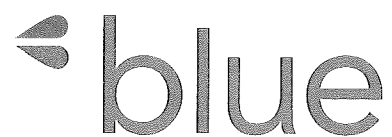


**COMMUNITY FOUNDATION OF MORGAN  
COUNTY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

*CPAs / ADVISORS*



# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

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# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

### ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 493,938	\$ 669,074
Investments	6,941,039	5,842,845
Charitable trust	326,146	325,056
Other assets	3,023	2,845
Property and equipment, net	<u>142,923</u>	<u>141,358</u>
	<u>\$ 7,907,069</u>	<u>\$ 6,981,178</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ 2,250	\$ 41,293
Grants payable	14,905	15,742
Accrued payroll	7,217	6,959
Deferred revenue	894,500	77,148
Liability under charitable trust	326,146	325,056
Custodial funds	<u>496,042</u>	<u>484,529</u>
Total liabilities	1,741,060	950,727

#### Net assets (Note 10)

Unrestricted:		
Operating	(379,377)	(405,406)
Board designated	<u>131,904</u>	<u>133,074</u>
	(247,473)	(272,332)
Temporarily restricted	1,432,766	1,379,394
Permanently restricted	<u>4,980,716</u>	<u>4,923,389</u>
Total net assets	<u>6,166,009</u>	<u>6,030,451</u>
	<u>\$ 7,907,069</u>	<u>\$ 6,981,178</u>

See accompanying notes to financial statements.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2013)

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenues</b>					
Contributions and grants	\$ 30,532	\$ 528,417	\$ 57,327	\$ 616,276	\$ 543,371
Investment return, net	159,972	75,799	-0-	235,771	888,775
Administrative fee income	348,062	-0-	-0-	348,062	294,997
In-kind rent	3,456	-0-	-0-	3,456	3,456
Special events income	40,246	79,040	-0-	119,286	81,912
Net assets released from restrictions	629,884	(629,884)	-0-	-0-	-0-
Total support and revenues	1,212,152	53,372	57,327	1,322,851	1,812,511
<b>Expenses</b>					
Grants	247,323			247,323	220,758
Program	321,164			321,164	267,848
Salaries and wages	314,884			314,884	242,057
Administrative fees	102,342			102,342	102,281
Professional fees	32,169			32,169	29,830
Printing and postage	25,055			25,055	23,857
Payroll taxes	26,645			26,645	18,991
In-kind rent	3,456			3,456	3,456
Computer expense	13,685			13,685	16,855
Employee benefits	20,222			20,222	12,184
Repairs and maintenance	10,291			10,291	8,929
Events	12,810			12,810	6,489
Depreciation	7,925			7,925	7,520
Advertising	2,677			2,677	3,113
Telephone	9,185			9,185	11,008
Insurance	6,025			6,025	5,279
Training	1,215			1,215	2,692
Utilities	10,846			10,846	6,913
Equipment expense	3,603			3,603	2,937
Office supplies	4,929			4,929	3,948
Travel and entertainment	3,754			3,754	4,375
Board and committee expense	211			211	760
Dues and subscriptions	838			838	1,843
Donor relations	1,384			1,384	1,034
Contracted services	3,079			3,079	2,199
Miscellaneous	1,576			1,576	2,835
Total expenses	1,187,293	-0-	-0-	1,187,293	1,009,991
Change in net assets	24,859	53,372	57,327	135,558	802,520
<b>Net assets, beginning of year</b>	(272,332)	1,379,394	4,923,389	6,030,451	5,227,931
<b>Net assets, end of year</b>	\$ (247,473)	\$ 1,432,766	\$ 4,980,716	\$ 6,166,009	\$ 6,030,451

