

MONTGOMERY COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

December 31, 2017 and 2016

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Independent Auditors' Report

Board of Directors
Montgomery County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Montgomery County Community Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 Montgomery County Community Foundation, 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
May 29, 2018

Montgomery County Community Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,710,183	\$ 1,587,078
Interest and dividends receivable	354,812	28,314
Accounts receivable	1,489	3,887
Estate gifts receivable	482,460	-
Prepaid expenses	17,636	8,371
Investments	41,281,935	36,875,173
Property and equipment		
Office and computer equipment	157,770	149,111
Less accumulated depreciation	<u>96,341</u>	<u>92,151</u>
	61,429	56,960
Real estate	<u>4,595,505</u>	<u>4,734,200</u>
	<u>\$ 48,505,449</u>	<u>\$ 43,293,983</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,024	\$ 23,785
Grants payable	110,600	103,100
Payroll taxes payable	1,229	1,231
Amounts held in agency endowments	1,895,159	1,711,769
Agency trust funds	<u>546,155</u>	<u>517,401</u>
Total liabilities	2,556,167	2,357,286
NET ASSETS		
Unrestricted operating funds	602,488	583,541
Unrestricted, board designated:		
Non-endowed funds	966	966
Endowment funds	<u>35,855,594</u>	<u>31,975,507</u>
Total unrestricted	36,459,048	32,560,014
Temporarily restricted	4,398,526	3,284,975
Permanently restricted	<u>5,091,708</u>	<u>5,091,708</u>
	<u>45,949,282</u>	<u>40,936,697</u>
	<u>\$ 48,505,449</u>	<u>\$ 43,293,983</u>

The accompanying notes are an integral part of these statements.

Montgomery County Community Foundation, Inc.

STATEMENTS OF ACTIVITIES

Years Ended December 31,

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and support				
Contributions	\$ 1,333,016	\$ 195,648		\$ 1,528,664
Farm rental income	157,625			157,625
Investment income, net of investment fees	1,026,178	149,323		1,175,501
Realized gains (losses)	1,226,899	657,337		1,884,236
Unrealized gains	1,178,845	463,416		1,642,261
Administrative fees, net and other income	19,884			19,884
	<u>4,942,447</u>	<u>1,465,724</u>		<u>6,408,171</u>
Net assets released from restrictions				
Restrictions satisfied by payments	352,173	(352,173)		
Expenses				
Program services	876,119			876,119
Management and general	441,293			441,293
Fundraising expenses	78,174			78,174
	<u>1,395,586</u>			<u>1,395,586</u>
CHANGE IN NET ASSETS	3,899,034	1,113,551		5,012,585
Net assets at beginning of year	<u>32,560,014</u>	<u>3,284,975</u>	<u>\$ 5,091,708</u>	<u>40,936,697</u>
Net assets at end of year	<u>\$ 36,459,048</u>	<u>\$ 4,398,526</u>	<u>\$ 5,091,708</u>	<u>\$ 45,949,282</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>
\$ 978,424	\$ 99,322	\$ 569	\$ 1,078,315
166,658			166,658
906,651	108,693		1,015,344
(299,536)	61,000		(238,536)
3,761,379	436,533		4,197,912
25,907			25,907
<hr/>	<hr/>	<hr/>	<hr/>
5,539,483	705,548	569	6,245,600
417,320	(417,320)		
884,564			884,564
396,082			396,082
88,215			88,215
<hr/>	<hr/>	<hr/>	<hr/>
1,368,861			1,368,861
4,587,942	288,228	569	4,876,739
27,972,072	2,996,747	5,091,139	36,059,958
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 32,560,014</u>	<u>\$ 3,284,975</u>	<u>\$ 5,091,708</u>	<u>\$ 40,936,697</u>

