceeds from sale of investments	1,337,331	1,464,588
Purchase of investments	<u>(604,149)</u>	<u>(1,769,732)</u>
Net cash provided by (used in) investing activities	722,982	(315,344)
Cash flows from financing activities:		
Cash received from contributors for restricted funds	<u>268,590</u>	<u>187,999</u>
Net cash provided by financing activities	<u>268,590</u>	<u>187,999</u>
Net increase (decrease) in cash and cash equivalents	924,149	(110,863)
Cash and cash equivalents at beginning of year	<u>553,066</u>	<u>663,929</u>
Cash and cash equivalents at end of year	<u>\$ 1,477,215</u>	<u>\$ 553,066</u>

The accompanying notes are an integral part of these statements.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 secures permanent funds to serve the philanthropic goals of donors who wish to better their community by providing them with flexible, efficient, and tax-effective ways to achieve the greatest possible impact. 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 unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

Investments are recorded at fair value. The changes in the difference between fair value and cost are reflected in the financial statements as net unrealized gains or losses on investments. Investment income, net realized and unrealized gains or losses are classified as unrestricted, temporarily restricted or permanently restricted revenue or expenses, depending on the existence and/or nature of any donor restrictions.

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, 2017 and 2016, the Foundation exceeded the insured limit by \$317,254 and \$115,037, 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, 2017 and 2016

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, 2017 and 2016 was \$321,289 and \$359,378, respectively.

8. Net Assets and Spending Policy

Net assets are classified based upon the existence or absence of donor-imposed restrictions. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Foundation.

Permanently restricted net assets represent the part of the net assets of the Foundation resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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 up to 5.0% 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.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

11. Compensated Absences

The Foundation's policy for compensated absences requires employees to take their paid time off during the year for which it is earned. Therefore, no accumulation results and no accrual are necessary.

12. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Advertising

Advertising costs are expensed as incurred and included in functional expenses. Advertising expenses totaled \$4,825 and \$4,755 for 2017 and 2016, respectively.

14. 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 2014, 2015, and 2016 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.

15. 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.

NOTE C - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2017 and 2016, by type of investment. The investments are held in uninsured trust accounts at various financial institutions.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C - INVESTMENTS - Continued

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds - equities:		
Foreign large blend	\$ 863,917	\$ 851,834
Large value	2,932,902	2,651,994
World allocation		67,783
Small growth	376,758	221,699
Small blend	280,758	244,908
Large blend	219,814	208,751
Diversified emerging markets	339,877	252,527
Diversified Pacific/Asia	398,326	317,568
World stock fund		84,708
Total mutual funds - equity	<u>5,412,352</u>	<u>4,901,772</u>
Mutual funds - fixed income:		
Corporate bonds	152,360	144,219
Short-term bond	150,084	503,800
Intermediate-term bond	2,083,623	1,699,167
Tactical allocation	718,983	630,787
High yield bond		124,960
World bond		414,307
Total mutual funds - fixed income	<u>3,105,050</u>	<u>3,517,240</u>
Total investments, at fair value	<u>\$ 8,517,402</u>	<u>\$ 8,419,012</u>
Total investments, at historical cost	<u>\$ 7,165,441</u>	<u>\$ 7,826,188</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2017 and 2016.

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment return	\$ 70,649	\$ 240,317	\$ 310,966
Realized gains on investments	50,668	13,319	63,987
Unrealized gains on investments	138,321	629,263	767,584
	<u>\$ 259,638</u>	<u>\$ 882,899</u>	<u>\$ 1,142,537</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C - INVESTMENTS - Continued

	2016		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 79,710	\$ 265,615	\$ 345,325
Realized gains on investments	106,521	391,165	497,686
Unrealized losses on investments	(45,254)	(147,429)	(192,683)
	<u>\$ 140,977</u>	<u>\$ 509,351</u>	<u>\$ 650,328</u>

NOTE D - SPLIT-INTEREST AGREEMENT

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 \$107,393 and \$100,386 at December 31, 2017 and 2016, 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, 2017 and 2016 was \$59,941 and \$65,762, respectively. The liability was determined using discount rates of 1.8% to 2.6%. The change in the actuarial value of the annuity obligations resulted in a decrease in liabilities and a decrease in revenue of \$4,378 at December 31, 2017, and a decrease in liabilities and a decrease in revenue of \$7,036 at December 31, 2016.

NOTE E - ENDOWMENT FUNDS

In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted.

