

**YOUR COMMUNITY FOUNDATION OF
NORTH CENTRAL WEST VIRGINIA, INC.**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

H. A. Ruckle, CPA
3803 Swallowtail Dr.
Morgantown, WV 26508

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of
**Your Community Foundation of
North Central West Virginia, Inc.**
Morgantown, WV 26505

I have audited the accompanying financial statements of **Your Community Foundation of North Central West Virginia, Inc.** (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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


My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Your Community Foundation of North Central West Virginia, Inc.** as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


June 8, 2018

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

| ASSETS | | |
|---|----------------------|----------------------|
| | 2017 | 2016 |
| Current assets | | |
| Cash and cash equivalents | \$ 47,519 | \$ 24,255 |
| Administrative fees receivable | 41,221 | 25,688 |
| Grants receivable | - | 20,000 |
| Pledges receivable | - | 5,500 |
| Student loans receivable, net of \$211,978 and \$208,318 allowance at December 31, 2017 and 2016, respectively. | 211,978 | 208,318 |
| Investments | <u>15,368,689</u> | <u>13,452,188</u> |
| Total current assets | 15,669,407 | 13,735,949 |
| Property and equipment | | |
| Land | 98,000 | 98,000 |
| Buildings and improvements | 972,079 | 972,079 |
| Office furniture and equipment | 12,676 | 11,401 |
| Less: accumulated depreciation | <u>(290,738)</u> | <u>(263,872)</u> |
| Net property and equipment | 792,017 | 817,608 |
| | | |
| Total assets | <u>\$ 16,461,424</u> | <u>\$ 14,553,557</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 5,162 | \$ 3,659 |
| Note payable - current portion | 5,836 | 5,159 |
| Agency endowments | <u>1,138,197</u> | <u>975,153</u> |
| Total current liabilities | 1,149,195 | 983,971 |
| Long-term liabilities | | |
| Note payable - net of current portion | 53,983 | 60,271 |
| Loan payable | <u>56,571</u> | <u>181,571</u> |
| Total long-term liabilities | 110,554 | 241,842 |
| | | |
| Total liabilities | 1,259,749 | 1,225,813 |
| Net assets | | |
| Unrestricted | 914,096 | 745,928 |
| Temporarily restricted | <u>14,287,579</u> | <u>12,581,816</u> |
| Total net assets | 15,201,675 | 13,327,744 |
| | | |
| Total liabilities and net assets | <u>\$ 16,461,424</u> | <u>\$ 14,553,557</u> |

See accompanying notes and auditor's report.

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|----------------------|
| Revenue and support | | | |
| Contributions | \$ 8,450 | 858,652 | \$ 867,102 |
| UHS Loan contributions | - | 125,000 | 125,000 |
| Administrative fee income | 156,022 | - | 156,022 |
| Rental income | 23,152 | - | 23,152 |
| Grants | 15,000 | - | 15,000 |
| Interest and dividends | 3,579 | 221,931 | 225,510 |
| Realized gain (loss) - net | 12,223 | 416,866 | 429,089 |
| Unrealized gain (loss) - net | 19,189 | 1,466,854 | 1,486,043 |
| Net assets released from restrictions | <u>1,383,540</u> | <u>(1,383,540)</u> | - |
| Total revenue and support | <u>1,621,155</u> | <u>1,705,763</u> | <u>3,326,918</u> |
| Expenses (see statement) | | | |
| Program services | 1,332,258 | - | 1,332,258 |
| Supporting activities: | | | |
| Management and general | 104,947 | - | 104,947 |
| Fundraising | 12,121 | - | 12,121 |
| Total program services and supporting activities expenses | <u>1,449,326</u> | - | <u>1,449,326</u> |
| Student loans receivable allowance adj. | 3,661 | - | 3,661 |
| Total expenses and adjustments | <u>1,452,987</u> | - | <u>1,452,987</u> |
| Change in net assets | 168,168 | 1,705,763 | 1,873,931 |
| Net assets - beginning of year | 745,928 | 12,581,816 | 13,327,744 |
| Net assets - end of year | <u>\$ 914,096</u> | <u>\$ 14,287,579</u> | <u>\$ 15,201,675</u> |

