

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2018 AND 2017

CPAs / ADVISORS



**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Community Foundation of Bloomington and Monroe County, Inc. and Affiliate
Bloomington, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Community Foundation of Bloomington and Monroe County, Inc. and Affiliate (the "Foundation") 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 Consolidated 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 consolidated 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 consolidated 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 consolidated financial position of the Foundation as of June 30, 2018 and 2017, and the consolidated changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations, 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Seymour, Indiana

September 28, 2018

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 3,310,442	\$ 5,958,230
Investments	49,408,871	45,307,850
Pledges receivable	11,250	114,250
Other current assets	53,466	50,904
Property and equipment, net	65,571	78,718
Undeveloped real estate held for preservation	1,446,044	1,446,044
	\$ 54,295,644	\$ 52,955,996

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 75,705	\$ 112,313
Gift annuities payable	148,810	128,831
Custodial funds	2,792,090	2,095,528
Total liabilities	3,016,605	2,336,672

Net assets

Unrestricted:		
Operating	2,786,748	2,536,187
Board designated	1,157,623	1,113,637
	3,944,371	3,649,824
Temporarily restricted	45,851,124	45,012,379
Permanently restricted	1,483,544	1,957,121
Total net assets	51,279,039	50,619,324
	\$ 54,295,644	\$ 52,955,996

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues					
Contributions	\$ 33,003	\$ 2,027,315	\$ -0-	\$ 2,060,318	\$ 13,751,702
Investment return, net	490,092	2,287,517	-0-	2,777,609	2,945,498
Administrative fee income	524,117	-0-	-0-	524,117	457,918
Change in value of split interest agreements	-0-	(30,041)	-0-	(30,041)	18,159
Net assets released from restrictions	<u>3,919,623</u>	<u>(3,919,623)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	4,966,835	365,168	-0-	5,332,003	17,173,277
Expenses					
Grants	1,012,159	-0-	-0-	1,012,159	1,188,727
Programs	1,524,452	-0-	-0-	1,524,452	499,329
Salaries and wages	1,077,842	-0-	-0-	1,077,842	1,007,203
Employee benefits	49,463	-0-	-0-	49,463	52,152
Administrative fees	481,097	-0-	-0-	481,097	423,534
Printing and postage	14,070	-0-	-0-	14,070	20,084
Professional fees	113,444	-0-	-0-	113,444	96,867
Payroll taxes	86,324	-0-	-0-	86,324	77,917
Donor development	32,626	-0-	-0-	32,626	23,600
Software	17,425	-0-	-0-	17,425	16,436
Depreciation	31,296	-0-	-0-	31,296	22,068
Rent	58,863	-0-	-0-	58,863	51,464
Telephone	3,309	-0-	-0-	3,309	3,830
Insurance	10,702	-0-	-0-	10,702	4,435
Repairs and maintenance	26,491	-0-	-0-	26,491	18,026
Moving expense	-0-	-0-	-0-	-0-	35,972
Office supplies	15,918	-0-	-0-	15,918	19,903
Travel and entertainment	49,336	-0-	-0-	49,336	21,429
Professional development	3,113	-0-	-0-	3,113	3,761
Meetings	53,476	-0-	-0-	53,476	34,621
Dues and subscriptions	6,563	-0-	-0-	6,563	12,848
Miscellaneous	<u>4,319</u>	<u>-0-</u>	<u>-0-</u>	<u>4,319</u>	<u>8,881</u>
Total expenses	<u>4,672,288</u>	<u>-0-</u>	<u>-0-</u>	<u>4,672,288</u>	<u>3,643,087</u>
Change in net assets	294,547	365,168	-0-	659,715	13,530,190
Transfer of net assets	-0-	473,577	(473,577)	-0-	-0-
Net assets, beginning of year	<u>3,649,824</u>	<u>45,012,379</u>	<u>1,957,121</u>	<u>50,619,324</u>	<u>37,089,134</u>
Net assets, end of year	<u>\$ 3,944,371</u>	<u>\$ 45,851,124</u>	<u>\$ 1,483,544</u>	<u>\$ 51,279,039</u>	<u>\$ 50,619,324</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues				
Contributions	\$ 27,769	\$ 13,703,551	\$ 20,382	\$ 13,751,702
Investment return, net	435,338	2,510,160	-0-	2,945,498
Administrative fee income	457,918	-0-	-0-	457,918
Change in value of split interest agreements	-0-	18,159	-0-	18,159
Net assets released from restrictions	<u>3,190,445</u>	<u>(3,190,445)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	4,111,470	13,041,425	20,382	17,173,277
Expenses				
Grants	1,188,727	-0-	-0-	1,188,727
Programs	499,329	-0-	-0-	499,329
Salaries and wages	1,007,203	-0-	-0-	1,007,203
Employee benefits	52,152	-0-	-0-	52,152
Administrative fees	423,534	-0-	-0-	423,534
Printing and postage	20,084	-0-	-0-	20,084
Professional fees	96,867	-0-	-0-	96,867
Payroll taxes	77,917	-0-	-0-	77,917
Donor development	23,600	-0-	-0-	23,600
Software	16,436	-0-	-0-	16,436
Depreciation	22,068	-0-	-0-	22,068
Rent	51,464	-0-	-0-	51,464
Telephone	3,830	-0-	-0-	3,830
Insurance	4,435	-0-	-0-	4,435
Repairs and maintenance	18,026	-0-	-0-	18,026
Moving expense	35,972	-0-	-0-	35,972
Office supplies	19,903	-0-	-0-	19,903
Travel and entertainment	21,429	-0-	-0-	21,429
Professional development	3,761	-0-	-0-	3,761
Meetings	34,621	-0-	-0-	34,621
Dues and subscriptions	12,848	-0-	-0-	12,848
Miscellaneous	<u>8,881</u>	<u>-0-</u>	<u>-0-</u>	<u>8,881</u>
Total expenses	<u>3,643,087</u>	<u>-0-</u>	<u>-0-</u>	<u>3,643,087</u>
Change in net assets	468,383	13,041,425	20,382	13,530,190
Transfer of net assets	-0-	557,618	(557,618)	-0-
Net assets, beginning of year	<u>3,181,441</u>	<u>31,413,336</u>	<u>2,494,357</u>	<u>37,089,134</u>
Net assets, end of year	<u>\$ 3,649,824</u>	<u>\$ 45,012,379</u>	<u>\$ 1,957,121</u>	<u>\$ 50,619,324</u>

