

Consolidated Financial Statements

**LAGRANGE COUNTY COMMUNITY FOUNDATION, INC.**

*Years ended December 31, 2018 and 2017  
with Independent Auditor's Report*

LaGrange County Community Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2018 and 2017

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## Independent Auditor's Report

Board of Directors  
LaGrange County Community Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of the LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaGrange County Community Foundation, Inc. and its affiliate, L.C.C.F. Support Organization, Inc., as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Haines, Asenbarger & Skiba, LLC*

Fort Wayne, Indiana  
February 19, 2019

LaGrange County Community Foundation, Inc.

Consolidated Statements of Financial Position

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 728,341	\$ 653,419
Investments	14,263,135	15,538,493
Note receivable	192,637	204,277
Property and equipment, net	187,032	171,961
Other assets	5,356	6,845
Total assets	<u>\$ 15,376,501</u>	<u>\$ 16,574,995</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts and other payables	\$ 18,127	\$ 105,745
Funds held for others	174,737	191,463
Total liabilities	<u>192,864</u>	<u>297,208</u>
Net assets:		
Without donor restrictions	6,109,023	6,328,317
With donor restrictions	9,074,614	9,949,470
Total net assets	<u>15,183,637</u>	<u>16,277,787</u>
Total liabilities and net assets	<u>\$ 15,376,501</u>	<u>\$ 16,574,995</u>

*See notes to consolidated financial statements.*

LaGrange County Community Foundation, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year ended December 31					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, revenues and gains (losses)</b>						
General contributions	\$ 274,113	\$ 364,843	\$ 638,956	\$ 186,617	\$ 721,109	\$ 907,726
Investment income:						
Interest and dividends	136,627	306,457	443,084	142,281	212,503	354,784
Unrealized gains (losses)	(482,026)	(777,768)	(1,259,794)	606,771	1,034,450	1,641,221
Realized gains	42,034	67,426	109,460	29,173	51,951	81,124
Investment fees:						
Fees to Foundation	(321,569)	-	(321,569)	(299,649)	-	(299,649)
Fees to others	(26,576)	-	(26,576)	(25,999)	-	(25,999)
Administrative assessment	324,205	-	324,205	302,169	-	302,169
Other	13,877	11,720	25,597	6,539	1,405	7,944
Total support, revenue and gains (losses)	(39,315)	(27,322)	(66,637)	947,902	2,021,418	2,969,320
Net assets released from restrictions	867,604	(867,604)	-	650,491	(650,491)	-
	828,289	(894,926)	(66,637)	1,598,393	1,370,927	2,969,320
<b>Expenses</b>						
Program services:						
Grants and scholarships awarded	637,548	-	637,548	441,315	-	441,315
Other program services	173,641	-	173,641	175,682	-	175,682
	811,189	-	811,189	616,997	-	616,997
Supporting activities:						
Management and general	184,095	-	184,095	183,546	-	183,546
Fund-raising	32,229	-	32,229	34,399	-	34,399
	216,324	-	216,324	217,945	-	217,945
Total expenses	1,027,513	-	1,027,513	834,942	-	834,942
Increase (decrease) in net assets	(199,224)	(894,926)	(1,094,150)	763,451	1,370,927	2,134,378
Transfers	(20,070)	20,070	-	7,092	(7,092)	-
Net assets at beginning of year	6,328,317	9,949,470	16,277,787	5,557,774	8,585,635	14,143,409
Net assets at end of year	\$ 6,109,023	\$ 9,074,614	\$ 15,183,637	\$ 6,328,317	\$ 9,949,470	\$ 16,277,787

