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June 21, 2017

Board of Directors
Community Foundation of Morgan County, Inc.
Martinsville, Indiana

Dear Members of the Board:

We have audited the financial statements of Community Foundation of Morgan County, Inc. (the "Foundation") for the year ended December 31, 2016, and have issued our report thereon dated as of the date of this letter. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 4, 2017. Professional standards also require that we communicate to you the following information related to our audit.

**OUR RESPONSIBILITY UNDER U.S. GENERALLY
ACCEPTED AUDITING STANDARDS**

As stated in our engagement letter dated November 16, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we will consider the internal controls of the Foundation. Such considerations will be solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in the notes to the financial statements. Beginning with your 2016 financial statements, the Foundation is required under accounting principles generally accepted in the United States of America to evaluate whether there are conditions or events that raise substantial doubt about your Foundation's ability to continue as a going concern for a period of one year from the date your financial statements were available to be issued. While this is technically a new accounting principle, its mandatory adoption had no impact on the Foundation's 2016 and prior financial statements. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation of property and equipment based on the estimated useful lives of the assets and straight-line method.
- Management's estimate of the allocation of functional expenses based on the nature of each expense.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. We believe the disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

- An adjustment to properly reflect the custodial funds liability at December 31, 2016. This adjustment increased the change in net assets by \$65,644. This adjustment is normally only posted through the audit process.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of the Foundation as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting

(internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Foundation's internal control to be a significant deficiency:

Posting Activity to the Improper Fund

During the prior year, we noted two instances in which deposits were recorded to the incorrect fund based on donor wishes. The first instance was recorded to the Common Wealth fund instead of the fund benefiting Bridges out of Poverty. The second instance was recorded to the Healthier Morgan County Initiative fund rather than the Foundation's operating fund. In our current year testing selections, we noted no such instances of activity being posted to an incorrect fund. However, through discussions with personnel we did note that during 2016 there was little oversight over the posting of contributions and grants to the correct funds as most of this was being done by one individual. We have also noted that beginning in 2017 the Foundation began using an outside CPA firm to provide oversight and review of these fund transactions to address this concern. We recommend that in addition to this extra layer of oversight, that management consider evaluating summarized fund activity by fund on a quarterly or at least annual basis to look for activity that may have been missed or incorrectly included. This can be done by someone outside of the recording function carefully reviewing fund statements for activity that appears out-of-line from knowledge about donors giving intentions and grants awarded during the period.

OUR RECOMMENDATION FOR YOUR ORGANIZATION

During the course of an audit, we frequently become aware of matters which are opportunities to strengthen internal controls or improve operating efficiency or effectiveness.

FOLLOW-UP TO RECOMMENDATION MADE DURING THE 2015 AUDIT

We would like to briefly follow-up on a certain recommendation that was included in our management letter to you dated April 5, 2016.

Maintaining Documentation

During the prior year testing of program expenses, we noted 2 instances out of 37 items tested in which no documentation had been maintained supporting the payment. For these instances, documentation was able to be requested from the requesting organization to support the payment. We also noted 7 additional instances from those 37 tested in which a signed payment request was kept but no further documentation was obtained to substantiate the validity of the payment requested.

Inability to produce such documents for internal inspection or for regulatory agencies, such as the Internal Revenue Service, could pose problems to the Foundation beyond the scope of a financial statement audit. Therefore, we encouraged the Foundation to review supporting documentation for all payment requests to ensure they were proper expenditures that would not jeopardize the Foundation's tax-exempt status and maintain this documentation along with a signed request and check stub. During our current year testing of program expenses, the Foundation was able to produce proper support for all of our selections.

This communication is intended solely for the information and use of management, the Board of Directors and its relevant committees (including as applicable the Audit and Finance Committee), and others within the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the Foundation for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Very truly yours,

Blue & Co., LLC