*See accompanying notes to financial statements.*

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenues</b>				
Contributions and grants	\$ 74,346	\$ 428,823	\$ 40,202	\$ 543,371
Investment return, net	432,723	456,052	-0-	888,775
Administrative fee income	294,997	-0-	-0-	294,997
In-kind rent	3,456	-0-	-0-	3,456
Special events income	3,005	78,907	-0-	81,912
Net assets released from restrictions	<u>449,225</u>	<u>(449,225)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	1,257,752	514,557	40,202	1,812,511
<b>Expenses</b>				
Grants	220,758			220,758
Program	267,848			267,848
Salaries and wages	242,057			242,057
Administrative fees	102,281			102,281
Printing and postage	23,857			23,857
Professional fees	29,830			29,830
Payroll taxes	18,991			18,991
In-kind rent	3,456			3,456
Events	6,489			6,489
Depreciation	7,520			7,520
Employee benefits	12,184			12,184
Computer expense	16,855			16,855
Advertising	3,113			3,113
Equipment expense	2,937			2,937
Telephone	11,008			11,008
Insurance	5,279			5,279
Repairs and maintenance	8,929			8,929
Utilities	6,913			6,913
Office supplies	3,948			3,948
Travel and entertainment	4,375			4,375
Dues and subscriptions	1,843			1,843
Board and committee expense	760			760
Training	2,692			2,692
Contracted services	2,199			2,199
Donor relations	1,034			1,034
Miscellaneous	<u>2,835</u>			<u>2,835</u>
Total expenses	<u>1,009,991</u>	<u>-0-</u>	<u>-0-</u>	<u>1,009,991</u>
Change in net assets	247,761	514,557	40,202	802,520
<b>Net assets, beginning of year</b>	<u>(520,093)</u>	<u>864,837</u>	<u>4,883,187</u>	<u>5,227,931</u>
<b>Net assets, end of year</b>	<u>\$ (272,332)</u>	<u>\$ 1,379,394</u>	<u>\$ 4,923,389</u>	<u>\$ 6,030,451</u>

*See accompanying notes to financial statements.*

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Operating activities</b>		
Change in net assets	\$ 135,558	\$ 802,520
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,925	7,520
Realized and unrealized gains on investments	(150,495)	(816,594)
Reinvested interest and dividends received on investments	(162,063)	(152,319)
Contributions restricted to endowment funds	(57,327)	(40,202)
Changes in assets and liabilities:		
Other assets	(178)	(306)
Accounts payable	(39,043)	(1,500)
Grants payable	(837)	(7,158)
Accrued payroll	258	3,113
Deferred revenue	817,352	57,148
Custodial funds	<u>11,513</u>	<u>275,192</u>
Net cash flows from operating activities	562,663	127,414
<b>Investing activities</b>		
Purchase of property and equipment	(9,490)	(2,023)
Purchase of investments	(2,883,043)	(1,928,394)
Proceeds from sales of investments	<u>2,097,407</u>	<u>2,176,424</u>
Net cash flows from investing activities	(795,126)	246,007
<b>Financing activities</b>		
Contributions restricted to endowment funds	<u>57,327</u>	<u>40,202</u>
Net change in cash and cash equivalents	(175,136)	413,623
<b>Cash and cash equivalents, beginning of year</b>	<u>669,074</u>	<u>255,451</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 493,938</u>	<u>\$ 669,074</u>

*See accompanying notes to financial statements.*

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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

#### Nature of Operations

The Community Foundation of Morgan County, Inc. (the "Foundation") is a not-for-profit organization. The Foundation was established primarily to serve Morgan County by managing and distributing charitable contributions, supporting qualified not-for-profit organizations, and providing philanthropic leadership to improve the quality of life in the county.

#### Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

#### Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and primarily made up of the Foundation's operating fund. The Foundation maintains unrestricted funds as follows:

*Operating* – used to fund current operations of the Foundation. This fund also includes deficiencies in endowment funds classified as permanently restricted (see Note 10).

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

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

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# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Included in this classification are endowment funds that are subject to the restrictions of gift instruments requiring that the principal be maintained in perpetuity and invested for the purpose of producing present and future income. In accordance with the Foundation's spending policy, the historic gift value of those funds that specifically request that the principal shall not be invaded are classified as permanently restricted net assets.

### Cash and Cash Equivalents

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

### Investments and Investment Return

The Foundation carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the period in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as unrestricted or temporarily restricted based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Foundation's spending policy.

### Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.



# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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The Foundation provides for depreciation of property and equipment utilizing the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives. The range of useful lives is as follows:

<u>Description</u>	<u>Useful Lives</u>
Building and building improvements	10 - 39 years
Furniture and equipment	3 - 5 years
Leasehold improvements	1 ½ - 5 years

### Deferred Revenue

During 2014, the Organization received a \$1,000,000 grant from Lilly Endowment through its GIFT Phase VI initiative. The grant is required to be matched with new contributions to help build the Organization's unrestricted endowments and provide support for specified charitable projects and needs. Therefore, deferred revenue relates to the portion of the grant that has not yet been matched and earned. The matching period is from August 1, 2014 through March 31, 2016. As qualifying contributions are received, the related match amount is recognized as revenue. Deferred revenue related to this grant was \$851,020 at December 31, 2014.