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Functional Expenses

	Year ended December 31											
	2018						2017					
	Program Services			Supporting Activities			Program Services			Supporting Activities		Total Expenses
Grants and Scholarships	Other	Total	Management and General	Fund-raising	Total Expenses	Grants and Scholarships	Other	Total	Management and General	Fund-raising		
Grants and scholarships awarded	\$ 637,548	\$ -	\$ 637,548	\$ -	\$ -	\$ 637,548	\$ 441,315	\$ -	\$ 441,315	\$ -	\$ -	\$ 441,315
Program related disbursements	-	92,067	92,067	-	-	92,067		89,725	89,725	-	-	89,725
Personnel and related expenses:												
Salaries and wages	-	41,712	41,712	108,452	16,685	166,849	-	45,244	45,244	117,633	18,098	180,975
Payroll taxes	-	3,256	3,256	8,466	1,302	13,024	-	3,405	3,405	8,853	1,362	13,620
	-	44,968	44,968	116,918	17,987	179,873	-	48,649	48,649	126,486	19,460	194,595
Advertising and promotion	-	-	-	-	7,866	7,866	-	-	-	-	6,217	6,217
Conferences and meetings	-	-	-	6,801	-	6,801	-	-	-	5,206	-	5,206
Depreciation	-	-	-	4,209	-	4,209	-	-	-	3,039	-	3,039
Information technology	-	4,783	4,783	12,435	1,913	19,131	-	6,330	6,330	16,459	2,532	25,321
Insurance	-	4,548	4,548	1,516	-	6,064	-	1,555	1,555	518	-	2,073
Miscellaneous	-	1,917	1,917	11,689	1,283	14,889	-	2,084	2,084	13,969	2,905	18,958
Occupancy	-	14,380	14,380	5,531	2,212	22,123	-	15,830	15,830	6,088	2,435	24,353
Office	-	2,419	2,419	6,290	968	9,677	-	2,124	2,124	5,524	850	8,498
Professional fees	-	8,559	8,559	18,706	-	27,265	-	9,385	9,385	6,257	-	15,642
Total expenses	\$ 637,548	\$ 173,641	\$ 811,189	\$ 184,095	\$ 32,229	\$ 1,027,513	\$ 441,315	\$ 175,682	\$ 616,997	\$ 183,546	\$ 34,399	\$ 834,942

See notes to consolidated financial statements.

LaGrange County Community Foundation, Inc.

Consolidated Statements of Cash Flows

	<b>Year ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ (1,094,150)	\$ 2,134,378
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,209	3,039
Unrealized (gains) losses on investments	1,259,794	(1,641,221)
Realized gains on investments	(109,460)	(81,124)
Contributions received for long-term purposes	(24,505)	(180,354)
Contribution of building	-	(175,000)
Changes in operating assets and liabilities:		
Other assets	1,489	(743)
Accounts and other payables	(87,618)	66,045
Funds held for others	(16,726)	26,598
Net cash provided by (used in) operating activities	<u>(66,967)</u>	151,618
<b>Investing activities</b>		
Purchases of property and equipment	(19,280)	-
Purchases of investments	(732,040)	(464,291)
Proceeds from sale and maturities of investments	857,064	426,606
Payments on note receivable	11,640	13,596
Net cash provided by (used in) investing activities	<u>117,384</u>	(24,089)
<b>Financing activity</b>		
Contributions received for long-term purposes	<u>24,505</u>	180,354
Increase in cash and cash equivalents	74,922	307,883
Cash and cash equivalents at beginning of year	653,419	345,536
Cash and cash equivalents at end of year	<u>\$ 728,341</u>	<u>\$ 653,419</u>
<b>Supplemental disclosure</b>		
In-kind contribution of building received and used in operations	\$ -	\$ 175,000

See notes to consolidated financial statements.



# LaGrange County Community Foundation, Inc.

## Notes to Consolidated Financial Statements

December 31, 2018

### **1. Organization**

The mission of LaGrange County Community Foundation, Inc. (Foundation) is to inspire and sustain generosity, leadership and service in the community. The Foundation was founded in 1991 and has grown to include endowed funds, which provide ongoing funding for service organizations and projects throughout LaGrange County.

The mission of L.C.C.F. Support Organization, Inc. (Support Organization) is to provide funding of projects in the communities served by LaGrange County Community Foundation, Inc.

The Foundation and Support Organization are exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Internal Revenue Code. The Foundation is not considered a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

### **2. Significant Accounting Policies**

The consolidated financial statements are presented on the accrual basis. The consolidated financial statements as of and for the years ended December 31, 2018 and 2017 include the Foundation and Support Organization. Significant inter-organization accounts and transactions have been eliminated in consolidation.