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------|
| Expenses | | | | |
| Grants and scholarships | \$ 861,114 | \$ - | \$ - | \$ 861,114 |
| Other beneficiary distributions | 183,383 | - | - | 183,383 |
| Investment fees | 173,991 | - | - | 173,991 |
| Salaries and wages | 85,820 | 41,405 | 9,143 | 136,368 |
| Office expense and support | 8,573 | 4,143 | 913 | 13,629 |
| Payroll taxes and related expense | 7,150 | 3,456 | 762 | 11,368 |
| Professional fees | - | 10,628 | - | 10,628 |
| Utilities | 5,299 | 2,561 | 565 | 8,425 |
| Insurance | - | 4,478 | - | 4,478 |
| Maintenance and repairs | - | 3,419 | - | 3,419 |
| Contract services | 1,665 | 805 | 177 | 2,647 |
| Dues and memberships | - | 2,625 | - | 2,625 |
| Telephone and internet | 1,650 | 798 | 176 | 2,624 |
| Printing and marketing | 1,554 | 751 | 165 | 2,470 |
| Interest expense | 1,400 | 677 | 149 | 2,226 |
| Staff development and training | - | 1,204 | - | 1,204 |
| Postage and delivery | 549 | 265 | 59 | 873 |
| Taxes, licenses, and fees | - | 812 | - | 812 |
| Travel and meetings | 96 | 47 | 10 | 153 |
| Bank and merchant service fees | 14 | 6 | 2 | 22 |
| | | | | |
| Total expenses before depreciation and amortization | <u>1,332,258</u> | <u>78,080</u> | <u>12,121</u> | <u>1,422,459</u> |
| | | | | |
| Depreciation and amortization | - | 26,867 | - | 26,867 |
| | <u>\$ 1,332,258</u> | <u>\$ 104,947</u> | <u>\$ 12,121</u> | <u>\$ 1,449,326</u> |

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|----------------------|
| Revenue and support | | | |
| Contributions | \$ - | \$ 2,521,676 | \$ 2,521,676 |
| Administrative fee income | 100,527 | - | 100,527 |
| Rental income | 28,224 | - | 28,224 |
| Grants | 20,000 | - | 20,000 |
| Interest and dividends | 2,623 | 164,540 | 167,163 |
| Realized gain (loss) - net | 863 | 100,824 | 101,687 |
| Unrealized gain (loss) - net | 6,413 | 349,898 | 356,311 |
| Net assets released from restrictions | <u>1,635,524</u> | <u>(1,635,524)</u> | <u>-</u> |
| Total revenue and support | <u>1,794,174</u> | <u>1,501,414</u> | <u>3,295,588</u> |
| Expenses (see statement) | | | |
| Program services | 1,687,391 | - | 1,687,391 |
| Supporting activities: | | | |
| Management and general | 118,411 | - | 118,411 |
| Fundraising | 6,469 | - | 6,469 |
| Total program services and supporting activities expenses | <u>1,812,271</u> | <u>-</u> | <u>1,812,271</u> |
| Change in net assets | (18,097) | 1,501,414 | 1,483,317 |
| Net assets - beginning of year | 764,025 | 11,080,402 | 11,844,427 |
| Net assets - end of year | <u>\$ 745,928</u> | <u>\$ 12,581,816</u> | <u>\$ 13,327,744</u> |