Deferred revenue of \$43,480 and \$77,148 at December 31, 2014 and 2013, respectively, represents grant funds received in advance of the period in which the related services are provided.

### Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as support in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increase temporarily or permanently restricted net assets.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Foundation's spending policy.

The Foundation recognizes grant revenue in the period the related expenses are incurred.

All other revenue is recorded when earned.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Foundation. Administrative fees from all funds are reflected as revenue on the Statements of Activities. The administrative fees from custodial funds are not included as expenses on the Statements of Activities because they are included in the change in custodial funds.

### Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

### Income Taxes

The Foundation is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

### Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is April 2, 2015.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 2. INVESTMENTS

Investments at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and money market funds	\$ 213,637	\$ 142,780
Common stocks		
Large-cap growth	1,357,744	2,411,510
All-cap growth	446,447	485,707
Mid-cap value	1,934,593	936,371
Mid-cap growth	591,285	-0-
Equity mutual funds		
Large-cap blend	308,822	263,331
Mid-cap growth	347,914	288,548
Other	128,903	-0-
Preferred /fixed rate cap securities	437,272	223,065
Corporate bonds	651,280	583,086
Government securities	213,561	227,643
Corporate mortgage/asset backed bonds	48,598	23,550
Exchange traded funds		
Growth	<u>260,983</u>	<u>257,254</u>
	<u>\$ 6,941,039</u>	<u>\$ 5,842,845</u>

The following schedule summarizes the investment return, excluding the investment return on investments related to custodial funds, and its classification in the Statements of Activities:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 158,103	\$ 148,756
Realized and unrealized gains	146,268	797,317
Investment fees	<u>(68,600)</u>	<u>(57,298)</u>
	<u>\$ 235,771</u>	<u>\$ 888,775</u>

### 3. RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note 2). 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

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# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

### 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Foundation's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. There were no changes in levels during 2014 or 2013. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

- *Preferred/fixed rate cap securities, mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the security. Securities held by the Foundation are open-end securities that are registered with the Securities and Exchange Commission. These securities are required to publish their daily net asset value (NAV) and to transact at that price. The securities held by the Foundation are deemed to be actively traded.
- *Corporate bonds and corporate mortgage/asset backed bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Charitable trust:* The trust is invested in various mutual funds that are valued based upon the closing price reported on the active market on which the individual securities are traded.
- *Liability under charitable trust:* Fair value is equivalent to the value of the charitable trust as the named beneficiary may be changed.

The following table sets forth by level, within the hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013 are as follows:

	2014		
	Fair Value	Level 1	Level 2
<b>Assets:</b>			
Common stocks	\$ 4,330,069	\$ 4,330,069	\$ -0-
Mutual funds	785,639	785,639	-0-
Preferred/fixed rate cap securities	437,272	437,272	-0-
Corporate bonds	651,280	-0-	651,280
U.S. government securities	213,561	-0-	213,561
Corporate mortgage/asset backed bonds	48,598	-0-	48,598
Exchange traded funds	260,983	260,983	-0-
Charitable trust	326,146	-0-	326,146
<b>Liabilities:</b>			
Liability under charitable trust	326,146	-0-	326,146

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

	2013		
	Fair Value	Level 1	Level 2
<b>Assets:</b>			
Common stocks	\$ 3,833,588	\$ 3,833,588	\$ -0-
Mutual funds	551,879	551,879	-0-
Preferred/fixed rate cap securities	223,065	223,065	-0-
Corporate bonds	583,086	-0-	583,086
U.S. government securities	227,643	-0-	227,643
Corporate mortgage/asset backed bonds	23,550	-0-	23,550
Exchange traded funds	257,254	257,254	-0-
Charitable trust	325,056	-0-	325,056
<b>Liabilities:</b>			
Liability under charitable trust	325,056	-0-	325,056

### 5. CHARITABLE TRUST

The Foundation is the trustee and has been named the beneficiary of a charitable trust. The charitable trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). Upon termination of the trust, the Foundation will receive the entire amount remaining in the trust. However, the trust agreement specifies that the donors can change the beneficiary of the trust up until the death of both donors. Therefore, the Foundation records the fair value of the trust assets as investments in the Statements of Financial Position, but also recognizes a liability for the entire trust amount. Trust assets totaled \$326,146 and \$325,056 at December 31, 2014 and 2013, respectively.

