

KOSCIUSKO COUNTY COMMUNITY FOUNDATION, INC.  
AND AFFILIATE,  
ORTHOPEDICS CAPITAL FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

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## Independent Auditors' Report

**Board of Directors**  
Kosciusko County Community Foundation, Inc. and Affiliate

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

We have audited the accompanying consolidated financial statements of Kosciusko County Community Foundation, Inc. and Affiliate which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kosciusko County Community Foundation, Inc. and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
August 29, 2018

Kosciusko County Community Foundation, Inc. and Affiliate  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,326,557	\$ 1,100,829
Certificates of deposit	200,000	-
Interest and dividends receivable	12,753	9,927
Accounts receivable	-	1,146
Pledges and grants receivable, net of discount	240,389	300,581
Prepaid expenses	29,827	24,522
Investments	51,625,066	49,344,034
Charitable remainder trusts	3,509,802	3,277,653
Property, building and equipment, net of accumulated depreciation	424,648	480,005
	\$ 57,369,042	\$ 54,538,697
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 15,254	\$ 190,529
Accrued payroll, taxes and benefits	57,320	54,156
Payroll taxes and benefits withheld	6,449	6,131
Grants payable	831,620	738,069
Annuity reserves	8,341	60,702
Agency endowments	2,181,847	2,126,045
	3,100,831	3,175,632
<b>NET ASSETS</b>		
Unrestricted	50,276,093	47,711,655
Temporarily restricted	3,992,118	3,651,410
	54,268,211	51,363,065
	\$ 57,369,042	\$ 54,538,697

The accompanying notes are an integral part of these statements.

Kosciusko County Community Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2018		
	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions and bequests	\$ 3,589,987	\$ 218,100	\$ 3,808,087
Administrative fee income	783,720		783,720
Investment income	1,142,141		1,142,141
Realized gains on investments	890,722		890,722
Unrealized gains on investments	601,361		601,361
Annuity payments and change in value of split-interest agreements	46,709	232,149	278,858
Discount on pledge receivable		12,484	12,484
Other income	8,335		8,335
	<u>7,062,975</u>	<u>462,733</u>	<u>7,525,708</u>
Net assets released from restrictions			
Satisfaction of time restrictions	52,676	(52,676)	
Satisfaction of use restrictions	69,349	(69,349)	
	<u>122,025</u>	<u>(122,025)</u>	
Expenses			
Program Services			
Grants and scholarships	2,511,795		2,511,795
Program expenses	444,245		444,245
Supporting Services			
Management and general	610,238		610,238
Administrative fees	760,433		760,433
Fundraising and promotion	293,851		293,851
	<u>4,620,562</u>		<u>4,620,562</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,564,438	340,708	2,905,146
Net assets at beginning of year	<u>47,711,655</u>	<u>3,651,410</u>	<u>51,363,065</u>
Net assets at end of year	<u>\$ 50,276,093</u>	<u>\$ 3,992,118</u>	<u>\$ 54,268,211</u>

The accompanying notes are an integral part of these statements.

2017		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,428,037	\$ 18,039	\$ 2,446,076
724,999		724,999
938,571		938,571
303,876		303,876
3,619,961		3,619,961
3,779	74,087	77,866
	2,038	2,038
7,522		7,522
<u>8,026,745</u>	<u>94,164</u>	<u>8,120,909</u>
1,100,149	(1,100,149)	
<u>1,100,149</u>	<u>(1,100,149)</u>	
2,428,813		2,428,813
1,244,623		1,244,623
619,718		619,718
703,268		703,268
347,392		347,392
<u>5,343,814</u>		<u>5,343,814</u>
3,783,080	(1,005,985)	2,777,095
<u>43,928,575</u>	<u>4,657,395</u>	<u>48,585,970</u>
<u>\$ 47,711,655</u>	<u>\$ 3,651,410</u>	<u>\$ 51,363,065</u>