See accompanying notes to consolidated financial statements.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ 659,715	\$ 13,530,190
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	31,296	22,068
Reinvested interest and dividends received on investments	(1,378,242)	(967,676)
Realized and unrealized gains on investments	(1,751,908)	(2,317,344)
Contributions restricted to endowment funds	-0-	(20,382)
Change in value of split interest agreement	30,041	(18,159)
Changes in assets and liabilities:		
Pledges receivable	103,000	120,500
Other current assets	(2,562)	(32,710)
Accounts payable and accrued expenses	(36,608)	63,113
Grants payable	-0-	(34,498)
Custodial funds	696,562	227,659
Net cash flows from operating activities	(1,648,706)	10,572,761
Investing activities		
Proceeds on sales of investments	11,574,055	1,058,430
Purchases of investments	(12,544,926)	(18,795,374)
Purchases of property and equipment	(18,149)	(73,906)
Net cash flows from investing activities	(989,020)	(17,810,850)
Financing activities		
Contributions restricted to endowment funds	-0-	20,382
Contribution of charitable gift annuity	6,580	10,544
Gift annuity payments	(16,642)	(22,252)
Net cash flows from financing activities	(10,062)	8,674
Net change in cash and cash equivalents	(2,647,788)	(7,229,415)
Cash and cash equivalents, beginning of year	5,958,230	13,187,645
Cash and cash equivalents, end of year	\$ 3,310,442	\$ 5,958,230

See accompanying notes to consolidated financial statements.

COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Community Foundation of Bloomington and Monroe County, Inc. ("CFBMC") is a not-for-profit organization. It operates as a public charity, soliciting contributions from businesses and individuals in Bloomington, Monroe County, and surrounding areas. CFBMC's purpose is to improve, enhance, and nurture the quality of life in Bloomington and the surrounding communities of Monroe County. CFBMC accepts gifts for distributions or to create charitable funds, distributes funds, and facilitates the community's philanthropic activities. Income from the various funds is used to fund community activities.

Regional Opportunity Initiatives, Inc. ("ROI") is a not-for-profit organization and a supporting organization of CFBMC. ROI was established in August 2015 to advance economic and community prosperity in Southwest Central Indiana and was initially funded by a \$26 million grant from Lilly Endowment. ROI is in the process of implementing an education and workforce plan and a regional opportunity fund for quality-of-place investments in an 11-county area.

Consolidation policy

The accounts of ROI are consolidated with the accounts of CFBMC as a result of common control. All inter-entity transactions have been eliminated in the consolidation. The consolidated operations of the organizations are hereinafter collectively referred to as the "Foundation."

Management's Estimates

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

Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. The Foundation maintains unrestricted funds as follows:

Operating – used to fund current operations of the Foundation

Board designated – used to fund specific programs of the Foundation as designated by the Board

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Temporarily restricted net assets – Net assets not yet appropriated for expenditure by the Foundation’s Board of Directors in accordance with their spending policy or that have donor-imposed restrictions relating to a stipulated purpose or a specified time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished or amounts have been allocated for expenditure by the Board of Directors, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Land received in which the Foundation is forbidden to sell and the historic gift value of funds that specifically request that the principal shall not be invaded are classified as permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of bank accounts and money market investments and exclude amounts held by the Foundation’s fund managers that are included in investments.

Investments and Investment Return

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

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

Pledges Receivable

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Management estimates an allowance for doubtful pledges receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Foundation’s donors. No allowance for doubtful pledges receivable was determined necessary as of June 30, 2018 and 2017.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Property and Equipment

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

The Foundation provides for depreciation of property and equipment utilizing the straight-line method at rates designed to depreciate the cost of such assets over their estimated useful lives which range from 3 to 7 years.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (pledges receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in either unrestricted, temporarily restricted, or permanently restricted net assets in accordance with the donor's intent and the classification of the fund as it relates to the Foundation's spending policy. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either unrestricted or temporarily restricted net assets in accordance with the classification of the fund as it relates to the Foundation's spending policy. All other revenue is recorded when earned.

Grants and Grants Payable

Unconditional grants are recorded when a commitment is made and approved by the Board of Directors. For grants which are conditional on the recipient fulfilling certain obligations, grants are recorded at the time those conditions are satisfied.

The Foundation had conditional grants payable of \$423,820 and \$444,010 at June 30, 2018 and 2017, respectively. These amounts will not be paid until the related conditions have been met; therefore, a liability related to these grants has not been recognized.

Administrative Fees

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

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Functional Allocation of Expenses

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

Transfer of Net Assets

During the years ended June 30, 2018 and 2017, the Foundation amended some of their fund agreements (after the written approvals obtained from the creators of the fund or through proper legislative procedures), by removing the provision that prohibited the Foundation to invade historical gift values relative to the funds' balances. These funds were originally created under the guidelines of the Uniform Management of Institutional Funds Act, which prohibited the invasion of historical gift values. The Foundation decided it was prudent to update all fund agreements to the more recent act, the Uniform Prudent Management of Institutional Funds, which allows the invasion of historical gift values if the need ever arose. These amendments to the funds reclassified them from permanently restricted net assets to temporarily restricted net assets, thereby increasing temporarily restricted net assets and decreasing permanently restricted net assets by \$473,577 and \$557,618 for the years ended June 30, 2018 and 2017, respectively.