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------|
| Expenses | | | | |
| Grants and scholarships | \$ 1,059,527 | \$ - | \$ - | \$ 1,059,527 |
| Other beneficiary distributions | 405,370 | - | - | 405,370 |
| Investment fees | 125,358 | - | - | 125,358 |
| Salaries and wages | 59,535 | 34,778 | 3,987 | 98,300 |
| Maintenance and repairs | - | 20,403 | - | 20,403 |
| Office expense and support | 7,833 | 4,575 | 517 | 12,925 |
| Printing and marketing | 6,935 | 4,051 | 458 | 11,444 |
| Utilities | 6,326 | 3,695 | 418 | 10,439 |
| Contract services | 6,111 | 3,570 | 403 | 10,084 |
| Payroll taxes and related expense | 5,039 | 2,944 | 333 | 8,316 |
| Accounting and auditing | - | 5,500 | - | 5,500 |
| Insurance | - | 4,667 | - | 4,667 |
| Dues and memberships | - | 2,470 | - | 2,470 |
| Telephone and internet | 1,274 | 744 | 84 | 2,102 |
| Postage and delivery | 1,270 | 742 | 84 | 2,096 |
| Travel and meetings | 1,261 | 736 | 84 | 2,081 |
| Interest expense | 1,248 | 729 | 82 | 2,059 |
| Staff development and training | - | 999 | - | 999 |
| Taxes, licenses, and fees | - | 774 | - | 774 |
| Bank and merchant service fees | 304 | 180 | 19 | 503 |
| | | | | |
| Total expenses before depreciation and amortization | <u>1,687,391</u> | <u>91,557</u> | <u>6,469</u> | <u>1,785,417</u> |
| | | | | |
| Depreciation and amortization | - | 26,854 | - | 26,854 |
| | <u>\$ 1,687,391</u> | <u>\$ 118,411</u> | <u>\$ 6,469</u> | <u>\$ 1,812,271</u> |

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

STATEMENTS OF CASH FLOW

Year Ended December 31, 2017 and 2016

| | 2017 | 2016 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,873,931 | \$ 1,483,317 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 26,866 | 26,854 |
| Net realized and unrealized (gains) losses on investments | (1,915,863) | (457,998) |
| Student loans receivable allowance adjustment | 3,660 | - |
| Change in: | | |
| Administrative fees receivable | (15,533) | 1,872 |
| Grants receivable | 20,000 | (20,000) |
| Pledges receivable | 5,500 | (5,500) |
| Accounts payable and accrued expenses | 1,502 | 345 |
| Agency endowments | 163,044 | 176,218 |
| Net cash from operating activities | <u>163,107</u> | <u>1,205,108</u> |
| Cash flows from investing activities | | |
| Purchases of investments | (1,624,791) | (3,663,743) |
| Proceeds from sale of investments | 1,624,153 | 2,641,925 |
| Repayments (increases) on student loans receivable, net | (7,320) | (208,318) |
| Purchases of property and equipment | <u>(1,275)</u> | <u>(10,479)</u> |
| Net cash provided by (used in) investing activities | (9,233) | (1,240,615) |
| Cash flows from financing activities | | |
| Principal repayments on note payable | (5,610) | (51,352) |
| Proceeds from note payable | - | 65,884 |
| Principal (repayments) increases on loan payable, net | <u>(125,000)</u> | <u>(10,000)</u> |
| Net cash provided by (used in) financing activities | (130,610) | 4,532 |
| Net change in cash | 23,264 | (30,975) |
| Cash and cash equivalents - beginning of year | 24,255 | 55,230 |
| Cash and cash equivalents - end of year | <u>\$ 47,519</u> | <u>\$ 24,255</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 2,226 | \$ 2,059 |

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. Organization and Nature of Business

Your Community Foundation of North Central West Virginia, Inc. (Foundation) was incorporated under the laws of the state of West Virginia as a not-for-profit corporation in January 2011. The Foundation was established as a community foundation to administer and invest donor funds and to assist in matching community resources with community needs. The Foundation aims to assist donors in achieving their charitable intentions through the establishment of funds and endowments that provide resources to enhance the quality of life for communities located in north central West Virginia. The Foundation's major sources of revenue and support include administrative fees charged for managing donor funds, local city and county grants, and rental income.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting as contemplated by generally accepted accounting principles, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Section 958.205 *Not-for-Profit Entities Presentation of Financial Statements* (ASC 958.205). Under ASC 958.205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor restrictions. The Foundation's net assets and changes therein are classified and reported as follows:

Unrestricted net assets: represent resources whose use is not limited or restricted by donors.

Board restricted net assets: represent net assets not limited or restricted by donors, but restricted by the board for the purpose of assuring long-term stability and sustainability, while allowing for planning and implementation of longer term initiatives.