## Kosciusko County Community Foundation, Inc. and Affiliate

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,905,146	\$ 2,777,095
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	58,490	49,722
Realized gains on investments	(890,722)	(303,876)
Unrealized gains on investments	(601,361)	(3,619,961)
Change in value of split interest agreements	(278,858)	(77,866)
Non-cash contributions	(917,662)	(758,215)
(Increase) decrease in assets:		
Interest and dividends receivable	(2,826)	33,769
Accounts receivable	1,146	(1,146)
Pledges and grants receivable	60,192	(14,038)
Prepaid expenses	(5,305)	5,454
Increase (decrease) in liabilities:		
Accounts payable	(175,275)	(247,427)
Grants payable	93,551	11,579
Accrued and withheld taxes and expenses	3,482	226
Annuity reserves	(52,361)	(9,431)
Agency endowments	55,802	172,412
Net cash provided by (used in) operating activities	<u>253,439</u>	<u>(1,981,703)</u>
Cash flows from investing activities:		
Cash paid for purchases of fixed assets	(3,133)	(151,040)
Proceeds from sale of investments	4,785,518	7,554,130
Purchases of investments	<u>(4,810,096)</u>	<u>(6,706,683)</u>
Net cash provided by (used in) investing activities	<u>(27,711)</u>	<u>696,407</u>
Net increase (decrease) in cash and cash equivalents	225,728	(1,285,296)
Cash and cash equivalents at beginning of year	<u>1,100,829</u>	<u>2,386,125</u>
Cash and cash equivalents at end of year	<u>\$ 1,326,557</u>	<u>\$ 1,100,829</u>
<u>Supplemental Disclosure</u>		
Non-cash contributions	\$ 917,662	\$ 758,215

The accompanying notes are an integral part of these statements.

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

1. Nature of Activities

The Kosciusko County Community Foundation, Inc. was organized in 1968 in trust form under the laws of the State of Indiana to operate for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. On February 4, 2002, a corporation was formed, and on July 1, 2002, all assets and liabilities were transferred to the newly formed corporation. Kosciusko County Community Foundation, Inc. supports programs of other not-for-profit organizations, provides scholarships for education and other assistance for individuals in need primarily in Kosciusko County, Indiana.

Orthopedics Capital Foundation, Inc. was formed as a not-for-profit affiliate of the Kosciusko County Community Foundation, Inc. on September 22, 2009. Orthopedics Capital Foundation, Inc. targets an integrated set of educational, workforce, cultural, communication, logistical and entrepreneurial initiatives to advance the orthopedics sector and the Warsaw, Indiana community.

2. Basis of Accounting

The consolidated financial statements of Kosciusko County Community Foundation, Inc. and Orthopedics Capital Foundation, Inc. (together "Foundation") have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

3. 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 investment performance objective is to maximize total return of the Portfolio net of inflation, spending and expenses, over a full market cycle (generally defined as a three to five year period) without undue exposure to risk (not exceeding a standard deviation of 1.2 times a weighted benchmark index). It is expected that the Portfolio will outperform this weighted benchmark index over a full market cycle.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 4% of its endowment fund's average fair value over each of the prior twenty quarters using the Foundation's fiscal year ending June 30 asset value.

4. 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 up to \$250,000. For purposes of the statement of cash flows, the Foundation considers all cash and demand accounts to be cash equivalents.



## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

5. Accounts Receivable

The Foundation's accounts receivable have a contractual maturity of one year or less, and therefore are exempted from disclosure requirements. Accounts receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. 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.

7. 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.

8. Investment Risks and Uncertainties

The investment policy provides for various investment options. The underlying investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. Investment Pools

The Foundation maintains master investment accounts for its endowment funds. Interest, dividends, and realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly based on the relationship of the fair value of each endowment fund to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

10. Property and Equipment

Property and equipment are stated at cost or, if donated to the Foundation, at fair value on the date of the acquisition. Expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of various classes of assets on the straight-line method. Depreciation expense for the years ended June 30, 2018 and 2017 was \$58,490 and \$49,722, respectively. The estimated useful lives are as follows:

Building	30 years
Equipment and furnishings	3 to 10 years

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

11. Income Taxes

The Foundation is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

12. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed the federally insured limit of \$250,000. At June 30, 2018 and 2017, the Foundation exceeded the insured limit by \$752,380 and \$409,622, respectively.

13. Contributed Services and Materials

Contribution of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was \$-0- and \$-0- for the years ending June 30, 2018 and 2017, respectively.

14. Expense Classification

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE B - INVESTMENTS

Investments are stated at fair value as of June 30, 2018 and 2017 and are summarized as follows.