Income Taxes

CFBMC and ROI are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Foundation's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued, which is September 28, 2018.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. INVESTMENTS

Investments at June 30, 2018 and 2017, consist of the following:

	2018	2017
Cash and cash equivalents	\$ 3,884,134	\$ 528,706
Certificates of deposit	4,621,946	8,279,612
U.S. government securities	6,606,574	6,476,204
Corporate bonds		
Financial	1,099,369	1,031,853
Other	1,753,163	1,284,947
Municipal bonds	371,987	586,420
Equity mutual funds		
Small/mid	5,101,936	4,840,365
Large	13,870,142	14,289,711
Real estate	2,291,592	1,904,981
International	1,744,829	-0-
Natural resources	2,378,549	-0-
Fixed income mutual funds		
Short-term bond	1,200,505	988,507
Intermediate-term bond	1,361,894	1,064,178
World bond	-0-	1,506,285
Commodities broad basket	-0-	951,064
Inflation protected	2,925,244	975,044
Equity exchange traded funds		
Small/mid	197,007	414,640
Short	-0-	185,333
	\$ 49,408,871	\$ 45,307,850

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

The following schedule summarizes the investment return, excluding the investment return on investments related to custodial funds, and its classification in the Consolidated Statements of Activities for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 1,285,602	\$ 901,835
Realized and unrealized gains	1,604,209	2,135,996
Investment fees	<u>(112,202)</u>	<u>(92,333)</u>
	<u>\$ 2,777,609</u>	<u>\$ 2,945,498</u>

3. RISKS AND UNCERTAINTIES

The Foundation holds a variety of investments (Note 2). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Foundation's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. The three levels of the fair value hierarchy are described as follows:

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

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- *Certificates of deposit:* Valued at amortized cost, which approximates fair value.
- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Corporate and municipal bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds ("funds") are held by the Foundation and are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- *Gift annuities payable:* Fair value is determined by calculating the present value of the annuities using published life expectancy tables with discount rates ranging between 1.8% and 2.4%.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

The following table sets 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:

	2018		
	Fair Value	Level 1	Level 2
Assets:			
Certificates of deposits	\$ 4,621,946	\$ -0-	\$ 4,621,946
U.S. government securities	6,606,574	-0-	6,606,574
Corporate bonds	2,852,532	-0-	2,852,532
Municipal bonds	371,987	-0-	371,987
Mutual funds	30,874,691	30,874,691	-0-
Exchange traded funds	197,007	197,007	-0-
Liabilities:			
Gift annuities payable	148,810	-0-	148,810

	2017		
	Fair Value	Level 1	Level 2
Assets:			
Certificates of deposits	\$ 8,279,612	\$ -0-	\$ 8,279,612
U.S. government securities	6,476,204	-0-	\$ 6,476,204
Corporate bonds	2,316,800	-0-	\$ 2,316,800
Municipal bonds	586,420	-0-	586,420
Mutual funds	26,520,135	26,520,135	-0-
Exchange traded funds	599,973	599,973	-0-
Liabilities:			
Gift annuities payable	128,831	-0-	128,831

5. PLEDGES RECEIVABLE

Unconditional pledges receivable total \$11,250 and \$114,250 at June 30, 2018 and 2017, respectively. Pledges receivable have not been discounted to present value due to the immaterial effect. The remainder of pledges receivable is due in less than one year.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 is as follows:

	2018	2017
Furniture and equipment	\$ 186,011	182,188
Less accumulated depreciation	<u>(120,440)</u>	<u>(103,470)</u>
	<u>\$ 65,571</u>	<u>\$ 78,718</u>

Undeveloped real estate held for preservation relates to land donated to the Foundation in the amount of \$1,446,044. The purpose of the real estate is to be used as a park and preserve nature.

7. CHARITABLE GIFT ANNUITIES

The Foundation has four charitable gift annuities, under which the Foundation received \$337,340. The Foundation is required to make annual payments to the donors ranging in amounts of \$460 to \$20,284 for the remainder of the donors' lifetimes. Upon the death of the specified persons, the remaining amount of the gifts is to be used by the Foundation as specified in the respective agreements. The Foundation has recognized a liability for the present value of the amount expected to be paid to the third-party beneficiaries at June 30, 2018 and 2017, under these agreements. The liability was calculated based on the applicable mortality tables and discount rates of 1.8% and 2.4%. The present value of amounts expected to be paid to the donors or their named beneficiaries was \$148,810 and \$128,831 at June 30, 2018 and 2017, respectively.