### 6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2014 and 2013 is as follows:

	2014	2013
Building and building improvements	\$ 151,366	\$ 141,876
Furniture and equipment	67,887	67,887
Leasehold improvements	310,667	310,667
	529,920	520,430
Less accumulated depreciation	(386,997)	(379,072)
	\$ 142,923	\$ 141,358

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 7. CUSTODIAL FUNDS

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

Following is a progression of custodial funds during 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 484,529	\$ 209,337
Contributions	584,702	468,694
Interest and dividend income	3,960	3,563
Realized and unrealized gains	4,227	19,277
Investment fees	(1,750)	(1,344)
Other revenue	218,739	186,291
Administrative fees	(35,720)	(22,716)
Grant and scholarship payments	<u>(762,645)</u>	<u>(378,573)</u>
Ending balance	<u>\$ 496,042</u>	<u>\$ 484,529</u>

### 8. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for endowment funds not yet appropriated for expenditure of \$1,432,766 and \$1,379,394 at December 31, 2014 and 2013, respectively. Permanently restricted net assets of \$4,980,716 and \$4,923,389 at December 31, 2014 and 2013, respectively, are the historic gift value of funds that are restricted for use in perpetuity.

### 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in the amount of \$629,884 and \$449,225 based on endowment funds appropriated for expenditure for the years ended December 31, 2014 and 2013, respectively.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 10. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds.

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.



# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Foundation has a policy of appropriating for distribution each year 4.5 percent of its endowment funds' average fair value over the prior 36 months, or a lesser percentage as voted upon annually by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Endowed funds by net asset type at December 31, 2014 and 2013 were as follows:

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 131,904	\$ -0-	\$ -0-
Donor Restricted Funds	<u>(235,739)</u>	<u>1,432,766</u>	<u>4,980,716</u>
	<u>\$ (103,835)</u>	<u>\$ 1,432,766</u>	<u>\$ 4,980,716</u>
	2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Board Designated Funds	\$ 133,074	\$ -0-	\$ -0-
Donor Restricted Funds	<u>(284,115)</u>	<u>1,379,394</u>	<u>4,923,389</u>
	<u>\$ (151,041)</u>	<u>\$ 1,379,394</u>	<u>\$ 4,923,389</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$235,739 and \$284,115 as of December 31, 2014 and 2013, respectively. Non-endowed operating funds were (\$143,638) and (\$121,291) as of December 31, 2014 and 2013, respectively.

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Changes in endowment net assets for the years ended December 31, 2014 and 2013, were as follows:

	2014		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ (151,041)	\$ 1,379,394	\$ 4,923,389
Contributions and grants	-0-	528,417	57,327
Investment return, net	159,481	75,799	-0-
Other income	-0-	79,040	-0-
Appropriation of endowment assets for expenditure	(112,275)	(629,884)	-0-
Endowment net assets, end of year	\$ (103,835)	\$ 1,432,766	\$ 4,980,716
	2013		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ (430,762)	\$ 864,837	\$ 4,883,187
Contributions and grants	-0-	428,823	40,202
Investment return, net	432,450	456,052	-0-
Other income	-0-	78,907	-0-
Appropriation of endowment assets for expenditure	(152,729)	(449,225)	-0-
Endowment net assets, end of year	\$ (151,041)	\$ 1,379,394	\$ 4,923,389

# COMMUNITY FOUNDATION OF MORGAN COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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### 11. FUNCTIONAL EXPENSES

The Foundation serves as a vehicle for residents of Morgan County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended December 31, 2014 and 2013 are classified as follows:

	<u>2014</u>	<u>2013</u>
Development of Morgan County	\$ 800,285	\$ 688,838
Fundraising	88,741	83,719
General and administrative expenses	<u>298,267</u>	<u>237,434</u>
	<u>\$ 1,187,293</u>	<u>\$ 1,009,991</u>

### 12. OPERATING LEASE

The Foundation leases a satellite office in Mooresville, Indiana for an annual fee of one dollar. The fair value for the annual rental of this facility is \$3,456 for the years ended December 31, 2014 and 2013 which was reported as in-kind rent.

### 13. CONCENTRATIONS OF CREDIT RISK

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

Marketable securities and money market funds are maintained with one investment firm. Such balances, at times, may exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.