	2018	2017
	Fair Value	Fair Value
Cash surrender value of life insurance	\$ 63,338	\$ 60,976
Investment in MLP LLC	1,339,013	1,345,144
Mutual funds - equities:		
Foreign large blend	2,073,952	2,181,122
Foreign large growth	2,989,161	2,543,963
Foreign large value	2,377,843	2,200,096
Foreign small/mid value	2,436,535	2,579,805
Large value	5,137,872	4,709,464
Small value	3,104,790	3,047,561
World large stock	1,647,623	1,472,906
Managed futures	1,582,595	1,211,990
Mid-cap blend	2,058,880	2,082,438
Long/short equity	4,705,239	4,575,899
Diversified emerging markets	5,823,160	5,802,665
Real estate	1,730,778	1,244,542
Multialternative	1,396,477	1,367,422
Total mutual funds - equities	<u>37,064,905</u>	<u>35,019,873</u>
Mutual funds - fixed income:		
US Treasury bonds and notes	49	56
Nontraditional bonds	1,385,086	1,418,298
Intermediate-term bonds	8,354,202	8,078,219
Intermediate government	324,659	329,278
World bond	363,641	385,834
Multisector bonds	2,730,173	2,706,356
Total mutual funds - fixed income	<u>13,157,810</u>	<u>12,918,041</u>
Total investments, at fair value	<u>\$ 51,625,066</u>	<u>\$ 49,344,034</u>
Total investments, at historical cost	<u>\$ 45,463,743</u>	<u>\$ 43,810,605</u>

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE B - INVESTMENTS - Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2018 and 2017.

	2018		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 1,142,141	\$ -0-	\$ 1,142,141
Realized gains on investments	890,722	-0-	890,722
Unrealized gains on investments	601,361	-0-	601,361
	<u>\$ 2,634,224</u>	<u>\$ -0-</u>	<u>\$ 2,634,224</u>
	2017		
	Unrestricted	Temporarily Restricted	Total
Investment return	\$ 938,571	\$ -0-	\$ 938,571
Realized gains on investments	303,876	-0-	303,876
Unrealized gains on investments	3,619,961	-0-	3,619,961
	<u>\$ 4,862,408</u>	<u>\$ -0-</u>	<u>\$ 4,862,408</u>

## NOTE C - PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledge balances due and payable more than one year from the date of the Statements of Financial Position are adjusted for discounted present value of future payments. Pledges receivable at June 30, 2018 and 2017 totaled \$240,389 and \$300,581, respectively, and are due as follows.

June 30, 2019	\$ 3,000
2020	3,000
2021	3,000
2022	3,000
2023 and thereafter	264,451
	<u>276,451</u>
Less discount to present value	36,062
	<u>\$ 240,389</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.

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE D - FAIR VALUE MEASUREMENTS - Continued

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 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, 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.

The following tables set forth financial assets measured at fair value in the Consolidated Statements of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of June 30, 2018 and 2017, respectively:

	2018			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Pledge receivable, net of discount	\$ 240,389		\$ 240,389	
Charitable remainder trusts	\$ 3,509,802		\$ 3,509,802	
Investments:				
Investments	\$ 51,625,066	\$ 51,561,728	\$ 63,338	
Investment in MLP LLC*	\$ 1,339,013			
Total investments at fair value	\$ 52,964,079			
Liabilities:				
Annuity reserves	\$ 8,341		\$ 8,341	

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE D - FAIR VALUE MEASUREMENTS - Continued

	2017			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Pledge receivable, net of discount	\$ 300,581		\$ 300,581	
Charitable remainder trusts	\$ 3,277,653		\$ 3,277,653	
Investments:				
Investments	\$ 47,998,890	\$ 47,937,914	\$ 60,976	
Investment in MLP LLC*	\$ 1,345,144			
Total investments at fair value	\$ 49,344,034			
Liabilities:				
Annuity reserves	\$ 60,702		\$ 60,702	

\*Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Statements of Financial Position.

The following schedule provides further detail of the real estate being held as Level 3 fair value measurements using significant unobservable inputs at June 30,

	2018	2017
Beginning balance	\$ -0-	\$ 525,000
Sale of real estate	-0-	(525,000)
Ending balance	\$ -0-	\$ -0-

Fair values for level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of the level 2 input investments, which is the cash surrender value of life insurance, is determined by reference to the annual statement provided by the insurance provider. Fair values for pledges receivable are determined using a present value calculation based on the donor's life expectancy. Fair values for charitable remainder trusts are determined by the present value calculations based on the market value of the assets in the trust. Fair values for annuity reserves are determined by reference to present value calculations. Fair value of the level 3 investments in real estate is based on appraisals of the real estate that was being held as an investment.

Fair value measurements of investments in certain entities that calculate net asset value per share of its equivalent at June 30, 2018 and 2017 were as follows.