8. CUSTODIAL FUNDS

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

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Following is a progression of custodial funds during 2018 and 2017:

	2018	2017
Beginning balance	\$ 2,095,528	\$ 1,867,869
Contributions	576,352	106,564
Interest and dividend income	92,640	65,841
Realized and unrealized gains	147,699	181,348
Investment fees	(8,005)	(6,827)
Administrative fees	(43,020)	(34,384)
Grant and scholarship payments	(69,104)	(84,883)
Ending balance	\$ 2,792,090	\$ 2,095,528

9. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2018 and 2017:

	2018	2017
Designated purpose restrictions related to:		
ROI - Lilly grant	\$ 20,718,450	23,020,781
Endowment funds not yet appropriated for expenditure	25,132,674	21,991,598
	\$ 45,851,124	\$ 45,012,379

Permanently restricted net assets in the amount of \$1,483,544 and \$1,957,121 at June 30, 2018 and 2017, respectively, and are donor-restricted assets whereby the principal amount is never to be expended based on the terms of the related fund agreements or the spending policy in effect. Income earned from these principal amounts includes both temporarily restricted and unrestricted amounts.

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

10. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Designated purpose restrictions related to:		
ROI - Lilly grant	\$ 2,302,331	\$ 1,916,857
Endowment funds appropriated for expenditure	<u>1,617,292</u>	<u>1,273,588</u>
	<u>\$ 3,919,623</u>	<u>\$ 3,190,445</u>

11. ENDOWMENT

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

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring endowment funds to be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CFBMC in a manner consistent with the standard of prudence prescribed by UPMIFA. CFBMC also has certain donor-restricted endowment funds recognized as permanently restricted due to specifications in those fund agreements. CFBMC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gift to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund. In accordance with UPMIFA, CFBMC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(7) The investment policies of CFBMC

CFBMC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CFBMC must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. CFBMC expects to earn a total return that equals or exceeds the combined rate of inflation, the rate of distributions and administrative costs. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, CFBMC relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

CFBMC has a policy of appropriating for distribution each year 4.25% of its endowment funds' average fair value over the prior 16 quarters. In establishing this policy, CFBMC considered the long-term expected return on its endowment.

Endowed funds by net asset type at June 30, 2018 and 2017 were as follows:

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor Restricted Funds	\$ -0-	\$ 25,132,674	\$ 1,483,544
Board Designated Funds	1,157,623	-0-	-0-
	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor Restricted Funds	\$ -0-	\$ 21,991,598	\$ 1,957,121
Board Designated Funds	1,113,637	-0-	-0-

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

	2018		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 1,113,637	\$ 21,991,598	\$ 1,957,121
Contributions and other revenue	-0-	1,997,274	-0-
Investment return, net	113,821	2,287,517	-0-
Transfer of funds	-0-	473,577	(473,577)
Appropriation of endowment assets for expenditure	<u>(69,835)</u>	<u>(1,617,292)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 1,157,623</u>	<u>\$ 25,132,674</u>	<u>\$ 1,483,544</u>
	2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 1,049,778	\$ 19,345,698	\$ 2,494,357
Contributions and other revenue	-0-	851,710	20,382
Investment return, net	132,359	2,510,160	-0-
Transfer of funds	-0-	557,618	(557,618)
Appropriation of endowment assets for expenditure	<u>(68,500)</u>	<u>(1,273,588)</u>	<u>-0-</u>
Endowment net assets, end of year	<u>\$ 1,113,637</u>	<u>\$ 21,991,598</u>	<u>\$ 1,957,121</u>

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

12. FUNCTIONAL EXPENSES

The Foundation serves as a vehicle for residents of Monroe County to donate to various organizations and projects in the county. Expenses related to providing this service for the years ended June 30, 2018 and 2017 are classified as follows:

	<u>2018</u>	<u>2017</u>
Program expenses	\$ 3,563,383	\$ 2,632,635
Fundraising expenses	665,126	600,264
General and administrative expenses	<u>443,779</u>	<u>410,188</u>
	<u>\$ 4,672,288</u>	<u>\$ 3,643,087</u>

13. OPERATING LEASE

The Foundation entered a lease agreement to lease its office space beginning August 1, 2016. The lease, which requires a base rent plus common area maintenance (CAM) charges, expires July 31, 2021. The lease calls for annual base payments of \$21,284, with a 3 percent bi-annual increase beginning August 1, 2019 and monthly CAM payments of \$679 with annual increases up to 5 percent. Monthly reimbursements to the landlord are also made for a portion of insurance, real estate taxes, and utilities. The Foundation has the option to exercise two renewals for five years each. Future minimum lease payments subsequent to June 30, 2018 under this lease are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 30,431
2020	30,484
2021	<u>2,540</u>
	<u>\$ 63,455</u>

**COMMUNITY FOUNDATION OF BLOOMINGTON AND
MONROE COUNTY, INC. AND AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

14. CONCENTRATIONS OF CREDIT RISK

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

Investments are maintained by various investment firms. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

15. RECENTLY ISSUED ACCOUNTING STANDARDS

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Foundation is not required to adopt until its year ending June 30, 2019, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Foundation is not required to adopt until its year ending June 30, 2021, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their consolidated balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

The Foundation is presently evaluating the effects that these ASUs will have on its future consolidated financial statements, including related disclosures.

SUPPLEMENTARY INFORMATION

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Eliminations	Consolidated
Cash and cash equivalents	\$ 332,742	\$ 2,977,700	\$ -0-	\$ 3,310,442
Investments	31,424,246	17,984,625	-0-	49,408,871
Pledges receivable	11,250	-0-	-0-	11,250
Other current assets	22,103	31,363	-0-	53,466
Property and equipment, net	57,753	7,818	-0-	65,571
Undeveloped real estate held for preservation	1,446,044	-0-	-0-	1,446,044
	<u>\$ 33,294,138</u>	<u>\$ 21,001,506</u>	<u>\$ -0-</u>	<u>\$ 54,295,644</u>
Liabilities				
Accounts payable and accrued expenses	\$ 40,424	\$ 35,281	\$ -0-	\$ 75,705
Gift annuities payable	148,810	-0-	-0-	148,810
Custodial funds	2,792,090	-0-	-0-	2,792,090
Total liabilities	2,981,324	35,281	-0-	3,016,605
Net assets				
Unrestricted:				
Operating	2,538,973	247,775	-0-	2,786,748
Board designated	1,157,623	-0-	-0-	1,157,623
	3,696,596	247,775	-0-	3,944,371
Temporarily restricted	25,132,674	20,718,450	-0-	45,851,124
Permanently restricted	1,483,544	-0-	-0-	1,483,544
Total net assets	30,312,814	20,966,225	-0-	51,279,039
	<u>\$ 33,294,138</u>	<u>\$ 21,001,506</u>	<u>\$ -0-</u>	<u>\$ 54,295,644</u>

See Report of Independent Auditors on pages 1 and 2.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES
(UNRESTRICTED)
YEAR ENDED JUNE 30, 2018

