



**Community
Foundation**
FOR SOUTH CENTRAL NEW YORK

FINANCIAL STATEMENTS

* * *

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

May 15, 2019

To the Board of Directors of
The Community Foundation for South Central New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Community Foundation for South Central New York, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for South Central New York, Inc. as of December 31, 2018 and 2017, 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.

Dannible + McKee, LLP

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents (Note 1)	\$ 822,687	\$ 518,806
Contribution receivable (Note 1)	-	200
Interest and dividends receivable	8,228	8,645
Prepaid expenses	14,853	10,679
Investments (Notes 1, 2, 3 and 6)	22,671,827	25,370,991
Property and equipment, net (Notes 1 and 4)	<u>12,478</u>	<u>3,354</u>
	<u>\$ 23,530,073</u>	<u>\$ 25,912,675</u>
 <u>Liabilities and Net Assets</u> 		
Accounts payable	\$ 2,456	\$ 2,737
Accrued liabilities	10,495	8,079
Grants payable (Note 1)	790,992	506,993
Endowments held for other not-for-profit organizations (Note 1)	<u>46,885</u>	<u>56,636</u>
Total liabilities	850,828	574,445
Net assets (Notes 1, 5 and 6):		
Without donor restrictions	<u>22,679,245</u>	<u>25,338,230</u>
	<u>\$ 23,530,073</u>	<u>\$ 25,912,675</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF ACTIVITIES