The Foundation's endowment consists of 91 and 90 individual funds established for a variety of purposes as of December 31, 2017 and 2016, respectively. The endowment includes both funds established by donors and funds designated by the Board to function as endowments. The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate 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

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E - ENDOWMENT FUNDS - Continued

Endowment net assets composition by type of fund as of December 31, 2017 and 2016 was as follows:

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 1,444,296	\$ 5,475,483	\$ 6,919,779
Board-designated endowment funds	\$ 215,406			215,406
	<u>\$ 215,406</u>	<u>\$ 1,444,296</u>	<u>\$ 5,475,483</u>	<u>\$ 7,135,185</u>
	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 1,030,954	\$ 5,206,893	\$ 6,237,847
Board-designated endowment funds	\$ 167,741			167,741
	<u>\$ 167,741</u>	<u>\$ 1,030,954</u>	<u>\$ 5,206,893</u>	<u>\$ 6,405,588</u>

Changes in endowment net assets for the years ended December 31, 2017 and 2016, were as follows:

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenue and support			
Contributions and other			\$ 268,590
Investment return	\$ 66,436	\$ 250,935	
Net appreciation of investments	167,702	619,557	
Total revenue and support	234,138	870,492	268,590
Appropriation of endowment assets for expenditure	186,473	457,150	
Change in endowment net assets	47,665	413,342	268,590
Endowment net assets, beginning of year	167,741	1,030,954	5,206,893
Endowment net assets, end of year	<u>\$ 215,406</u>	<u>\$ 1,444,296</u>	<u>\$ 5,475,483</u>

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E - ENDOWMENT FUNDS - Continued

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and other	\$ 121,930		\$ 187,999
Investment return	71,621	\$ 265,022	
Net appreciation of investments	61,267	230,334	
Total revenue	254,818	495,356	187,999
Appropriation of endowment assets for expenditure	156,912	320,054	
Change in endowment net assets	97,906	175,302	187,999
Endowment net assets, beginning of year	69,835	855,652	5,018,894
Endowment net assets, end of year	\$ 167,741	\$ 1,030,954	\$ 5,206,893

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, 2017 and 2016, no endowment funds were underwater. 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 - RESTRICTED NET ASSETS

Donor restrictions have been imposed on a significant portion of the Foundation's net assets for the following areas of interest at December 31, 2017 and 2016.

	2017		2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Endowments	\$ 1,140,982	\$ 3,736,914	\$ 843,990	\$ 3,665,303
Scholarship	303,314	1,669,246	186,964	1,472,267
Charitable gift annuities	38,070	69,323		69,323
Growing and pass-through funds	104,363		108,688	
	\$ 1,586,729	\$ 5,475,483	\$ 1,139,642	\$ 5,206,893

NOTE G - 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.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G - FAIR VALUE MEASUREMENTS - Continued

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 Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2017 and 2016, respectively:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 8,517,402	\$ 8,517,402		
Liabilities:				
Annuity reserves	\$ 59,941		\$ 59,941	
	2016			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 8,419,012	\$ 8,419,012		
Liabilities:				
Annuity reserves	\$ 65,762		\$ 65,762	

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G - FAIR VALUE MEASUREMENTS - Continued

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 H - 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, 2017 and 2016, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	<u>2017</u>	<u>2016</u>
Support and revenue		
Contributions and pledges	\$ 575	\$ 26,622
Investment income	20,468	22,975
Realized gains on investments	782	33,516
Unrealized gains (losses) on investments	<u>53,475</u>	<u>(14,522)</u>
	\$ 75,300	\$ 68,591
Expenses		
Grants expense	17,306	20,813
Bank trustee fees	1,596	1,974
Administrative fees	<u>8,244</u>	<u>7,644</u>
	<u>27,146</u>	<u>30,431</u>
Change in agency funds	48,154	38,160
Balance at beginning of year	<u>518,873</u>	<u>480,713</u>
Balance at end of year	<u>\$ 567,027</u>	<u>\$ 518,873</u>

NOTE I - 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 principal balance of the fund. This amount is used primarily to support the operations of the Foundation.

For the years ended December 31, 2017 and 2016, \$157,450 and \$145,056, respectively, is included as support and revenue and \$149,206 and \$137,412, 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 J - OPERATING LEASE AGREEMENT

In December 2017, 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, 2017 and 2016 was \$7,200 and \$6,000, respectively.

Community Foundation of Pulaski County, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE K - RELATED-PARTY TRANSACTIONS

During 2017 and 2016, officers and board members made donations to the Foundation totaling \$4,095 and \$35,001, respectively.

NOTE L - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 30, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, have been incorporated into these financial statements herein.