Temporarily restricted net assets: represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by the organization's actions.

Permanently restricted net assets: represent resources whose use is limited by donor-imposed stipulations that neither expire or can be fulfilled or otherwise removed by the organization's actions.

Additionally, the Foundation follows FASB Codification Section 958.605 *Not-for-Profit Entities Revenue Recognition* (ASC 958.605). In accordance with ASC 958.605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of donor restrictions.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Foundation possesses variance power, that is, the unilateral right to remove donor-imposed restrictions upon a gift in response to changed circumstances. This power is exercisable only in narrowly defined circumstances. Because this power is incorporated by reference in all gift instruments (fund agreements) accepted by the Foundation, the Foundation views its variance power as an explicit expression of donor intent.

The Foundation recognizes that gifts received may be subject to one or more of three types of donor-imposed restrictions: (1) contributions received with restrictions as to purpose (“purpose restriction”); (2) contributions received with a requirement that the principal of the gift be retained for a specified period of time (“time restriction”); (3) contributions received with a requirement that the principal of the gift be retained permanently (“endowment restriction”). The Foundation has determined its variance power applies to all three types of restrictions; however, the Foundation classifies gifts subject to one or more donor-imposed restrictions as temporarily restricted net assets until amounts are appropriated for use or spending, at which time the assets are reclassified as unrestricted net assets.

Endowments

Net Asset Classification

The Foundation follows FASB Codification Section 958.205 *Not-for-Profit Financial Statement Disclosure* and its guidance on net asset classifications and disclosures for endowment funds.

The Foundation has determined that its variance power applies to all three types of restrictions, to include endowment restrictions; however, those gifts subject to endowment restrictions have been deemed to constitute endowments funds under the Uniform Prudent Management of Institutional Funds Act as enacted by the state of West Virginia.

In 2008, West Virginia enacted a version of the Uniform Prudent Management of Institutional Funds Act (WV UPMIFA), the provisions of which apply to endowment funds existing on or established after the date of enactment. For the purposes of these financial statements, the Foundation defines an endowment fund as a fund established with the donor understanding that the principal or stated part thereof is not wholly expendable by the Foundation on a current basis. Furthermore, the Foundation has interpreted WV UPMIFA as requiring the preservation of the fair value of the original donation as of the donation date absent explicit donor stipulations to the contrary. As a result of the Foundation’s interpretation of UPMIFA, the Foundation classifies as temporarily restricted net assets the original value of the resources donated to the endowment fund and designated therein as endowment principal to be kept intact. The remaining portion of the endowment is also classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by WV UPMIFA. Amounts appropriated for spending are classified as unrestricted net assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Endowments (continued)

Net Asset Classification (continued)

In accordance with WV UPMIFA, the Foundation considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose(s) of the donor-restricted endowment fund in conjunction with the Foundation's not-for-profit status;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation;
- The investment policies of the Foundation.

Endowment Investment Policies

The Foundation's primary investment objective is the preservation of capital in real dollar terms. Providing a predictable, stable stream of income for grant-making and operating needs, and providing for fund growth are secondary objectives.

The Finance/Investment committee (Committee) is responsible for recommending specific investment return goals for the Foundation endowment and trusts to the Board. The Committee generally expects the investment to approximate a 60/40 blend of the S&P 500 and the Barclays Aggregate Index, respectively over a three to five year market cycle. Average net return on investment should approximate widely used comparison indices as they pertain to each asset allocation class.

Endowment assets are considered as two parts: an "equity fund" and a "fixed income fund"; furthermore, the endowment will be diversified both by the asset class and within asset classes. Moreover, the equity fund will allocate to managers who have distinct and complementary investment styles.