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenue:		
Contributions (Note 1)	\$ 1,650,045	\$ 1,332,440
Interest and dividends	650,388	619,895
Net realized and unrealized gain (loss) on investments (Notes 1, 2, 3 and 6)	(2,580,392)	2,358,054
Other income	<u>33,450</u>	<u>69,418</u>
Total revenue	<u>(246,509)</u>	<u>4,379,807</u>
Expenses:		
Program services:-		
Grant making:		
Grants made (Note 1)	1,655,080	1,261,525
Grant administrative expense (Note 1)	<u>100,802</u>	<u>103,156</u>
	1,755,882	1,364,681
Managing charitable funds (Note 1)	70,956	68,666
Community education and involvement (Note 1)	<u>93,070</u>	<u>93,414</u>
Total program services	<u>1,919,908</u>	<u>1,526,761</u>
Support services:		
Finance and general administration (Note 1)	471,444	510,577
Development and donor relations (Note 1)	<u>21,124</u>	<u>17,631</u>
Total support services	<u>492,568</u>	<u>528,208</u>
Total expenses	<u>2,412,476</u>	<u>2,054,969</u>
Change in net assets	(2,658,985)	2,324,838
Net assets, beginning of year	<u>25,338,230</u>	<u>23,013,392</u>
Net assets, end of year	<u>\$ 22,679,245</u>	<u>\$ 25,338,230</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2018						Year ended December 31, 2017					
	Program Services			Support Services			Program Services			Support Services		
	Grant making	Managing charitable funds	Community education and involvement	Finance and general administration	Development and donor relations	Total	Grant making	Managing charitable funds	Community education and involvement	Finance and general administration	Development and donor relations	Total
Expenses:												
Grants made	\$ 1,655,080	\$ -	\$ -	\$ -	\$ -	\$ 1,655,080	\$ 1,261,525	\$ -	\$ -	\$ -	\$ -	\$ 1,261,525
Salaries	62,125	23,620	31,963	160,534	13,188	291,430	58,165	14,768	28,629	167,076	8,437	277,075
Investment and custodial fees	-	-	-	161,518	-	161,518	-	-	-	173,290	-	173,290
Employee benefits and payroll taxes	15,101	5,741	7,769	39,020	3,206	70,837	14,033	3,563	6,907	40,308	2,036	66,847
Rent	10,698	4,067	5,504	27,644	2,271	50,184	9,978	2,533	4,911	28,661	1,447	47,530
Computer software	5,000	-	-	20,020	-	25,020	9,341	2,372	4,598	26,831	1,355	44,497
Fund direct expenses	-	32,898	-	-	-	32,898	-	41,624	-	-	-	41,624
Consultant fees	-	-	22,074	2,015	315	24,404	-	-	14,702	4,581	2,052	21,335
Travel and meeting expenses	627	193	11,857	1,311	108	14,096	589	150	13,273	4,156	85	18,253
Professional fees	1,968	1,770	-	16,029	-	19,767	1,968	1,117	-	14,432	-	17,517
Board functions	957	364	492	2,471	203	4,487	3,591	914	1,770	10,319	521	17,115
Foreign investment taxes	-	-	-	9,396	-	9,396	-	-	-	9,555	-	9,555
Dues and memberships	-	-	-	8,968	-	8,968	-	-	-	9,314	-	9,314
Office expense	1,619	615	833	4,182	344	7,593	1,874	475	922	5,384	271	8,926
Printing	-	-	8,276	3,695	-	11,971	-	-	8,261	-	-	8,261
Postage and mailings	979	372	2,539	2,530	1,123	7,543	883	224	2,038	2,537	1,030	6,712
Advertising	-	-	875	-	-	875	-	-	6,059	-	-	6,059
Insurance	474	182	243	4,022	100	5,021	1,179	299	580	3,387	171	5,616
Telephone	405	154	208	1,047	86	1,900	909	231	447	2,611	132	4,330
Miscellaneous	116	701	60	4,298	25	5,200	76	251	37	3,544	11	3,919
Depreciation	-	-	-	851	-	851	-	-	-	2,954	-	2,954
Repairs and maintenance	733	279	377	1,893	155	3,437	570	145	280	1,637	83	2,715
Total expenses	<u>\$ 1,755,882</u>	<u>\$ 70,956</u>	<u>\$ 93,070</u>	<u>\$ 471,444</u>	<u>\$ 21,124</u>	<u>\$ 2,412,476</u>	<u>\$ 1,364,681</u>	<u>\$ 68,666</u>	<u>\$ 93,414</u>	<u>\$ 510,577</u>	<u>\$ 17,631</u>	<u>\$ 2,054,969</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Cash flows from operating activities:		
Cash received from donors and other not-for-profit organizations	\$ 1,683,695	\$ 1,469,501
Cash paid to suppliers and employees	(667,533)	(689,333)
Cash paid for grant making	(1,471,883)	(1,332,630)
Interest and dividends	650,805	620,319
Net cash provided by operating activities	<u>195,084</u>	<u>67,857</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,975)	(3,354)
Purchase of investments	(10,095,294)	(4,992,601)
Proceeds from sale of investments	<u>10,214,066</u>	<u>5,092,530</u>
Net cash provided by investing activities	<u>108,797</u>	<u>96,575</u>
Net increase in cash and cash equivalents	303,881	164,432
Cash and cash equivalents, beginning of year	<u>518,806</u>	<u>354,374</u>
Cash and cash equivalents, end of year	<u>\$ 822,687</u>	<u>\$ 518,806</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

Nature of activities - The Community Foundation for South Central New York, Inc. (the "Community Foundation") was established in 1996 as a tax-exempt, public, charitable, community foundation benefiting residents of Broome, Chenango, Delaware, Otsego and Tioga Counties in New York State. Revenue is provided primarily from public contributions and income from investments.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Basis of presentation - The accompanying financial statements have been prepared in accordance with the Financial Accounting Standards Board's (FASB) authoritative guidance on financial statements of not-for-profit organizations. Under this guidance, the Community Foundation is required to report information regarding its assets, liabilities, revenues and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets without donor restrictions consist of the net assets of the Community Foundation that are without any donor-imposed stipulations. These amounts are available for the support of operations. The Community Foundation has no net assets classified as with donor restrictions.

Under New York State law and the Community Foundation's governing instruments, the Board of Directors of the Community Foundation has the power to vary the use of gifts from the original donor-prescribed purpose. Accordingly, assets held as advised by donors or for a specified purpose are segregated in net assets without donor restrictions until such time (if ever) as the Board of Directors deems it prudent and appropriate under the variance power to redirect some part of the principal or appreciation. Accordingly, the Community Foundation classifies all net assets as without donor restrictions, however, segregates the portion for which contributions are designated for special grant making purposes from the funds that are designated for general grants or administration.

