

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

Ithaca, New York

FINANCIAL REPORT

For the Years Ended
December 31, 2017 and 2016



***COMMUNITY FOUNDATION
OF TOMPKINS COUNTY, INC.***

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DECEMBER 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of Tompkins County, Inc.
Ithaca, New York

We have audited the accompanying financial statements of Community Foundation of Tompkins County, Inc. (the Foundation), a nonprofit 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Tompkins County, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Financial Position (Operating Fund Basis) on pages 22 and 22a are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 22, 2018

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents:		
Checking and savings	\$ 1,560,218	\$ 818,892
Money market funds	<u>26,393</u>	<u>180,580</u>
Total Cash and Cash Equivalents	<u>1,586,611</u>	999,472
Unconditional promises to give to be collected within one year, net	115,809	45,100
Cash value of life insurance	273,844	266,019
Prepaid expenses	3,284	3,190
Investments	<u>16,253,843</u>	<u>13,288,431</u>
Total Current Assets	<u>18,233,391</u>	14,602,212
Furniture and equipment, net	2,121	3,244
Unconditional promises to give to be collected after one year	<u>10,000</u>	<u>14,436</u>
Total Assets	<u><u>\$ 18,245,512</u></u>	<u><u>\$ 14,619,892</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 14,685	\$ 15,993
Grants payable	<u>13,156</u>	<u>4,163</u>
Total Liabilities	<u>27,841</u>	<u>20,156</u>
Net Assets		
Unrestricted		
Unrestricted - Undesignated	389,494	227,186
Board designated:		
Donor advised and field of interest funds	8,383,581	6,376,938
Operating endowment	<u>245,758</u>	<u>195,758</u>
Total Unrestricted Net Assets	<u>9,018,833</u>	6,799,882
Temporarily Restricted	126,100	60,100
Permanently Restricted	<u>9,072,738</u>	<u>7,739,754</u>
Total Net Assets	<u>18,217,671</u>	14,599,736
Total Liabilities and Net Assets	<u><u>\$ 18,245,512</u></u>	<u><u>\$ 14,619,892</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Contributions				
Donor advised	\$ 1,741,301	\$	\$	\$ 1,741,301
Endowment			1,282,234	1,282,234
Field of interest/designated	45,849			45,849
Operating fund	368,290	114,500	50,750	533,540
In-kind contributions	4,219			4,219
Total Contributions	2,159,659	114,500	1,332,984	3,607,143
Investment Income				
Interest and dividends	342,328			342,328
Realized and unrealized gain on investments	1,731,033			1,731,033
Investment management fees	(22,391)			(22,391)
Total Investment Income	2,050,970	-	-	2,050,970
Other revenue	57,851			57,851
Net assets released from restrictions/reclassification	48,500	(48,500)		-
Total Revenue	4,316,980	66,000	1,332,984	5,715,964
Program Expenses				
Grants	1,555,217			1,555,217
Total Program Expenses	1,555,217	-	-	1,555,217
Supporting Services				
Management and general	478,460			478,460
Fundraising	64,352			64,352
Total Supporting Services	542,812	-	-	542,812
Total Program Expenses and Supporting Services	2,098,029	-	-	2,098,029
Increase (Decrease) in Net Assets	2,218,951	66,000	1,332,984	3,617,935
Net Assets, January 1	6,799,882	60,100	7,739,754	14,599,736
Net Assets, December 31,	\$ 9,018,833	\$ 126,100	\$ 9,072,738	\$ 18,217,671

See Independent Auditor's Report and Notes to Financial Statements.