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment in MLP LLC	1,339,013		Monthly	30 days

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE D - FAIR VALUE MEASUREMENTS - Continued

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investment in MLP LLC	1,345,144		Monthly	30 days

This category consists of a fund that invests in the public equity markets of the United States. The fund primarily invests in master limited partnerships and employs fundamental analysis with a bottom-up approach to create its portfolios. The fund typically invests in companies in the energy sector.

## NOTE E - PROPERTY, BUILDING AND EQUIPMENT

The amounts of fixed assets, net of depreciation, consist of the following at June 30,

	2018	2017
Land	\$ 15,000	\$ 15,000
Building and improvements	854,454	854,454
Furnishing and equipment	248,778	245,644
	<u>1,118,232</u>	<u>1,115,098</u>
Less accumulated depreciation	693,584	635,093
	<u>\$ 424,648</u>	<u>\$ 480,005</u>

## NOTE F - SPLIT - INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of charitable remainder trusts and annuities. The assets received are recorded at their fair (present) value and are revalued annually. The fair value of assets held for split-interest agreements totaled \$3,509,802 and \$3,277,653 at June 30, 2018 and 2017, respectively. Changes in fair value of charitable remainder trusts are reflected as changes in temporarily restricted net assets in the statement of activities.

On an annual basis, the Foundation revalues the liability for the annuity based on actuarial assumptions. The fair value of future payment obligations at June 30, 2018 and 2017 was \$8,341 and \$60,702, respectively. The liabilities were determined using discount rates. Changes in fair value of the annuities are reflected as changes in unrestricted net assets in the statement of activities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the statement of activities in their respective net asset classification.

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE G - ENDOWMENT FUNDS

At June 30, 2018 and 2017, the Foundation's endowment consists of 301 and 290 funds, respectively, designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to exercise its variance power when necessary. Therefore, the maintenance of the historic dollar value for each endowed fund as defined previously by UPMIFA is desired but not required. As a result of this interpretation, the Foundation classifies as unrestricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In addition, the remaining portion of the endowment fund to be appropriated for expenditure for the Foundation is also classified as unrestricted net assets in accordance 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. 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

Endowment net assets composition by type of fund as of June 30, 2018 and 2017 was as follows:

	2018		
	Unrestricted	Temporarily Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ -
Board-designated endowment funds	45,070,848	-	45,070,848
	<u>\$ 45,070,848</u>	<u>\$ -</u>	<u>\$ 45,070,848</u>
	2017		
	Unrestricted	Temporarily Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ -
Board-designated endowment funds	42,898,718	-	42,898,718
	<u>\$ 42,898,718</u>	<u>\$ -</u>	<u>\$ 42,898,718</u>



## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE G - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the years ended June 30, 2018 and 2017, were as follows:

	2018	
	Unrestricted	Temporarily Restricted
Revenue and support		
Contributions and grant income	\$ 2,114,709	\$ -
Investment return	1,024,639	-
Net appreciation of investments	1,429,177	-
Total revenue and support	4,568,525	-
Appropriation of endowment assets for expenditure	2,396,395	-
Change in endowment net assets	2,172,130	-
Endowment net assets, beginning of year	42,898,718	-
Endowment net assets, end of year	<u>\$ 45,070,848</u>	<u>\$ -</u>
	2017	
	Unrestricted	Temporarily Restricted
Revenue and support		
Contributions and grant income	\$ 947,600	\$ -
Investment return	840,672	-
Net appreciation of investments	3,735,999	-
Total revenue and support	5,524,271	-
Appropriation of endowment assets for expenditure	2,371,989	-
Change in endowment net assets	3,152,282	-
Endowment net assets, beginning of year	39,746,436	-
Endowment net assets, end of year	<u>\$ 42,898,718</u>	<u>\$ -</u>

## NOTE H - AGENCY 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.

## Kosciusko County Community Foundation, Inc. and Affiliate

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## NOTE H - AGENCY FUNDS - Continued

During the years ended June 30, 2018 and 2017, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

	<u>2018</u>	<u>2017</u>
Support and revenue		
Contributions and pledges	\$ 30,301	\$ 39,552
Investment income	50,260	41,664
Realized gains on investments	39,880	15,212
Unrealized gains on investments	<u>29,183</u>	<u>164,857</u>
	\$ 149,624	\$ 261,285
Expenses		
Grants expense	65,726	62,642
Bank trustee fees	4,803	4,500
Administrative fees	<u>23,293</u>	<u>21,731</u>
	<u>93,822</u>	<u>88,873</u>
Increase in agency funds	55,802	172,412
Balance at beginning of year	<u>2,126,045</u>	<u>1,953,633</u>
Balance at end of year	<u><u>\$2,181,847</u></u>	<u><u>\$2,126,045</u></u>