	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Eliminations	Consolidated
Support and revenues				
Contributions	\$ 33,003	\$ -0-	\$ -0-	\$ 33,003
Investment return, net	332,419	157,673	-0-	490,092
Administrative fee income	524,117	-0-	-0-	524,117
Change in value of split interest agreements	-0-	-0-	-0-	-0-
Net assets released from restrictions	<u>1,617,292</u>	<u>2,302,331</u>	-0-	<u>3,919,623</u>
Total support and revenues	2,506,831	2,460,004	-0-	4,966,835
Expenses				
Grants	1,012,159	-0-	-0-	1,012,159
Programs	39,739	1,484,713	-0-	1,524,452
Salaries and wages	468,854	608,988	-0-	1,077,842
Employee benefits	29,452	20,011	-0-	49,463
Administrative fees	481,097	-0-	-0-	481,097
Printing and postage	14,070	-0-	-0-	14,070
Professional fees	99,449	13,995	-0-	113,444
Payroll taxes	44,213	42,111	-0-	86,324
Donor development	32,626	-0-	-0-	32,626
Software	17,425	-0-	-0-	17,425
Depreciation	27,679	3,617	-0-	31,296
Rent	29,676	29,187	-0-	58,863
Telephone	3,309	-0-	-0-	3,309
Insurance	10,702	-0-	-0-	10,702
Repairs and maintenance	26,491	-0-	-0-	26,491
Office supplies	11,890	4,028	-0-	15,918
Travel and entertainment	2,914	46,422	-0-	49,336
Professional development	3,113	-0-	-0-	3,113
Meetings	7,010	46,466	-0-	53,476
Dues and subscriptions	5,690	873	-0-	6,563
Miscellaneous	<u>2,399</u>	<u>1,920</u>	-0-	<u>4,319</u>
Total expenses	<u>2,369,957</u>	<u>2,302,331</u>	-0-	<u>4,672,288</u>
Change in net assets	136,874	157,673	-0-	294,547
Transfer of net assets	-0-	-0-	-0-	-0-
Net assets, beginning of year	<u>3,559,722</u>	<u>90,102</u>	-0-	<u>3,649,824</u>
Net assets, end of year	<u>\$ 3,696,596</u>	<u>\$ 247,775</u>	<u>\$ -0-</u>	<u>\$ 3,944,371</u>

See Report of Independent Auditors on pages 1 and 2.

**COMMUNITY FOUNDATION OF BLOOMINGTON
AND MONROE COUNTY, INC. AND AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES
(TEMPORARILY AND PERMANENTLY)
YEAR ENDED JUNE 30, 2018

	Temporarily Restricted			Permanently Restricted
	Community Foundation of Bloomington and Monroe County, Inc.	Regional Opportunity Initiatives, Inc.	Consolidated	Community Foundation of Bloomington and Monroe County, Inc.
Support and revenues				
Contributions	\$ 2,027,315	\$ -0-	\$ 2,027,315	\$ -0-
Investment return, net	2,287,517	-0-	2,287,517	-0-
Administrative fee income	-0-	-0-	-0-	-0-
Change in value of split interest agreements	(30,041)	-0-	(30,041)	-0-
Net assets released from restrictions	(1,617,292)	(2,302,331)	(3,919,623)	-0-
Total support and revenues	2,667,499	(2,302,331)	365,168	-0-
Expenses				
Grants	-0-	-0-	-0-	-0-
Programs	-0-	-0-	-0-	-0-
Salaries and wages	-0-	-0-	-0-	-0-
Employee benefits	-0-	-0-	-0-	-0-
Administrative fees	-0-	-0-	-0-	-0-
Printing and postage	-0-	-0-	-0-	-0-
Professional fees	-0-	-0-	-0-	-0-
Payroll taxes	-0-	-0-	-0-	-0-
Donor development	-0-	-0-	-0-	-0-
Software	-0-	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-	-0-
Rent	-0-	-0-	-0-	-0-
Telephone	-0-	-0-	-0-	-0-
Insurance	-0-	-0-	-0-	-0-
Repairs and maintenance	-0-	-0-	-0-	-0-
Office supplies	-0-	-0-	-0-	-0-
Travel and entertainment	-0-	-0-	-0-	-0-
Professional development	-0-	-0-	-0-	-0-
Meetings	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-
Total expenses	-0-	-0-	-0-	-0-
Change in net assets	2,667,499	(2,302,331)	365,168	-0-
Transfer of net assets	473,577	-0-	473,577	(473,577)
Net assets, beginning of year	<u>21,991,598</u>	<u>23,020,781</u>	<u>45,012,379</u>	<u>1,957,121</u>
Net assets, end of year	<u>\$ 25,132,674</u>	<u>\$ 20,718,450</u>	<u>\$ 45,851,124</u>	<u>\$ 1,483,544</u>

See Report of Independent Auditors on pages 1 and 2.