2016			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 675,030	\$	\$ 1,223,227	\$ 675,030 1,223,227
64,313			64,313
368,290	61,500	600	430,390
12,945			12,945
<u>1,120,578</u>	<u>61,500</u>	<u>1,223,827</u>	<u>2,405,905</u>
335,667			335,667
971,465			971,465
(47,092)			(47,092)
<u>1,260,040</u>	<u>-</u>	<u>-</u>	<u>1,260,040</u>
52,998			52,998
18,050	(18,050)		-
<u>2,451,666</u>	<u>43,450</u>	<u>1,223,827</u>	<u>3,718,943</u>
2,686,823			2,686,823
<u>2,686,823</u>	<u>-</u>	<u>-</u>	<u>2,686,823</u>
434,369			434,369
150,158			150,158
<u>584,527</u>	<u>-</u>	<u>-</u>	<u>584,527</u>
<u>3,271,350</u>	<u>-</u>	<u>-</u>	<u>3,271,350</u>
(819,684)	43,450	1,223,827	447,593
<u>7,619,566</u>	<u>16,650</u>	<u>6,515,927</u>	<u>14,152,143</u>
<u>\$ 6,799,882</u>	<u>\$ 60,100</u>	<u>\$ 7,739,754</u>	<u>\$ 14,599,736</u>

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31,

	2017			
	Program Services	Supporting Services		Total
	Grants	Management and General	Fundraising	Expenses
Payroll and employee benefits	\$	\$ 322,656	\$ 43,999	\$ 366,655
Payroll taxes and insurance		21,847	2,979	24,826
Total Payroll and Related Expenses	-	344,503	46,978	391,481
Rent and parking		34,240	4,669	38,909
Office expenses		40,892	5,576	46,468
Insurance		3,349	457	3,806
Consulting fees		517	2,068	2,585
Professional fees		22,230		22,230
Advertising and promotion		627	2,508	3,135
Grant expense:				
Board designated funds	1,073,128			1,073,128
CFTC funds	420,457			420,457
Field of interest funds	61,632			61,632
15th anniversary				-
Conferences and events		15,938		15,938
Travel		793		793
Depreciation expense		988	135	1,123
Dues and subscriptions		4,607	628	5,235
Miscellaneous		9,776	1,333	11,109
Total	1,555,217	133,957	17,374	1,706,548
Total Functional Expenses	\$ 1,555,217	\$ 478,460	\$ 64,352	\$ 2,098,029

See Independent Auditor's Report and Notes to Financial Statements.

2016			
<u>Program Services</u>	<u>Supporting Services</u>		
<u>Grants</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$	\$ 288,560	\$ 96,186	\$ 384,746
	19,406	6,469	25,875
-	307,966	102,655	410,621
	28,263	9,421	37,684
	31,132	10,377	41,509
	4,359		4,359
	730	2,920	3,650
	21,100		21,100
		6,453	6,453
2,589,502			2,589,502
20,200			20,200
77,121			77,121
		11,110	11,110
	20,186		20,186
	1,014		1,014
	1,784	594	2,378
	4,202	2,084	6,286
	13,633	4,544	18,177
<u>2,686,823</u>	<u>126,403</u>	<u>47,503</u>	<u>2,860,729</u>
\$ <u><u>2,686,823</u></u>	\$ <u><u>434,369</u></u>	\$ <u><u>150,158</u></u>	\$ <u><u>3,271,350</u></u>

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 3,617,935	\$ 447,593
Reconciliation of increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,123	2,378
Donated stocks	(1,150,337)	(40,074)
Realized and unrealized (gain) on investments	(1,731,033)	(971,465)
Decrease in accounts receivable	-	1,000
(Increase) in promises to give	(66,273)	(42,962)
(Increase) in cash value of life insurance	(7,825)	(13,149)
(Increase) in prepaid expenses	(94)	(188)
(Decrease) increase in accounts payable	(1,308)	1,913
Increase (decrease) in grants payable	<u>8,993</u>	<u>(52,094)</u>
Net Cash Provided (Used) by Operating Activities	<u>671,181</u>	<u>(667,048)</u>
Cash Flows from Investing Activities		
Purchases of investments	(17,332,705)	(1,209,606)
Proceeds from sale of investments	<u>17,248,663</u>	<u>333,680</u>
Net Cash (Used) by Investing Activities	<u>(84,042)</u>	<u>(875,926)</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	587,139	(1,542,974)
Cash and Cash Equivalents at January 1,	<u>999,472</u>	<u>2,542,446</u>
Cash and Cash Equivalents at December 31,	\$ <u>1,586,611</u>	\$ <u>999,472</u>
Supplemental Information		
Donated stocks	\$ 1,150,337	\$ 40,074
In-kind donations	4,219	12,945