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements and during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash held in checking accounts, cash on hand and money market accounts with original maturity dates of less than three months. While the Foundation may maintain cash and cash equivalents in bank deposit accounts which at times

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Cash and Cash Equivalents (continued)**

exceed federally insured limits, they have not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments**

Investments are primarily held for long-term purposes such as endowments and scholarships. Investments are reported at fair value with gains and losses included in the statements of activities in net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Donated investments are initially reported at fair value on the date of the gift. Other investments are carried at the lower of cost (fair value at date of donation) or current fair value and include assets such as real estate.

Adjustments to the carrying value of the other investments are reported in the statements of activities as a component of realized or unrealized gains (losses). Broker investment fees were \$26,576 and \$25,999 for the years ended December 31, 2018 and 2017, respectively. The Foundation also assesses a management fee on investments and their designated funds.

**Note Receivable**

The Foundation holds a note receivable from LaGrange County Council on Aging, Inc. The note receivable is unsecured and receivable in monthly installments of \$2,000 including principal and interest at the prime rate plus 1.75 percent (7.25 percent at December 31, 2018) beginning on May 5, 2016 with the remaining amount due March 24, 2024.

**Property and Equipment**

Property and equipment are stated at cost or estimated historical cost through appraisal or at the market values on the dates the gifts were donated in the case of gifts from nonaffiliated entities. Expenditures greater than \$1,000 are capitalized, and depreciation is computed on the straight-line method. The useful life of the building is 30 years, and useful lives for all other assets range from 5 to 10 years.

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Funds Held for Others**

Funds held for others consist of amounts established at the Foundation by separate 501(c)(3) organizations who specify that the resource provider will be the beneficiary of the investment earnings. Under the *Revenue Recognition and Disclosure* topics of the FASB ASC for *Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others*, the amounts held and the investment earnings are required to be reported as a liability for financial reporting purposes.

##### **Revenues and Expenses**

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred to the Foundation.

The Foundation assesses an administrative charge of 2 percent on endowed and non-endowed permanent funds. The amount assessed to these permanent funds is based upon the average quarterly fair value balance of the fund. For funds that are temporary assets of the Foundation, where the Foundation is acting in a fiscal sponsorship role or for pass-through scholarship funds, the Foundation assesses an administrative charge of 5 to 10 percent of the pass-through gift. All administrative fees assessed primarily support the operations of the Foundation and amounted to \$324,205 and \$302,169 for the years ending December 31, 2018 and 2017, respectively.

The Foundation recognizes gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and recognized in the statements of activities as satisfaction of purpose restrictions.

The Foundation recognizes gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation recognizes expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recognized when incurred in accordance with accrual basis accounting.

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions consist of the following types of internally-designated funds:

- *Operating net assets* – Undesignated net assets that result from the accumulated surplus of operating income over operating expenses and are available for use in the general operations of the Foundation.
- *Board designated quasi endowment* – Assets held with board designation that principal is held in perpetuity and income may be expended at any time.
- *Net investment in property and equipment* – Property and equipment at cost less accumulated depreciation.

*Net Assets With Donor Restrictions*—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Endowment deficits (underwater endowments) occur when the fair value in individual funds fall below the historical gift amounts.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Net Assets (continued)**

Net assets with donor restrictions are segregated among the following:

- *Field of interest* – A fund established to benefit a specific field (such as health care, education, youth programs, the arts, etc.). Grants are made from the fund to the most appropriate programs or organization in the field chosen and based on current needs. The donor may express preference in determining the field of interest.
- *Specified purpose/designated* – A fund established to support other charitable programs or organizations, including churches or synagogues, educational institutions or charitable activities of other organizations. The donor may express preferences as to the charitable program or organization receiving the grant.
- *Scholarships* – A fund established to provide scholarships for the benefit of deserving students' educational opportunities. The donor may express preference regarding which school's students to support, the college or program and the criteria applied.
- *Donor advised* – A fund established to allow the donor to make suggestions on which charities or programs should be supported each year.
- *Accumulated earnings* – Cumulative appreciation and reinvested gains on donor-restricted endowment assets which have not been appropriated by the Board of Directors.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements**