Cash and cash equivalents - The Community Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contribution receivable - Unconditional promises to give are recognized as contribution revenue in the period the promise is received. Contribution receivable is stated at the amount management expects to collect from outstanding balances. No provision has been made for uncollectible amounts as the Community Foundation considers all accounts to be collectible. There are no contributions receivable for the year ended December 31, 2018. Contributions receivable due in less than one year were \$100, and from one to five years were \$100 at December 31, 2017. Multi-year pledges should be discounted to their present value using the prime interest rate. Management has determined that the discount is not material, therefore, it has not been recorded.

Investments - Investments are reported at fair value in accordance with the FASB's authoritative guidance on accounting for certain investments held by not-for-profit organizations. The Community Foundation's investment strategy seeks to achieve a predictable, reliable and continuous source of funds to support the grants from the Community Foundation. Funds are invested in a well-diversified asset mix, which includes primarily debt and equity securities, that is intended to result in a consistent inflation protected rate of return. Purchases and sales of securities are recorded on a trade-date basis. All interest and dividend income from investments is recognized when earned.

Fair value and financial instruments - The fair value of financial instruments is based upon quoted market prices where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value and may include amounts based upon unobservable parameters. Any such valuation adjustments are applied consistently over time. The FASB's authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements (See Note 3).

Property and equipment - Property and equipment are recorded at cost or, for donated assets, at the estimated fair market value at the date of acquisition. Depreciation for financial statement purposes is computed on the straight-line method over the assets' estimated useful lives, which range from five - seven years. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets.

Contributions - Contributions received by the Community Foundation are recorded as revenue without donor restrictions and net assets without donor restrictions at their fair value in the period received. Net assets without donor restrictions are those over which the Board of Directors of the Community Foundation retains full control for use in achieving the institutional mission. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as revenue without donor restrictions.

Revenue is reported as an increase in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law.

Contributed securities - Contributed securities are recorded at fair value and are liquidated promptly and invested along with cash contributions in investments.

Spending policy - On September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This legislation influences the spending policy and provides discretion to the Community Foundation with respect to the accumulation or expenditure of amounts in the endowment funds, including portions of the original dollar value of the donor's gift. NYPMIFA also requires improved documentation of investment policies, as well as investment and spending decisions.

The Community Foundation's spending policy for endowed funds in connection with grant making and fees states that annual spending, including fees, is not to exceed 5.75% of the average value of endowed investments for the past twelve quarters as of each year-end.

Grants payable - Grants are recorded as an expense if they are unconditional and approved for payment. The Community Foundation's board awards grants to qualifying organizations and scholarships to qualifying individuals in Broome, Chenango, Delaware, Otsego and Tioga Counties. Grants payable in less than one year was \$142,089 and \$183,196, and from one to four years was \$648,903 and \$323,797 at December 31, 2018 and 2017, respectively. Multi-year grants should be discounted to their present value using the prime interest rate. Management has determined that the discount is not material, therefore, it has not been recorded.

Endowments held for other not-for-profit organizations - The Community Foundation accepts funds from, and holds certain assets for the benefit of other not-for-profit organizations. These funds are not considered assets of the Community Foundation and therefore are shown as endowments held for other not-for-profit organizations in the statements of financial position.

Employee benefit plan - The Community Foundation has a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Matching contributions are made to eligible employees who have completed one year of service. The Community Foundation's contribution is 100% of the participant's elective contribution up to 10% of the participant's compensation. Employee benefit plan expense was \$28,723 and \$26,866 in 2018 and 2017, respectively.

Financial instruments, concentration and credit risks - The Community Foundation maintains cash balances at various financial institutions. Cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC insurance limits are subject to normal credit risk. The Community Foundation's investments are exposed to various risks, such as interest, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Community Foundation.

Income taxes - Pursuant to the FASB's guidance related to not-for-profit entities, the Community Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been determined not to be a private foundation under Section 509(a) of the IRC.

The Community Foundation has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Community Foundation will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Community Foundation is no longer subject to Federal or state examinations by tax authorities for the closed tax years before 2015.