See Independent Auditor's Report and Notes to Financial Statements.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies**

Business Activity

Community Foundation of Tompkins County, Inc. (the Foundation) is a charitable organization located in Ithaca, New York. Its major sources of revenues are bequests, gifts, and investment income. The chief beneficiaries of the Foundation's operations are voluntary community service agencies located in the greater Ithaca, New York area.

Accounting Method

The Foundation maintains its accounts on the accrual basis. Revenues are recorded in the year earned and expenses are recognized when incurred.

Financial Statement Presentation

The Foundation complies with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities." Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

The Foundation accounts for contributions in accordance with the recommendations of the FASB ASC 958 "Not-for-Profit Entities." Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Use of Estimates

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

Cash and Cash Equivalents

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

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

***Note 1* Summary of Significant Accounting Policies - Continued**

Investments

All investments are carried at fair value.

Fixed Assets

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000 and with a useful life of greater than one year. Fixed assets are recorded at cost or fair market value if donated and are depreciated using the straight-line method over the estimated useful life of the asset ranging from five to seven years.

Contributions and Bequests

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of securities are recorded at fair value at the date of the gift. Policies concerning donated services are described below.

Unconditional Promises to Give

Promises to give (pledges) are recognized as revenues in the period the pledges are received. Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable expected to be collected in future years are recorded at fair value, which is measured as the present value of their estimated future cash flows. The discounts on these amounts are computed using the risk-adjusted interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution income. The Foundation records uncollectible pledges using the direct write off method. During the years ended December 31, 2017 and 2016, \$-0- and \$2,000 were written off, respectively.

In-Kind Contributions

Noncash donations of goods and other services are recorded as contributions at their estimated fair value as of the date of donation. 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. Noncash donations meeting this criteria are listed in Note 13.

In addition, many individuals have donated significant amounts of their time for program services and its fundraising campaigns. No amounts have been reflected in the financial statements for these volunteer services since they did not meet the criteria for recognition.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 1 Summary of Significant Accounting Policies - Continued

Tax Exemption

The Internal Revenue Service has determined, in a letter dated August 1, 2000, that the Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation is not a private non-operating foundation within the boundaries of Section 509(a) of the Internal Revenue Code.

Concentration of Credit Risk

The Foundation maintains its cash balances at two financial institutions in Tompkins County and one in western New York. At times, these cash balances may exceed federally insured limits.

Expense Allocation

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

Evaluation of Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through March 22, 2018, the date the financial statements were available to be issued.

Note 2 Unconditional Promises to Give

Unconditional promises to give consisted of the following at December 31,:

	2017	2016
Total Unconditional Promises to Give to be collected within one year	\$ <u>115,809</u>	\$ <u>45,100</u>
Total Unconditional Promises to Give to be collected after one year:		
The present value of \$10,000 and \$4,500, due in 2019, discounted at 3%	\$ 10,000	\$ 4,242
The present value of \$10,500, due in 2018, discounted at 3%		10,194
Total to be collected in more than one year	\$ <u>10,000</u>	\$ <u>14,436</u>

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 3 Investments

The cost, fair value, and unrealized appreciation (depreciation) of the Foundation's investments as of December 31,:

Investments	2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds:			
Bond funds	\$ 5,310,157	\$ 5,339,172	\$ 29,015
Equity funds	8,301,282	9,413,379	1,112,097
Total Mutual Funds	13,611,439	14,752,551	1,141,112
Equities	674,940	760,151	85,211
Exchange traded funds	735,255	741,141	5,886
Total	\$ 15,021,634	\$ 16,253,843	\$ 1,232,209