Endowment Spending Policies

The Foundation spending policy was adopted to provide a meaningful and growing payout from the endowment funds of the Foundation while preserving the value of the Foundation's assets on an inflation-adjusted basis. The spending policy's objective is to have a total draw down of no more than a predetermined percentage set by the board (4% for the year ending December 31, 2017), of a trailing 12-quarter average of the market value of each individual endowment fund. The Foundation recognizes that certain circumstances may call for a different base and/or percentage to be used. In such instances the Chairman of the Board, after consultation with the Committee, may adjust the base and/or percentage used for grant distribution. Furthermore, the amount may be increased on a given occasion providing 1) adequate funds are available and 2) the permission of the donor is granted in writing.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Contributions

Unconditional promises to give are recognized as revenue and included in receivables in the period the promise is given. Such unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Contributions of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how those long-lived assets are to be used, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in checking accounts held in several local financial institutions. The Foundation considers all highly liquid investments with a remaining maturity date of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held by investment managers in investment accounts are considered investments for the purposes of the cash flow statement. Cash and cash equivalents held outside of investment accounts associated with temporarily restricted contributions are included in cash and cash equivalents, while any uninvested permanently restricted cash balances held outside of investment accounts are reported as part of long-term assets, and not included in cash and cash equivalents for cash flow statement purposes.

Property and Equipment

Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at the estimated fair value at the date of receipt. The Foundation capitalizes purchased or donated property and equipment based on an assessment of the individual asset's useful life and cost or fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 - 40 years. Non-capital expenditures for repairs and maintenance are charged to expense in the year the expense is incurred.

Pledges Receivable

A pledge receivable is recorded in the period the pledge is made. An allowance for uncollectible pledges may be established based on the Foundation's understanding of the source and nature of the underlying pledges receivable and historical collection results.

All pledges are deemed current and fully collectible; consequently, no provision for uncollectible pledges or other valuation allowance is considered necessary.

Advertising Expense

The Foundation expenses advertising costs in the period incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Income Taxes

For Federal tax purposes the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and was determined not to be a private foundation by the Internal Revenue Service; however, the Foundation remains subject to tax on any business income unrelated to its tax-exempt purpose.

The Foundation follows FASB Codification Section 740 *Accounting for Uncertainty in Income Taxes* (ASC 740). This guidance provides a recognition threshold and measurement process for uncertain tax positions, including any estimated penalties and interest associated with those uncertain tax positions. For the years ended December 31, 2017 and 2016 there were no uncertain tax positions requiring accrual.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax* for the prior three (3) years are open to audit by the Internal Revenue Service.

Investments

The Foundation follows FASB Codification Section 958.320 *Not-for-Profit Entities Investments* (ASC 958.320). Under ASC 958.320, investments in mutual funds with readily determinable fair values are reported at their fair values in the statement of financial position, and unrealized gains and losses are recorded as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Accordingly, the Foundation has presented investments in such marketable securities and debt securities at their fair value in the statement of financial position. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Donated Services

In accordance with ASC 905.605, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the years ending December 31, 2017 and 2016 no services were received that met the criteria for recognition as donated services.

Functional Expenses

The costs of providing program and supporting activities have been presented on a functional basis in the statement of functional expenses, and are summarized in the statement of activities. Expenses are charged to program or supporting activities as incurred, or are allocated using a statistical basis.

Reclassifications

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

FASB Codification Section 825 (ASC 825) *Financial Instruments* permits an entity to elect fair value as the initial and subsequent measurement attribute for certain financial statement assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value earnings. The adjustment to reflect the difference between fair value and the carrying amount is accounted for as cumulative effect adjustment to net assets as of the date of the adoption. The adoption of this pronouncement did not have an effect on the Foundation's financial statements. The Foundation did not elect the fair value methodology permitted under ASC 825 for any financial instrument or other item that is not currently required to be measured at fair value.

FASB Codification Section 820 (ASC 820) *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Under ASC 820, various inputs are used in determining the fair value of assets and liabilities. These inputs are summarized in a hierarchy that segregates fair value measurement in three levels (levels 1, 2, and 3), determined by the nature of input as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted market price in an active market provides the most reliable evidence of fair value.
- Level 2 – Other significant observable inputs, including quoted prices of similar securities in active markets, quoted prices for identical securities in markets that are not active, and other market-corroborated inputs.
- Level 3 – Significant unobservable inputs, including the Foundation's own assumptions in determining the fair value of investments, based on the best information available in the circumstances.