Advertising expense - The Community Foundation expenses advertising costs when incurred. Advertising expenses amounted to \$875 and \$6,059 in 2018 and 2017, respectively.

Expense allocation - The costs of program and support services have been summarized on a functional basis in the statements of activities. The costs are functionalized on a direct basis where possible. Indirect costs are allocated based on an estimate of the time spent by the Community Foundation's management and staff in each functional area. For purposes of categorizing expenditures, the Community Foundation identifies three types of program services related to its exempt charitable purpose; grant making, managing charitable funds and community education and involvement and two activities as support services of the Community Foundation; finance and general administration and development and donor relations as described below.

Grant making - One of the Community Foundation's primary activities is grant making. This category includes all activities related to charitable grant making and the granting of scholarships, as well as ongoing review and site visits at the end of a grant.

Managing charitable funds - The Community Foundation spends time each year managing the charitable funds that it holds. This category includes donor relations with current fund holders such as answering questions about fund balances, spending policy amounts and rate of return on funds.

Community education and involvement - The Community Foundation provides community education and involvement relating to the need for charitable giving and philanthropy and the methods available to facilitate charitable participation. This category also includes convening meetings with other foundations, non-profits and governmental entities in an effort to improve our communities.

Finance and general administration - This category includes oversight, business management and general record keeping, budgeting, financing, and related administrative activities, except for the direct conduct of program services or development/fundraising activities.

Development and donor relations - The Community Foundation engages in a variety of activities designed to cultivate new donors and encourage the opening of new funds. Activities that may fall under this category include development campaigns, maintaining donor mailings lists, conducting fundraising events, meeting with donors and professional advisors, and any other soliciting donations.

Donated services - A number of volunteers have donated their time to develop the Community Foundation's programs. No amount has been recognized in the financial statements for these services since they do not meet the criteria for recognition under the FASB's authoritative guidance on accounting for contributions received and contributions made.

Use of 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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement - 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 liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Community Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. See Note 7 for more information.

Subsequent events - Management has evaluated subsequent events through May 15, 2019, the date which the financial statements were available for issue.

Note 2 - Investments

Investments are presented in the financial statements at fair value and are subject to normal market fluctuations. Investments consist of the following:

	December 31, 2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 955,925	\$ 955,925	\$ -
Fixed income mutual funds	6,338,973	5,673,638	(665,335)
Equity securities	13,751,816	13,539,591	(212,225)
Real estate investment trust	363,062	346,480	(16,582)
Hedge funds	1,825,000	2,156,193	331,193
	<u>\$ 23,234,776</u>	<u>\$ 22,671,827</u>	<u>\$ (562,949)</u>
	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 1,025,510	\$ 1,025,510	\$ -
Fixed income mutual funds	7,046,146	6,964,265	(81,881)
Equity securities	12,288,284	14,915,007	2,626,723
Real estate investment trust	333,062	364,138	31,076
Hedge funds	1,868,029	2,102,071	234,042
	<u>\$ 22,561,031</u>	<u>\$ 25,370,991</u>	<u>\$ 2,809,960</u>

Investment income is recorded gross of related transaction, custody and management fees, except those embedded in funds. The total of such separately paid fees was \$161,518 and \$173,290 for the years ended December 31, 2018 and 2017, respectively.

Note 3 - Fair value measurements

The FASB's authoritative guidance on fair value measurements provides a framework for measuring fair value under generally accepted accounting principles. The guidance applies to all financial instruments that are being measured and disclosed on a fair value basis.

As defined in the guidance, 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. In determining fair value, various assumptions are utilized, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Community Foundation is required to provide the following information according to the fair value hierarchy. The fair value 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). Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability or represent inputs used to determine the value of similar assets and liabilities. Financial assets measured at fair value on a recurring basis include investments.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Fixed income mutual funds - Fair value based on quoted market prices using net asset value.

Equity securities - Fair value based on quoted market prices.

Real estate investment trust - Fair value based on quoted market prices.

Hedge funds - Fair value based on the underlying investments within each fund as determined by the manager and the Community Foundation's percentage of ownership or shares owned of the fund.