Investments	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds:			
Bond funds	\$ 2,714,014	\$ 2,710,410	\$ (3,604)
Equity funds	2,764,819	3,338,644	573,825
Total Mutual Funds	5,478,833	6,049,054	570,221
Exchange traded funds	5,654,568	7,239,377	1,584,809
Total	\$ 11,133,401	\$ 13,288,431	\$ 2,155,030

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 3 Investments - Continued

The Foundation held investment portfolios as follows at December 31,:

		2017	
	Shares	Cost	Fair Value
General Portfolio:			
Mutual funds	Various	\$ 12,411,562	\$ 13,473,722
Equities		<u>13,080</u>	<u>13,080</u>
Total General Portfolio		<u>12,424,642</u>	<u>13,486,802</u>
Environmental, Social, and Governance Portfolio:			
Mutual funds	Various	1,199,877	1,278,829
Exchange traded funds	Various	735,255	741,141
Equities		<u>661,860</u>	<u>747,071</u>
Total Environmental, Social and Governance Portfolio		<u>2,596,992</u>	<u>2,767,041</u>
Total Investments		<u>15,021,634</u>	<u>16,253,843</u>
Money market funds-General portfolio	N/A		
Money market funds-Environmental, Social and Governance Portfolio	N/A	<u>26,393</u>	<u>26,393</u>
Total Money Market Funds		<u>26,393</u>	<u>26,393</u>
Total Investment Portfolios		<u>\$ 15,048,027</u>	<u>\$ 16,280,236</u>
		2016	
	Shares	Cost	Fair Value
General Portfolio:			
Mutual funds	Various	\$ 4,253,359	\$ 4,443,415
Exchange traded funds	Various	<u>5,397,112</u>	<u>7,004,523</u>
Total General Portfolio		<u>9,650,471</u>	<u>11,447,938</u>
Socially Responsible Portfolio:			
Mutual funds	Various	1,225,474	1,605,639
Exchange traded funds	Various	<u>257,456</u>	<u>234,854</u>
Total Socially Responsible Portfolio		<u>1,482,930</u>	<u>1,840,493</u>
Total Investments		<u>11,133,401</u>	<u>13,288,431</u>
Money market funds-General portfolio	N/A	173,352	173,352
Money market funds-Socially responsible	N/A	<u>7,228</u>	<u>7,228</u>
Total Money Market Funds		<u>180,580</u>	<u>180,580</u>
Total Investment Portfolios		<u>\$ 11,313,981</u>	<u>\$ 13,469,011</u>

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

***Note 3* Investments - Continued**

Market Risk

Future changes in market prices may make a financial instrument less valuable. Ownership interest is subject to the risk of loss from a decrease in value due to interest rate fluctuations which may result in a decline that is other than temporary.

***Note 4* Fair Value Measurements**

FASB ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes 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 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are 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 derived principally from or corroborated 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.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 4 Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31,:

Assets at Fair Value at December 31, 2017				
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 26,393	\$	\$	\$ 26,393
Mutual funds	14,752,551			14,752,551
Equities	760,151			760,151
Exchange traded funds	741,141			741,141
Cash value of life insurance		273,844		273,844
Total	\$ 16,280,236	\$ 273,844	\$ -	\$ 16,554,080

Assets at Fair Value at December 31, 2016				
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 180,580	\$	\$	\$ 180,580
Mutual funds	6,049,054			6,049,054
Exchange traded funds	7,239,377			7,239,377
Cash value of life insurance		266,019		266,019
Total	\$ 13,469,011	\$ 266,019	\$ -	\$ 13,735,030

Note 5 Life Insurance

During the fiscal year ended March 31, 2004, the Foundation accepted a gift of a whole life insurance policy. This policy has been recorded in the financial statements at the cash surrender value of the policy as determined by John Hancock as of the end of the fiscal year. The cash surrender values of the policy were \$273,844 and \$266,019 at December 31, 2017 and 2016, respectively.