Valuation levels are not necessarily an indication of the risk associated with investing in those securities. The fair value of the Foundation's cash, receivables, and accrued expenses approximate their carrying amounts due to the short-term nature of these instruments.

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 reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from these estimates.

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

3. Fair Value Measurements

The following tables summarize the Foundation's fair value measurements for investments in accordance with authoritative guidance at December 31, 2017 and 2016:

| | 2017 | | | Total |
|-----------------------------|---------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Held by individual funds | | | | |
| Cash & equivalents | \$ 504,709 | \$ - | \$ - | \$ 504,709 |
| Equities | 48,579 | - | - | 48,579 |
| Pooled account | | | | |
| Cash & equivalents | 464,872 | - | - | 464,872 |
| Bonds & bond funds | 1,558,618 | 2,099,011 | - | 3,657,629 |
| Mutual funds | - | 3,865,670 | - | 3,865,670 |
| Corporate equity securities | 6,827,230 | - | - | 6,827,230 |
| | <u>\$ 9,404,008</u> | <u>\$ 5,964,681</u> | <u>\$ -</u> | <u>\$ 15,368,689</u> |

| | 2016 | | | Total |
|-----------------------------|---------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Held by individual funds | | | | |
| Cash & equivalents | \$ 966,467 | \$ - | \$ - | \$ 966,467 |
| Bonds | 19,571 | - | - | 19,571 |
| Mutual funds | - | 2,007 | - | 2,007 |
| Pooled account | | | | |
| Cash & equivalents | 245,194 | - | - | 245,194 |
| Bonds & bond funds | 1,531,770 | 2,504,238 | - | 4,036,008 |
| Mutual funds | - | 3,000,719 | - | 3,000,719 |
| Corporate equity securities | 5,182,222 | - | - | 5,182,222 |
| | <u>\$ 7,945,224</u> | <u>\$ 5,506,964</u> | <u>\$ -</u> | <u>\$ 13,452,188</u> |

Money market mutual funds are included with cash & equivalents and are valued using quoted market prices or broker-dealer quotations and are classified within Level 1 of the fair value hierarchy. Domestic and foreign equity securities and government and corporate obligations that trade on an active exchange are classified within Level 1.

Equity and bond mutual funds are valued based on the net asset value of units held by the Foundation and are classified within Level 2 of the fair value hierarchy. Net asset value of these funds is determined using quoted market prices for the underlying securities held by the mutual funds.

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NOTES TO FINANCIAL STATEMENTS

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4. Concentration of Risk

The Foundation maintains its cash accounts in financial institutions located in West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation's cash balances at various times throughout the year may be in excess of amounts insured; however, the Foundation monitors its cash balances thereby mitigating its exposure to concentrations of credit risk.

Foundation assets are invested in publicly traded mutual funds, corporate stocks, and bond issues which are affected by market conditions.

5. Accrued Compensated Absences

In accordance with FASB Codification Section 710 *Compensation*, amounts accrued for future absences include amounts that are attributable to the employees' services already rendered, and only amounts that may be carried forward to periods subsequent to that in which they were earned. The Foundation does not provide for carry forward of unused compensated absences, accordingly, no amounts for compensated absences were included in these financial statements.

6. Student Loans Receivable

During the year ending December 31, 2016, in accordance with certain court adjudicated orders, the assets from a charitable education trust were contributed to the Foundation for the purpose of providing scholarships. A portion of these assets were in the form of student loan receivables. The Foundation evaluated the student loan balances and established an allowance to present student loans receivable at the amount the Foundation expects to collect.

7. Lease (as Lessor)

The Foundation rents office space under several one year and month-to-month lease agreements. Rental income related to these agreements was \$23,152 and \$28,224 for years ending December 31, 2017 and 2016, respectively.

8. Agency Endowments

In accordance with FASB Codification Section 958.605 *Transfers of Assets to a Not-for-Profit Entity* (ASC 958.605), when the Foundation accepts funds from a not-for-profit entity that specifies itself as the recipient of those funds (Agency Endowments), such funds are not included as a component of Foundation net assets. Agency Endowments, held for the benefit of the transferring not-for-profit entity are reported as liabilities and included with investments on the Foundation's statement of financial position.