The fair value for assets measured on a recurring basis is as follows:

	December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income mutual funds	\$ 5,673,638	\$ -	\$ -	\$ 5,673,638
Equity securities	13,539,591	-	-	13,539,591
Real estate investment trust	346,480	-	-	346,480
Hedge funds	-	-	2,156,193	2,156,193
	<u>\$ 19,559,709</u>	<u>\$ -</u>	<u>\$ 2,156,193</u>	21,715,902
Short-term investments				<u>955,925</u>
Total investments				<u>\$ 22,671,827</u>

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	\$ 6,964,265	\$ -	\$ -	\$ 6,964,265
Equity securities	14,915,007	-	-	14,915,007
Real estate investment trust	364,138	-	-	364,138
Hedge funds	-	-	2,102,071	2,102,071
	<u>\$ 22,243,410</u>	<u>\$ -</u>	<u>\$ 2,102,071</u>	24,345,481
Short-term investments				<u>1,025,510</u>
Total investments				<u>\$ 25,370,991</u>

The following summarizes the changes in fair value for Level 3 investments:

	December 31,	
	2018	2017
Balance, beginning of year	\$ 2,102,071	\$ 2,761,083
Net realized loss on investments	-	(139,418)
Net unrealized gain on investments	97,150	297,959
Net purchase (sales)	<u>(43,028)</u>	<u>(817,553)</u>
Balance, end of year	<u>\$ 2,156,193</u>	<u>\$ 2,102,071</u>

Hedge funds employ an absolute return strategy with diverse, primarily short-term, investments and commodity trading strategies. Participating members are permitted to redeem their shares on the calendar quarters with notice and with certain restrictions outlined in the fund agreement. There were no unfunded commitments.

Note 4 - Property and equipment

Property and equipment consisted of the following:

	December 31,	
	2018	2017
Property and equipment	\$ 36,890	\$ 26,915
Less - Accumulated depreciation	<u>(24,412)</u>	<u>(23,561)</u>
	<u>\$ 12,478</u>	<u>\$ 3,354</u>

Depreciation expense was \$851 and \$2,954 for the years ended December 31, 2018 and 2017, respectively, and has been included in expenses in the accompanying statements of activities.

The Community Foundation leased certain office space under an agreement that expires on September 30, 2020. The base annual rent was \$44,284, payable in monthly installments of \$3,690. Effective January 1, 2018, the lease was amended to include maintenance expenses, bringing the monthly installments to \$4,182. This is reflected in the future minimum payments below. Rent expense for the years ended December 31, 2018 and 2017, including common area maintenance costs, was \$50,184 and \$47,530, respectively.

The Community Foundation also leases office equipment under an operating lease through May 2022. Lease expense for the years ended December 31, 2018 and 2017, was approximately \$1,100.

The Community Foundation entered into a license agreement with an enterprise software vendor for seven years that expired on December 31, 2017. The initial annual subscription fee was \$13,154 in 2011 escalating to \$18,788 in 2017. Subscription expense for the license agreement was \$18,788 for the year ended December 31, 2017. This license agreement was not renewed.

The Community Foundation entered into a license agreement effective April 1, 2017, with an enterprise software vendor through December 31, 2017. The Community Foundation paid a \$15,000 migration fee for the accounting software and a discounted monthly fee of \$900 through December 31, 2017. Subscription expense for the license agreement was \$25,000 for the year ended December 31, 2018. The Community Foundation renewed the license agreement through December 31, 2019. The minimum license agreement due for 2019 is \$18,525.