Upon the death of the named insured, the Foundation will receive the death benefit determined by John Hancock which is comprised of the basic death benefit plus any paid up additions. The death benefit as of December 31, 2017 and 2016 was \$423,332 and \$423,050, respectively.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 5 Life Insurance - Continued

Contributions equal to the premiums of \$7,057 and \$12,416 were made by the donor of the policy to the Foundation during the years ended December 31, 2017 and 2016, respectively. This amount and the increase in cash value of the policy of \$7,825 and \$13,149 are included in contribution revenue net of the premium expense of \$7,057 and \$12,416 paid by the Foundation during the years ended December 31, 2017 and 2016.

Note 6 Retirement Plan

The Foundation has a simplified employee pension plan (SEP) which covers substantially all eligible employees. Annual contributions are at the discretion of the Board of Directors but may not exceed the maximum amount allowable by the Internal Revenue Service. Foundation contributions provided for calendar years 2017 and 2016 were at the rate of 3% of employee earnings, and amounted to \$9,826 and \$10,437, respectively.

Note 7 Furniture and Equipment

Furniture and equipment consisted of the following at December 31,:

2017			
	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 18,258	\$ 16,137	\$ 2,121
Total	\$ 18,258	\$ 16,137	\$ 2,121

2016			
	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 18,258	\$ 15,014	\$ 3,244
Total	\$ 18,258	\$ 15,014	\$ 3,244

Depreciation expense was \$1,123 and \$2,378 for the years ended December 31, 2017 and 2016, respectively.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 8 Line of Credit

The Foundation renewed a line of credit for operations on May 24, 2017 for \$100,000 with a maturity date of May 24, 2018 and an interest rate of 4.25% secured by a Tompkins Trust Company Certificate of Deposit. There was no activity during 2017 and no outstanding balance at December 31, 2017.

Note 9 Net Assets

Net assets of the foundation consisted of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Unrestricted - Undesignated Net Assets	\$ 389,494	\$ 227,186
Board Designated Net Assets		
Donor advised funds	8,293,927	6,281,806
Field of interest	89,654	95,132
Operating endowment	245,758	195,758
Total Board Designated Net Assets	8,629,339	6,572,696
Temporarily Restricted Net Assets		
Restricted for time purposes	126,100	60,100
Total Temporarily Restricted Net Assets	126,100	60,100
Permanently Restricted Net Assets		
Restricted for endowment	9,072,738	7,739,754
Total Permanently Restricted Net Assets	9,072,738	7,739,754
Total Net Assets	\$ 18,217,671	\$ 14,599,736

Note 10 Philanthropy Service Fee

During the year ended December 31, 2017, the Foundation charged philanthropy service fees totaling \$205,340. During the year ended December 31, 2016, the Foundation charged philanthropy service fees totaling \$167,285. These fees are treated as revenue to the Foundation and expenses to the various board designated funds, and, as the Statements of Activities are presented on a consolidated basis, these amounts have been eliminated.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 11 Operating Lease Commitments

The Foundation has an operating lease commitment for copier equipment which extends through June 13, 2022. In addition to minimum lease obligations, the Foundation may be liable for copies in excess of a minimum number. Rental expense for copier equipment was \$1,909 for 2017 and \$1,715 for 2016.

Future minimum annual lease obligation under contract after December 31, 2017 is as follows:

	<u>Year</u>	<u>Amount</u>
Copier	2018	\$ 1,585
	2019	1,585
	2020	1,585
	2021	1,585
	2022	792

Beginning May 1, 2014, the Foundation executed a three year lease for office space, effective until April 30, 2017, with monthly payments of \$2,568 from May 1, 2014 through April 30, 2015. Monthly rental payments beginning May 1, 2015 were \$2,693 through April 30, 2016 and \$2,818 from May 1, 2016 to April 30, 2017. After the initial three year term, the Foundation exercised their option to renew for an additional three year term. The base rent shall increase annually at the Consumer Price Index, Urban Wage Earning National, as published by the Bureau of Labor Statistics, United States Department of Labor.