Total agency endowments, carried at fair value, were as follows at December 31:

| 2017 | 2016 |
|---------------------|-------------------|
| <u>\$ 1,138,197</u> | <u>\$ 975,153</u> |

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

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9. Investments

The majority of individual fund assets are invested jointly in a pooled account, with each fund's beneficial interest in the pooled account determined using the "units of participation" method based on the fair value of the underlying assets. Investments were comprised of the following at December 31, 2017 and 2016:

| | 2017 | | |
|-----------------------------|----------------------|--------------------------------|--|
| | Cost | Fair Value (Carrying Value) | Cumulative Net Unrealized Gains / (Losses) |
| Held by individual funds | | | |
| Cash & equivalents | \$ 504,709 | \$ 504,709 | \$ - |
| Equities | 48,579 | 48,579 | - |
| Pooled account | | | |
| Cash & equivalents | 464,872 | 464,872 | - |
| Bonds & bond funds | 3,694,367 | 3,657,628 | (36,739) |
| Mutual funds | 3,079,467 | 3,865,671 | 786,204 |
| Corporate equity securities | 4,835,607 | 6,827,230 | 1,991,623 |
| | <u>\$ 12,627,601</u> | <u>\$ 15,368,689</u> | <u>\$ 2,741,088</u> |
| | | | |
| | 2016 | | |
| | Cost | Fair Value (Carrying Value) | Cumulative Net Unrealized Gains / (Losses) |
| Held by individual funds | | | |
| Cash & equivalents | \$ 966,467 | \$ 966,467 | \$ - |
| Bonds | 19,571 | 19,571 | - |
| Mutual funds | 2,007 | 2,007 | - |
| Pooled account | | | |
| Cash & equivalents | 245,194 | 245,194 | - |
| Bonds & bond funds | 4,066,128 | 4,036,008 | (30,120) |
| Mutual funds | 2,730,113 | 3,000,719 | 270,606 |
| Corporate equity securities | 4,105,113 | 5,182,222 | 1,077,109 |
| | <u>\$ 12,134,593</u> | <u>\$ 13,452,188</u> | <u>\$ 1,317,595</u> |

Interest and dividend income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded as the change in fair value of investments.

YOUR COMMUNITY FOUNDATION OF NORTH CENTRAL WEST VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

9. Investments (continued)

For the years ended December 31, 2017 and 2016, investment return and classification in the statement of activities are summarized as follows:

| | 2017 | | |
|-------------------------------|----------------------------|---|--------------|
| | Unrestricted net assets | Temporarily restricted net assets | Total |
| Interest and dividends | \$ 3,579 | \$ 221,931 | \$ 225,510 |
| Net realized gains (losses) | 12,223 | 416,866 | 429,089 |
| Net unrealized gains (losses) | 19,189 | 1,466,854 | 1,486,043 |
| | \$ 34,991 | \$ 2,105,651 | \$ 2,140,642 |

| | 2016 | | |
|-------------------------------|----------------------------|---|------------|
| | Unrestricted net assets | Temporarily restricted net assets | Total |
| Interest and dividends | \$ 2,623 | \$ 164,540 | \$ 167,163 |
| Net realized gains (losses) | 863 | 100,824 | 101,687 |
| Net unrealized gains (losses) | 6,413 | 349,898 | 356,311 |
| | \$ 9,899 | \$ 615,262 | \$ 625,161 |

10. Note Payable

During year ended December 31, 2016, the Foundation assumed an unsecured note payable to pay for various building repairs and maintenance. The note calls for monthly payments of approximately \$653, including interest at 3.5%, due in 2026.

The Foundation's approximate annual principal repayments on this note are as follows for years ending December 31:

| | |
|------------|-----------|
| 2018 | \$ 5,836 |
| 2019 | 6,044 |
| 2020 | 6,258 |
| 2021 | 6,481 |
| 2022 | 6,712 |
| Thereafter | 28,488 |
| | \$ 59,819 |

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

11. Loan Payable

In April 2008, the Monongalia County Building Commission issued lease revenue bonds (Series 2008 Bonds) to finance the costs not otherwise provided for the acquisition, construction, and equipping of recreational facilities (Project) located adjacent to the new University High School in Morgantown, WV. Seven local banks were designated as the initial purchasers of the Series 2008 Bonds.