Future minimum non-cancelable lease payments under these agreements are as follows:

2019	\$ 69,830
2020	38,759
2021	1,120
2022	<u>467</u>
	<u>\$ 110,176</u>

Note 5 - Net assets without donor restrictions

Net assets without donor restrictions are segregated into three categories: special grant making funds, The Community Fund and other. Net assets without donor restrictions consist of the following separately calculated groups of funds:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Scholarship funds	\$ 854,168	\$ 903,432
Designated funds	8,169,603	9,438,668
Donor advised funds	3,182,493	3,128,966
Pass-through funds	6,861	4,269
Field of interest funds	<u>4,103,510</u>	<u>4,379,892</u>
Total special grant making funds	16,316,635	17,855,227
The Community Fund	6,310,795	7,445,126
Other	<u>51,815</u>	<u>37,877</u>
Total net assets without donor restrictions	<u>\$ 22,679,245</u>	<u>\$ 25,338,230</u>

Special grant making fund balances represent amounts whereby the donor contributes for a specific purpose or has an advisory role in the expenditure of the contribution, or the Board of Directors has created a special purpose category for giving. However, these funds are not considered as net assets with donor restrictions because of the Community Foundation's unilateral variance power over the funds.

The Community Fund includes general grant making funds, which consist of assets that have no special designated purpose that controls which grants are considered for approval. The total of The Community Fund as of December 31, 2018 and 2017, was \$6,310,795 and \$7,445,126, respectively. The Community Fund also includes funds designated by the Board of Directors for administrative purposes in the amount of \$569,455 and \$819,330 as of December 31, 2018 and 2017, respectively. The Community Fund and special grant making funds that are endowed and have met the minimum threshold are charged an administrative fee on a quarterly basis. These fees totaled \$440,418 and \$415,486 for the years ended December 31, 2018 and 2017, respectively, and are designated by the Community Foundation's Board of Directors to be used for administrative purposes.

Note 6 - Endowments

On September 17, 2010, New York State adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a form of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Immediately preceding that date, New York State law regarding endowment funds was a version of the Uniform Management of Institutional Funds Act (UMIFA). The Board of Directors and management, on the advice of legal counsel, have determined that the Community Foundation is subject to its governing documents and current accounting standards under FASB ASC 958-205, Endowments of Not-for-profit Organizations: Net Asset Classification

of Institutional Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for Endowment Funds, regarding endowments and net asset classifications. Normally, contributions to the Community Foundation are subject to the terms of the governing documents. However, certain contributions may be received subject to other gift instruments, or that are subject to specific agreements with the Community Foundation. Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine. This discretion is considered a unilateral variance power for accounting purposes. As a result of the ability to distribute corpus, all contributions not otherwise subject to donor restrictions are classified as net assets without donor restrictions for financial statement purposes. At this time, no assets are held subject to specific donor restrictions.

The Community 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.

To satisfy its long-term rate-of-return objectives, the Community Foundation's investment policy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation to achieve its long-term return objective of 5% plus the Consumer Price Index within prudent risk parameters.

The spending policy is used to calculate the amount of money distributable annually from the Community Foundation's various endowed funds for grant making. The current spending policy is to make up to 4% of the previous twelve-quarter rolling market value average of endowed investments available for grant distributions and 1.75% for administrative contribution fees.

Composition of endowment net assets were as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Endowment funds without donor restrictions	\$ 13,385,130	\$ 15,607,275
Board designated endowment funds	<u>6,310,795</u>	<u>7,445,126</u>
	<u>\$ 19,695,925</u>	<u>\$ 23,052,401</u>

Changes in endowment net assets were as follows:

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 23,052,401	\$ 21,677,349
Contributions	179,417	221,976
Investment income	590,187	553,273
Net realized and unrealized appreciation (depreciation)	(2,924,927)	1,711,602
Amounts appropriated for expenditures (includes grants)	<u>(1,201,153)</u>	<u>(1,111,799)</u>
Endowment net assets, end of year	<u>\$ 19,695,925</u>	<u>\$ 23,052,401</u>

Note 7 - Availability and liquidity

The following represents the Community Foundation's financial assets at December 31, 2018 and 2017:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 822,687	\$ 518,806
Short-term investments	<u>955,925</u>	<u>1,025,510</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,778,612</u>	<u>\$ 1,544,316</u>

The Community Foundation believes it to be prudent to maintain liquid financial assets to meet 90 days of the normal and customary operating expenses, or approximately \$600,000. Although the Community Foundation's policies and spending methodology does not require it to spend from its liquid financial assets other than from the amounts appropriated for general expenditures as part of its annual budget approval and appropriation processes under its spending rule policy, financial sources to satisfy operational needs could be available, if necessary.