## NOTE I - ADMINISTRATIVE CHARGES

The Foundation assesses an administrative charge of 1.0% to 2.0% on endowment and non-permanent funds. For endowment funds, one fourth of the fee is assessed each quarter to the funds based upon the ending quarter balances, beginning with September 30 information and ending with June 30 information. For non-permanent funds, one fourth of the fee is assessed each quarter to the funds based upon the beginning balance plus all new gifts to the fund. At fiscal year-end, all non-permanent funds, with the exception of non-permanent donor advised funds, will be assessed the full 2% fee regardless of the timing of gifts received. Non-permanent donor advised funds will be assessed a tiered fee of 0.25% to 2.0% based upon the value of the fund. The administrative charge is used primarily to support the operations of the Foundation.

For the fiscal years ended June 30, 2018 and 2017, \$783,720 and \$724,999, respectively, is included as support and revenue and \$760,433 and \$703,268, respectively, as an expense, less fees from agency endowments. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

## NOTE J - RETIREMENT PLAN

Full-time and part-time Foundation employees earning a minimum of \$5,000 are eligible to participate in its Simple IRA plan. Under the plan, the employees may contribute a specified portion of their compensation, and the Foundation will match the employee contribution, up to 3% of eligible employees' gross wages.

Kosciusko County Community Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

**NOTE K - RELATED-PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2018 and 2017, officers and board members made donations to the Foundation totaling \$41,950 and \$104,075, respectively. Three board members of the Foundation are also employees of financial institutions which maintain investments and cash accounts for the Foundation. Also, a board member and a committee member are partners at a legal firm which provides legal services for the Foundation. Two committee members are partners of financial institutions which maintains investment accounts for the Foundation.

**NOTE L - IRREVOCABLE TRUST**

Irrevocable trusts are recorded when the Foundation is notified by the executor or other representative of a trust of an amount due the Foundation. The Foundation has been notified that it has been named as a beneficiary of an irrevocable trust; however, no amount has been disclosed.

**NOTE M - SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through August 29, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018, have been incorporated into these financial statements herein.

SUPPLEMENTAL INFORMATION

**Independent Auditors' Report  
on Supplemental Information**

**Board of Directors  
Kosciusko County Community Foundation, Inc. and Affiliate**

We have audited the consolidated financial statements of Kosciusko County Community Foundation, Inc. and Affiliate as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated August 29, 2018, which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Estep Burkey Simmons, LLC*

Muncie, Indiana  
August 29, 2018

Kosciusko County Community Foundation, Inc. and Affiliate

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

June 30,

2018

	Kosciusko County Community Foundation, Inc.	Orthopedics Capital Foundation, Inc.	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,311,002	\$ 15,555	\$ -	\$ 1,326,557
Certificates of deposit	200,000	-	-	200,000
Interest and dividends receivable	12,753	-	-	12,753
Accounts receivable	-	-	-	-
Pledges and grants receivable, net	240,389	-	-	240,389
Prepaid expenses	29,827	-	-	29,827
Investments	51,625,066	-	-	51,625,066
Charitable remainder trusts	3,509,802	-	-	3,509,802
Property, building and equipment, net	424,648	-	-	424,648
	<u>\$ 57,353,487</u>	<u>\$ 15,555</u>	<u>\$ -</u>	<u>\$ 57,369,042</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,554	\$ 4,700	\$ -	\$ 15,254
Accrued payroll, taxes and benefits	57,320	-	-	57,320
Payroll taxes and benefits withheld	6,449	-	-	6,449
Grants payable	831,620	-	-	831,620
Annuity reserves	8,341	-	-	8,341
Agency endowments	2,181,847	-	-	2,181,847
Total liabilities	3,096,131	4,700	-	3,100,831
<b>NET ASSETS</b>				
Unrestricted	50,265,238	10,855	-	50,276,093
Temporarily restricted	3,992,118	-	-	3,992,118
	<u>54,257,356</u>	<u>10,855</u>	<u>-</u>	<u>54,268,211</u>
	<u>\$ 57,353,487</u>	<u>\$ 15,555</u>	<u>\$ -</u>	<u>\$ 57,369,042</u>