Montgomery County Community Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,012,585	\$ 4,876,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,703	7,962
Realized and unrealized gains	(3,526,497)	(3,959,376)
Contributions to restricted funds		(569)
Non-cash stock contributions	(6,065)	(36,197)
(Increase) decrease in assets:		
Accounts receivable	2,398	(3,595)
Interest and dividends receivable	(326,498)	97,311
Pledges receivable		517,540
Estate gifts receivable	(482,460)	
Prepaid expense	(9,265)	(178)
Increase (decrease) in liabilities:		
Accounts payable	(20,761)	20,648
Grants payable	7,500	46,689
Payroll taxes payable	(2)	(2,764)
Amounts held in agency endowments	183,390	84,504
Agency trust funds	28,754	27,354
Net cash provided by operating activities	<u>875,782</u>	<u>1,676,068</u>
Cash flows from investing activities:		
Purchases of property and equipment	(17,172)	(28,250)
Proceeds from sale of investments	6,183,614	17,120,125
Purchases of investments	(6,919,119)	(18,793,295)
Net cash used in investing activities	<u>(752,677)</u>	<u>(1,701,420)</u>
Cash flows from financing activities:		
Cash received from contributors for restricted funds		<u>569</u>
Net cash provided by financing activities		569
Net increase (decrease) in cash and cash equivalents	123,105	(24,783)
Cash and cash equivalents at beginning of year	<u>1,587,078</u>	<u>1,611,861</u>
Cash and cash equivalents at end of year	<u>\$ 1,710,183</u>	<u>\$ 1,587,078</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 6,065	\$ 36,197

The accompanying notes are an integral part of these statements.

Montgomery County Community Foundation, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2017			Total
	Program Services	Management & General	Fundraising	
Grants, distributions, and scholarships	\$ 824,727			\$ 824,727
Salaries and wages	40,291	\$ 219,598	\$ 50,391	310,280
Payroll taxes	2,676	16,120	3,625	22,421
Employee benefits	8,425	41,704	5,667	55,796
Professional fees		15,625		15,625
Bank fees		1,209		1,209
Community education and mailings		12,160	3,341	15,501
Rent		30,000		30,000
Donor development			5,907	5,907
Telephone and internet		3,508		3,508
Staff training		4,068		4,068
Postage and freight		2,275		2,275
Dues and subscriptions		3,428		3,428
Travel and meetings			8,293	8,293
Office expenses		11,297		11,297
Insurance		3,285		3,285
Depreciation		12,703		12,703
Farm and miscellaneous expense		31,669		31,669
Scholarship promotions		5,312		5,312
Occupancy		5,258		5,258
Software maintenance and other repairs		22,074	950	23,024
	<u>\$ 876,119</u>	<u>\$ 441,293</u>	<u>\$ 78,174</u>	<u>\$ 1,395,586</u>

The accompanying notes are an integral part of these statements.

2016

<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 834,093			\$ 834,093
39,118	\$ 199,149	\$ 47,795	286,062
2,556	14,485	3,569	20,610
8,797	33,993	5,882	48,672
	17,440		17,440
	775		775
	5,791	5,932	11,723
	30,000		30,000
		9,302	9,302
	3,243		3,243
	2,513		2,513
	2,658		2,658
	4,171		4,171
		12,809	12,809
	10,755	877	11,632
	2,544		2,544
	7,962		7,962
	35,204		35,204
	4,667		4,667
	4,568		4,568
	16,164	2,049	18,213
<u>\$ 884,564</u>	<u>\$ 396,082</u>	<u>\$ 88,215</u>	<u>\$ 1,368,861</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Montgomery County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to act for the primary benefit of the citizens of Montgomery County. A community foundation is established to provide a permanent and growing endowment to benefit the communities, while providing ethical philanthropic leadership for the enrichment and assistance to human services, education, revitalization, social, art, and cultural endeavors. Individuals, families, businesses, private foundations, and non-profit organizations may donate to the community 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 local 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. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

6. 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.

7. 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 approximately \$187,046 and \$171,900, respectively.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

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 objective of the investments is 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. In pursuing this objective, the Foundation endeavors to achieve total returns that, over time, are better than the relevant market averages. Controlling portfolio volatility to help provide stable distributions from year to year is an additional objective.

The Foundation has a policy (the distribution policy) of appropriating for expenditure each year a maximum of 4.5% of the moving average of the unitized market value at September 30 of the prior twenty quarters of the portfolio. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

9. 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 \$824,727 and \$834,093, respectively.

10. Contributed Services

During the years ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Compensated Absences

The Foundation's liability for compensated absences is immaterial; accordingly, no provision has been made for compensated absences.

12. Uncollectible Accounts and Pledges

Uncollectible accounts are charged directly against revenue when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

13. Agency Trust Fund

The Foundation is a successor trustee to one community trust. The assets of this trust are included in the statements of financial position and an offsetting payable has been recorded, as the Foundation is not the beneficiary of the trust. As of December 31, 2017 and 2016, agency trust funds amounted to \$546,155 and \$517,401, respectively.

14. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$5,312 and \$4,658 for the years ended December 31, 2017 and 2016, respectively.

15. Uncertain Tax Positions

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

The Foundation's federal and state exempt organization tax returns for 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.

16. Estimates

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

NOTE B - RISKS AND UNCERTAINTIES

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

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 insured bank and uninsured trust accounts at various financial institutions.

	<u>2017</u>	<u>2016</u>
Mutual funds - equities:		
Large value	\$ 4,563,752	\$ 4,030,746
Mid-cap value	2,977,126	2,844,222
Foreign large value	1,818,288	1,575,917
Foreign large growth	1,824,049	1,599,270
Large growth	3,667,921	3,192,449
Conservative allocation	1,869,735	1,604,974
Moderate allocation	1,644,966	1,498,883
World stock	1,845,304	1,565,594
Foreign large blend	1,482,065	1,226,378
Large blend	<u>4,782,753</u>	<u>4,344,247</u>
Total mutual funds - equities	26,475,959	23,482,680
Mutual funds - fixed income:		
High yield bonds	765,712	755,697
Nontraditional bonds	8,685,027	7,832,925
Short government bonds	3,993,407	3,472,663
Multisector bonds	349,893	345,039
Intermediate-term bonds	<u>1,011,937</u>	<u>986,169</u>
Total mutual funds - fixed income	14,805,976	13,392,493
Total investments, at fair value	<u>\$ 41,281,935</u>	<u>\$ 36,875,173</u>
Total investments, at historical cost	<u>\$ 36,839,183</u>	<u>\$ 33,343,996</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 income	\$ 1,088,989	\$ 171,695	\$ 1,260,684
Investment fees	(62,811)	(22,372)	(85,183)
Realized gains	1,226,899	657,337	1,884,236
Unrealized gains	<u>1,178,845</u>	<u>463,416</u>	<u>1,642,261</u>
	<u>\$ 3,431,922</u>	<u>\$ 1,270,076</u>	<u>\$ 4,701,998</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C - INVESTMENTS - Continued

	2016		
	Unrestricted	Temporarily Restricted	Total
Investment income	\$ 967,190	\$ 131,328	\$ 1,098,518
Investment fees	(60,539)	(22,635)	(83,174)
Realized gains (losses)	(299,536)	61,000	(238,536)
Unrealized gains	3,761,379	436,533	4,197,912
	<u>\$ 4,368,494</u>	<u>\$ 606,226</u>	<u>\$ 4,974,720</u>

NOTE D - FAIR VALUE MEASUREMENTS

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

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

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

	2017			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 41,281,935	\$ 41,281,935		

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D - FAIR VALUE MEASUREMENTS - Continued

	2016			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments	\$ 36,875,173	\$ 36,875,173		

The following schedule provides further detail of the Level 3 fair value measurements using significant unobservable inputs at December 31, 2017 and 2016:

	Level 3	
	2017	2016
Beginning balance	\$ -	\$ 135,097
Realized and unrealized losses		(135,097)
Ending balance	\$ -	\$ -

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for level 3 investments are determined by monthly statements provided by the fund holder.

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. Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

The Foundation's endowment consists of 175 and 169 individual funds, as of December 31, 2017 and 2016, respectively, established for a variety of purposes. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). 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

Montgomery County Community Foundation, 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			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$ 4,199,647	\$ 5,091,708	\$ 9,291,355
Board-designated endowment funds	\$ 35,855,594			35,855,594
	<u>\$ 35,855,594</u>	<u>\$ 4,199,647</u>	<u>\$ 5,091,708</u>	<u>\$ 45,146,949</u>
	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$ 3,191,146	\$ 5,091,708	\$ 8,282,854
Board-designated endowment funds	\$ 31,975,507			31,975,507
	<u>\$ 31,975,507</u>	<u>\$ 3,191,146</u>	<u>\$ 5,091,708</u>	<u>\$ 40,258,361</u>

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

	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income	\$ 1,305,808	\$ 174,424	\$ -
Investment return	571,818	171,588	
Net appreciation of investments	3,065,060	1,120,753	
Total revenue and support	4,942,686	1,466,765	-
Appropriation of endowment assets for expenditure	<u>1,062,599</u>	<u>458,264</u>	
Change in endowment net assets	3,880,087	1,008,501	-
Endowment net assets, beginning of year	<u>31,975,507</u>	<u>3,191,146</u>	<u>5,091,708</u>
Endowment net assets, end of year	<u>\$ 35,855,594</u>	<u>\$ 4,199,647</u>	<u>\$ 5,091,708</u>