The Foundation uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

	<b>Fair Value Measurements at December 31, 2018 Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Money market funds	\$ 11,221	\$ -	\$ -	\$ 11,221
Equity securities:				
Financial services	307,295	-	-	307,295
Mutual and exchange traded funds:				
Short-term bond	602,822	-	-	602,822
Intermediate-term bond	1,858,003	-	-	1,858,003
International bond	624,114	-	-	624,114
International large blend	3,315,031	-	-	3,315,031
Large blend	5,220,187	-	-	5,220,187
Large growth	40,169	-	-	40,169
Large value	49,195	-	-	49,195
Mid blend	722,529	-	-	722,529
Mid growth	11,072	-	-	11,072
Mid value	1,463,952	-	-	1,463,952
Small blend	13,045	-	-	13,045
	<b>13,920,119</b>	<b>-</b>	<b>-</b>	<b>13,920,119</b>
Total investments at fair value	<b>\$ 14,238,635</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,238,635</b>

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements (continued)**

	Fair Value Measurements at December 31, 2017 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 32,148	\$ -	\$ -	\$ 32,148
Equity securities:				
Financial services	176,916	-	-	176,916
Mutual and exchange traded funds:				
Short-term bond	501,280	-	-	501,280
Intermediate-term bond	1,625,009	-	-	1,625,009
International bond	521,622	-	-	521,622
International large blend	3,911,895	-	-	3,911,895
Large blend	5,958,908	-	-	5,958,908
Large growth	40,508	-	-	40,508
Large value	131,799	-	-	131,799
Mid blend	1,319,453	-	-	1,319,453
Mid growth	12,280	-	-	12,280
Mid value	1,265,919	-	-	1,265,919
Small blend	16,256	-	-	16,256
	15,304,929	-	-	15,304,929
Total investments at fair value	\$ 15,513,993	\$ -	\$ -	\$ 15,513,993

Fair value of assets measured on a recurring basis at December 31, 2018 and 2017, are as follows:

Level 1:

*Money market funds:* Valued at quoted market prices in an exchange and active market.

*Equity securities:* Valued at quoted market prices in an exchange and active market.

*Mutual and exchange traded funds:* Valued at quoted net asset values of the shares held by the Foundation at year-end.

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value Measurements (continued)**

The fair value of the land and building used in operations is measured on a nonrecurring basis and was valued at its appraised value on the date of its in-kind contribution to the Support Organization.

##### **Functional Allocation of Expenses**

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated, based on management's estimate, among the program services and supporting activities benefited. Program services are expenses incurred primarily on behalf of endowment grants. The Foundation incurred no joint costs for the years ending December 31, 2018 and 2017, respectively.

##### **Uncertain Tax Positions**

The effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2018 and 2017, the Foundation had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements. The Foundation files returns in the United States federal jurisdiction and the state of Indiana. With few exceptions the Foundation is no longer subject to investigation by the Internal Revenue Service (IRS) for years before 2015.

##### **Concentration of Support Risk**

It is common for community foundations to receive the majority of the contributions in any given year from a small number of donors due to bequests received from estates. There were no such concentrations for the years ending December 31, 2018 and 2017, respectively. The majority of the Foundation's support comes from the area of LaGrange County, Indiana.

##### **Concentration of Credit Risk**

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



## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Concentration of Credit Risk (continued)**

such changes could materially affect amounts reported in the consolidated financial statements. The Foundation has established guidelines relative to diversification and liquidity risk levels. These guidelines are periodically reviewed and modified as necessary.

##### **Recently Issued Accounting Standards**

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, regarding its implications on the grants and contracts of not-for-profit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. The new guidance also clarifies that a contribution is conditional if the agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. ASU 2018-08 applies to resource providers and resource recipients. The new standard is effective for the Foundation in the year ending December 31, 2020. Early adoption of the amendments is permitted. The Foundation is currently evaluating the impact of the adoption of the standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Foundation's December 31, 2020 consolidated financial statements. The Foundation is currently evaluating the effect of the pending adoption of the new standard on the consolidated financial statements.

##### **Newly Adopted Accounting Standard**

On August 18, 2016, FASB issued ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Newly Adopted Accounting Standard (continued)**

liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except the liquidity disclosure, which presented financial assets available for general expenditure as of the current year-end.