In April 2008, and in conjunction with the Series 2008 Bonds issue, the Board of Education of the County of Monongalia leased the Project grounds to the Monongalia County Building Commission for \$1.00 as full consideration for the lease.

Further, in April 2008, The Monongalia County Building Commission subleased the Project grounds to the Greater Morgantown Community Foundation (merged with the Foundation in 2011). The terms of this sublease required the Foundation to pay base rents equal to, but only from monies received from donations made specifically for the Project, the principal and interest required to be paid under the Series 2008 Bond issuance. The lease was to expire in 2013, or a sooner or later date as the Series 2008 Bonds have been paid in full.

In March 2012, the Foundation facilitated a loan from a local bank to redeem the Series 2008 Bonds in full. This loan is not a general obligation of the Foundation. The Foundation has not offered any security for the loan, and is “only obligated to forward the proceeds from any funds raised through the UHS Athletics Complex Project to extinguish the debt”. In April 2012, the Monongalia County Board of Education (MCBOE) issued a Memorandum of Understanding (MOU) agreeing to make 4 annual payments of \$50,000, subject to the MCBOE’s limitations on binding any future year’s budget, in connection with this loan.

The Foundation carries a liability account, Loan Payable, to report the remaining liability due under the loan agreement, but only in so much as the Loan Payable balance equals the remaining principal balance of the loan. The interest portion pursuant to the loan agreement, and paid only through funds received for this purpose, is expensed when paid as interest expense.

The loan agreement specifies a 5-year term with interest at 3.5%, payable in quarterly installments beginning June 2012. The balance of this loan at December 31, 2017 and 2016 was \$56,571 and \$181,571, respectively, and is reported as a non-current liability in these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

12 Endowment Funds

The Financial Accounting Standards Board (FASB) defines an endowment as “an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization. The use of the assets may be permanently restricted, temporarily restricted, or unrestricted”.

For the purposes of these financial statements, the Foundation has expanded this definition to include other organizations or individuals who have established funds dedicated to building funds for perpetuity. Endowment funds by net asset classification and changes therein for the years ended December 31, 2017 and 2016 are reflected below.

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|---------------------|---------------------|
| Endowments – beginning of year | \$ 7,852,668 | \$ 6,649,575 |
| Endowment activity: | | |
| Contributions | 350,565 | 1,312,673 |
| Interest and dividends | 126,220 | 105,771 |
| Net realized gains (losses) | 277,316 | 54,360 |
| Net unrealized gains (losses) | 1,002,309 | 211,272 |
| Investment fees | (36,011) | (68,688) |
| Amount appropriated for expenditure | <u>(380,453)</u> | <u>(412,295)</u> |
| Endowments – end of year | <u>\$ 9,192,614</u> | <u>\$ 7,852,668</u> |

13. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following amounts, restricted for the following broadly defined purposes, at December 31, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|----------------------|----------------------|
| Education and scholarships | \$ 7,386,626 | \$ 6,545,990 |
| Health and social services | 1,535,691 | 1,377,468 |
| Arts, cultural, and historical | 2,112,363 | 1,816,535 |
| Community development | 2,123,892 | 1,914,004 |
| Sports and recreation | 673,027 | 618,447 |
| Multiple purposes | 391,103 | 253,914 |
| Animal Welfare | <u>64,877</u> | <u>55,458</u> |
| | <u>\$ 14,287,579</u> | <u>\$ 12,581,816</u> |

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

14. Subsequent Events

FASB Codification Section 855 *Subsequent Events* (ASC 855) establishes general accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. In preparing these financial statements, the Foundation has evaluated transactions for potential recognition or disclosure through June 8, 2018, the date the financial statements were available to be issued. During this period no material subsequent events were noted that require recognition or disclosure under ASC 855.