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E - ENDOWMENT FUNDS - Continued

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Contributions and grant income	\$ 983,658	\$ 9,613	\$ 569
Investment return	623,321	137,361	
Net appreciation of investments	3,984,213	518,150	
Total revenue and support	5,591,192	665,124	569
Appropriation of endowment assets for expenditure	993,453	388,881	
Change in endowment net assets	4,597,739	276,243	569
Endowment net assets, beginning of year	27,377,768	2,914,903	5,091,139
Endowment net assets, end of year	\$ 31,975,507	\$ 3,191,146	\$ 5,091,708

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. Deficiencies can result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

NOTE F - RESTRICTED NET ASSETS

Temporarily restricted net assets are composed of the following types of funds at December 31, 2017 and 2016:

	2017	2016
Portion of perpetual endowment to a time restriction under UPMIFA	\$ 1,900,069	\$ 1,349,586
Purpose Restrictions:		
Lilly scholarship funds	2,851	20,971
Lilly Prosperity funds	4,325	4,336
Lilly intern funds	391	1,146
Pass-through funds	191,312	35,210
Pathway funds	61,517	32,166
Temporarily restricted income clause endowment funds restriction under UPMIFA	2,238,061	1,841,560
	\$ 4,398,526	\$ 3,284,975

Temporarily restricted net assets totaling \$3,086,095 and \$3,223,312 for the years ending December 31, 2017 and 2016, respectively, are restricted for scholarships and grants.

Montgomery County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE F - RESTRICTED NET ASSETS - Continued

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA, was \$5,091,708 and \$5,091,708 as of December 31, 2017 and 2016, respectively.

NOTE G - EMPLOYEE BENEFITS

The Foundation has a Simple IRA retirement plan. The Foundation will match up to 3% of an employee's wages. The Foundation contributed \$8,089 and \$5,861 to this plan in 2017 and 2016, respectively.

NOTE H - ESTATE GIFTS RECEIVABLE

The estate gifts receivable consist of three estate gifts recorded at the estimated value of the Foundation's portion of the estate. Each gift is at various stages in the determination or pay-out of the estate funds to the Foundation. Estate receivables are expected to be received during the year ending December 31, 2018.

NOTE I - OPERATING LEASE

The Foundation leases commercial office space under a five year lease agreement which began in October 2010 and was extended for another five years in September 2015. Monthly lease payments are \$1,100 per month. This amount is substantially lower than fair value. The value of the donated facility for the year ended December 31, 2017 is approximately \$16,800, and has been recorded as both revenue and expense in the financial statements. Total lease expense for the years ended December 31, 2017 and 2016 was \$30,000 and \$30,000, respectively.

Future minimum payments on the above lease are as follows.

December 31, 2018	\$13,200
2019	\$13,200
2020	\$9,900
2021	-0-
2022	-0-

NOTE J - REAL ESTATE

In past years, the Foundation received contributions of approximately 600 acres of land. This land is currently being rented as farmland and the rental income is credited to the funds for which the land was contributed. Rent collected on this land totaled \$157,625 and \$166,658 during 2017 and 2016, respectively.

The value of the Foundation's farmland has been adjusted to reflect the fair value of the property. The value of the farmland was \$4,595,505 and \$4,734,200 as of December 31, 2017 and 2016, respectively. The Foundation will review and adjust, if needed, the value of the farmland on its books annually. The market valuation will be conducted by the farm manager employed to manage the farms. The valuation method used by the farm manager will take into consideration current farmland values in the area, soil conditions as well as the latest Purdue Agricultural Economics Report.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE K - AGENCY ENDOWMENT 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	\$ -	\$ 13,005
Investment income, net	30,866	24,717
Realized gains on investments	129,697	14,230
Unrealized gains on investments	<u>92,749</u>	<u>88,430</u>
	\$ 253,312	\$ 140,382
Expenses		
Grants expense	53,675	41,650
Project management fees	<u>16,247</u>	<u>14,228</u>
	<u>69,922</u>	<u>55,878</u>
Increase in agency funds	183,390	84,504
Balance at beginning of year	<u>1,711,769</u>	<u>1,627,265</u>
Balance at end of year	<u><u>\$ 1,895,159</u></u>	<u><u>\$ 1,711,769</u></u>

NOTE L - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 29, 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.