#### **3. Liquidity and Availability**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions. Annual program funding needs are supported by contributions received without donor restrictions, investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining liquid assets; and maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**3. Liquidity and Availability (continued)**

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year from December 31, 2018, comprise the following:

Cash and cash equivalents	\$ 282,787
Notes receivable	<u>10,312</u>
	<u>\$ 293,099</u>

In addition to these funds available for general expenditures, the Foundation’s Board of Directors has chosen to charge an administrative fee to all funds pursuant to the fund agreement. Certain administrative fees are based on a percentage of the fund balance and are assessed quarterly or annually. Other administrative fees are based on a percentage of annual contributions to the fund. Estimated administrative fees available for general expenditures during 2019 are \$301,000. In addition, the Board of Directors could vote to undesignate board designated endowment assets to make additional funds available if needed.

The Foundation’s Grant Advisory Committee meets periodically to review and recommend grant requests for approval by the Board of Directors. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide sufficient liquidity for grantmaking and other purposes.

**4. Investments**

Investments consist of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Investments:		
Money market funds	\$ 11,221	\$ 32,148
Equity securities	307,295	176,916
Mutual and exchange traded funds	<u>13,920,119</u>	<u>15,304,929</u>
	<b>14,238,635</b>	<b>15,513,993</b>
Other investments:		
Real estate	<u>24,500</u>	<u>24,500</u>
	<u><b>\$ 14,263,135</b></u>	<u><b>\$ 15,538,493</b></u>

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**5. Property and Equipment**

Property and equipment consist of the following:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land, building and improvements	\$ 219,658	\$ 200,378
Furniture and equipment	91,635	91,635
	<b>311,293</b>	292,013
Less accumulated depreciation	(124,261)	(120,052)
	<b>\$ 187,032</b>	\$ 171,961

Depreciation for the years ending December 31, 2018 and 2017, was \$4,209 and \$3,039, respectively.

**6. Net Assets**

Net assets consist of:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Without donor restrictions:		
Undesignated—operating	\$ 282,787	\$ 206,927
Board-designated endowments	5,639,204	5,949,429
Net equity in property and equipment	187,032	171,961
	<b>6,109,023</b>	6,328,317
With donor restrictions:		
Restricted in perpetuity—endowment	6,541,827	6,517,321
Subject to expenditure for specified purpose:		
Endowment funds:		
Accumulated unappropriated earnings from endowment funds	2,190,417	3,023,330
Non-endowed funds:		
Specified purpose	232,678	283,582
Scholarships	30,590	33,071
Field of interest	79,102	92,166
	<b>9,074,614</b>	9,949,470
Total	<b>\$ 15,183,637</b>	\$ 16,277,787

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **6. Net Assets (continued)**

##### **Endowment**

The Foundation's endowment consists of 111 individual funds established for a variety of purposes. Its endowment is comprised of funds designated by the Board of Directors to function as endowments and by donor-restricted funds. As required by generally accepted accounting principles (GAAP), 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.

##### **Interpretation of Relevant Law**

The Board of Directors has interpreted the state of Indiana's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value providing for intergenerational equity. The fair value of a donor's permanent endowment is its market value. Market value includes the original gift value of the assets held in perpetuity, the original value of subsequent gifts to the permanent endowment and net realized and unrealized gains absent explicit donor stipulations to the contrary. Donor-restricted amounts not retained in perpetuity are subject to appropriation 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 endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment funds.
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.

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**6. Net Assets (continued)**

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 8,732,244	\$ 8,732,244
Board-designated endowment funds	5,639,204	-	5,639,204
Total endowment net assets	<u>\$ 5,639,204</u>	<u>\$ 8,732,244</u>	<u>\$ 14,371,448</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,949,429	\$ 9,540,651	\$ 15,490,080
Investment return:			
Interest and dividends	136,906	306,357	446,263
Net depreciation (realized and unrealized)	(451,392)	(709,686)	(1,161,078)
Investment fees	(9,703)	(19,770)	(29,473)
Administrative assessments	(116,305)	(187,167)	(303,472)
Total investment return	<u>(437,494)</u>	<u>(610,266)</u>	<u>(1,047,760)</u>
Contributions and grant income	269,249	25,615	294,864
Expended for endowment purposes	(87,194)	(227,021)	(314,215)
Other changes	(51,786)	3,265	(51,521)
Endowment net assets, end of year	<u>\$ 5,639,204</u>	<u>\$ 8,732,244</u>	<u>\$ 14,371,448</u>

LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**6. Net Assets (continued)**

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 9,540,651	\$ 9,540,651
Board-designated endowment funds	5,949,429	-	5,949,429
<b>Total endowment net assets</b>	<b>\$ 5,949,429</b>	<b>\$ 9,540,651</b>	<b>\$ 15,490,080</b>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 5,397,820	\$ 8,459,465	\$ 13,857,285
Investment return:			
Interest and dividends	140,895	212,399	353,294
Net appreciation (realized and unrealized)	629,780	1,085,900	1,715,680
Investment fees	(9,577)	(19,265)	(28,842)
Administrative assessments	(111,224)	(176,585)	(287,809)
<b>Total investment return</b>	<b>649,874</b>	<b>1,102,449</b>	<b>1,752,323</b>
Contributions and grant income	5,610	241,144	246,754
Expended for endowment purposes	(94,238)	(239,044)	(333,282)
Other changes	(9,637)	(23,363)	(33,000)
<b>Endowment net assets, end of year</b>	<b>\$ 5,949,429</b>	<b>\$ 9,540,651</b>	<b>\$ 15,490,080</b>

## LaGrange County Community Foundation, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **6. Net Assets (continued)**

##### **Funds with Deficiencies**

Occasionally, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historical gift amount. As of December 31, 2018 and 2017, no endowment funds fell below the historical gift amount. Deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that is deemed prudent by the Board of Directors.

##### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect the purchasing power of the original investments, to generate returns in excess of the spending policy, to maximize the total return of the Foundation within reasonable and prudent levels of risk and to offer equity and fixed income investments that are diversified among securities and industries, reducing the risk of large losses. Actual returns in any given year will of course vary.

##### **Strategies Employed for Achieving Objectives**

The primary objective of the investments will be to provide for long-term growth of principal and income without undue exposure to risk to enable the Foundation to make grants on a continuing and reasonably consistent basis. Therefore, the focus will be on consistent long-term capital appreciation, with income generation as a secondary consideration. More specifically, the investment committee seeks returns during a full market cycle that are large enough to preserve and enhance the real, inflation adjusted purchasing power of the Foundation's assets, while also considering the current spending requirements. In pursuing this objective, the investment committee endeavors to achieve total returns that over time are better than the relevant market averages. The investment committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved.



LaGrange County Community Foundation, Inc.

Notes to Consolidated Financial Statements (continued)

**6. Net Assets (continued)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The distribution rate for endowment funds for the Foundation is based upon a modified total return approach that authorizes both income and net capital appreciation to be withdrawn for spending in certain circumstances. The Foundation is not required to spend the maximum allowable amount calculated under this policy and may instead accumulate part or the entire amount for investment and use in future periods. The Foundation, in its sole discretion, may revoke, modify or amend this Spending and Distribution Policy at any time. For funds with deficiencies, it is the Foundation's practice to not spend from the fund until it has reached its historical dollar value, unless deemed prudent and necessary by the Board of Directors.

**7. Lease**

The Foundation leases a copier pursuant to a non-cancelable lease which expires in 2022. Rent expense was \$4,019 and \$4,154 for the years ending December 31, 2018 and 2017, respectively.

Future minimum payments on the aforementioned lease are as follows:

2019	\$ 4,019
2020	4,019
2021	4,019
2022	2,680
	<u>\$ 14,737</u>

**8. Subsequent Events**

Management has evaluated subsequent events through February 19, 2019, the date on which the consolidated financial statements were available to be issued.

In February 2019 the Foundation received a grant of \$500,000 as part of Lilly Endowment Inc.'s seventh phase of its Giving Indiana Funds for Tomorrow (GIFT) initiative. With GIFT VII, the Endowment is making up to \$125 million available to help Indiana community foundations strengthen the towns, cities and counties they serve. The endowment will provide \$2 for every \$1 contributed to the Foundation's unrestricted endowments during the matching period of October 1, 2018 through December 31, 2020. The Foundation will use the matching fund grant to build its financial assets and support its charitable activities.