2017

Kosciusko County Community Foundation, Inc.	Orthopedics Capital Foundation, Inc.	Eliminations	Total
\$ 741,514	\$ 359,315	\$ -	\$ 1,100,829
-	-	-	-
9,927	-	-	9,927
1,146	-	-	1,146
300,581	-	-	300,581
24,522	-	-	24,522
49,344,034	-	-	49,344,034
3,277,653	-	-	3,277,653
480,005	-	-	480,005
<u>\$ 54,179,382</u>	<u>\$ 359,315</u>	<u>\$ -</u>	<u>\$ 54,538,697</u>
\$ 43,245	\$ 147,284	\$ -	\$ 190,529
54,156	-	-	54,156
6,131	-	-	6,131
738,069	-	-	738,069
60,702	-	-	60,702
2,126,045	-	-	2,126,045
3,028,348	147,284	-	3,175,632
47,566,761	144,894	-	47,711,655
3,584,273	67,137	-	3,651,410
<u>51,151,034</u>	<u>212,031</u>	<u>-</u>	<u>51,363,065</u>
<u>\$ 54,179,382</u>	<u>\$ 359,315</u>	<u>\$ -</u>	<u>\$ 54,538,697</u>

## Kosciusko County Community Foundation, Inc. and Affiliate

## CONSOLIDATING STATEMENTS OF ACTIVITIES

Years Ended June 30,

2018

	Kosciusko County Community Foundation, Inc.		Orthopedics Capital Foundation, Inc.		Eliminations	Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		
Support and revenue						
Contributions and bequests	\$ 3,589,987	\$ 218,100				\$ 3,808,087
Administrative fee income	783,720					783,720
Investment income	1,142,048		\$ 93			1,142,141
Realized gains on investments	890,722					890,722
Unrealized gains on investments	601,361					601,361
Annuity payments and change in value of split-interest agreements	46,709	232,149				278,858
Discount on pledge receivable		12,484				12,484
Other income	8,335					8,335
	<u>7,062,882</u>	<u>462,733</u>	<u>93</u>			<u>7,525,708</u>
Net assets released from restrictions						
Satisfaction of time restrictions	52,676	(52,676)				
Satisfaction of use restrictions	2,212	(2,212)	67,137	\$ (67,137)		
	<u>54,888</u>	<u>(54,888)</u>	<u>67,137</u>	<u>(67,137)</u>		
Expenses						
Program Services						
Grants and scholarships	2,511,795					2,511,795
Program expenses	243,435		200,810			444,245
Supporting Services						
Management and general	610,088		150			610,238
Administrative fees	760,433					760,433
Fundraising and promotion	293,542		309			293,851
	<u>4,419,293</u>		<u>201,269</u>			<u>4,620,562</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>2,698,477</b>	<b>407,845</b>	<b>(134,039)</b>	<b>(67,137)</b>		<b>2,905,146</b>
Nets assets at beginning of year	<u>47,566,761</u>	<u>3,584,273</u>	<u>144,894</u>	<u>67,137</u>		<u>51,363,065</u>
Net assets at end of year	<u>\$ 50,265,238</u>	<u>\$ 3,992,118</u>	<u>\$ 10,855</u>	<u>\$ -</u>		<u>\$ 54,268,211</u>



2017					
Kosciusko County Community Foundation, Inc.		Orthopedics Capital Foundation, Inc.		Eliminations	Total
Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted		
\$ 2,428,032	\$ 18,039	\$ 5			\$ 2,446,076
764,999				\$ (40,000)	724,999
935,883		2,688			938,571
303,876					303,876
3,619,961					3,619,961
3,779	74,087				77,866
	2,038				2,038
7,522					7,522
<u>8,064,052</u>	<u>94,164</u>	<u>2,693</u>		<u>(40,000)</u>	<u>8,120,909</u>
		1,100,149	\$ (1,100,149)		
		<u>1,100,149</u>	<u>(1,100,149)</u>		
2,428,813					2,428,813
248,816		995,807			1,244,623
619,387		331			619,718
703,268		40,000		(40,000)	703,268
283,381		64,011			347,392
<u>4,283,665</u>		<u>1,100,149</u>		<u>(40,000)</u>	<u>5,343,814</u>
3,780,387	94,164	2,693	(1,100,149)		2,777,095
<u>43,786,374</u>	<u>3,490,109</u>	<u>142,201</u>	<u>1,167,286</u>		<u>48,585,970</u>
<u>\$ 47,566,761</u>	<u>\$ 3,584,273</u>	<u>\$ 144,894</u>	<u>\$ 67,137</u>		<u>\$ 51,363,065</u>