Rental expense was \$34,291 and \$33,317 for the years ended December 31, 2017 and 2016, respectively.

Minimum future lease payments under the operating leases after December 31, 2017 are expected to be as follows:

	<u>Year</u>	<u>Amount</u>
Office lease	2018	\$ 34,555
	2019	35,070
	2020	11,774

Note 12 Endowment Funds

The Foundation's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), 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.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 12 Endowment Funds - Continued

Board and donor-restricted endowment funds consist of an Operating Endowment and 30 donor-restricted funds. The Board of Directors of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act of 2010 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets both the original value of gifts donated to the permanent endowment and any subsequent gifts to the permanent endowment fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets.

In 2017, the Foundation had the following endowment related activities:

	Unrestricted	Donor- Restricted Endowment Funds	Operating Endowment Funds	Total
Beginning Balance	\$ 2,618,718	\$ 7,739,754	\$ 195,758	\$ 10,554,230
Interest, dividends, and realized gains		2,083,185	22,133	2,105,318
Unrealized (loss) gain		(639,085)	14,272	(624,813)
Investment and administrative fees		(145,318)	(389)	(145,707)
Total Investment Gain	-	1,298,782	36,016	1,334,798
Contributions to perpetual endowment		1,330,189	50,750	1,380,939
Transfer to (from) unrestricted net assets	1,332,753	(1,295,987)	(36,766)	-
Total Change in Endowment Funds	1,332,753	1,332,984	50,000	2,715,737
Ending Balance	\$ 3,951,471	\$ 9,072,738	\$ 245,758	\$ 13,269,967

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 12 Endowment Funds - Continued

In 2016, the Foundation had the following endowment related activities:

	Unrestricted	Donor- Restricted Endowment Funds	Operating Endowment Funds	Total
Beginning Balance	\$ 1,824,387	\$ 6,515,927	\$ 195,158	\$ 8,535,472
Interest, dividends, and realized gains		228,779	25,147	253,926
Unrealized gain (loss)		676,540	(92)	676,448
Investment and administrative fees		(137,953)	(903)	(138,856)
Total Investment Gain	-	767,366	24,152	791,518
Contributions to perpetual endowment		1,226,640	600	1,227,240
Transfer to (from) unrestricted net assets	794,331	(770,179)	(24,152)	-
Total Change in Endowment Funds	794,331	1,223,827	600	2,018,758
Ending Balance	\$ 2,618,718	\$ 7,739,754	\$ 195,758	\$ 10,554,230

The objectives of the spending policy are:

- Maintain the value of the Foundation's assets
- Steadily increase the assets to account for inflation
- Provide reliable administrative fee revenue
- Preserve resources for regular grant making in perpetuity

Spendable income is that portion of current total return, as well as portions of unspent total return of prior years, as allocated by the Board for spending in any fiscal year. The Foundation Board will approve annually a percentage to be available for grant making from endowed funds. The 2017 Spending Policy percentage has been set by the Board at 4%. In general, target endowment spending is 3%-5% of a 20 quarter rolling average market value of each endowment fund, net of all fees. We will use the average market balance of each quarter, not the end of quarter market balance in calculating the spendable portion of an endowed fund. Monitoring will be employed to ensure the result of applying this rate will never cause spending which will erode the endowed fund balance for each fund. It is the responsibility of the Board and the Investment Advisor to oversee management of the Fund in ways commensurate with this spending policy.

The effective date of this policy will be the board meeting at which this policy is adopted.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

***Note 12* Endowment Funds - Continued**

Distribution of spending income will be made according to the following:

- Provisions must be made with the Investment Advisor for timely and regular distributions as needed by the Foundation.
- Total return results which exceed actual distribution of allocated spendable income normally shall be reinvested and considered principal for all future computations and distributions.
- When total return is less than allocated spendable income, distributions will be made from Fund assets unencumbered for such purposes, such as unspent total return of prior years. Unless otherwise restricted by an endowment gift instrument or a specific donor notice, New York State law provides that the Foundation may expend so much of an endowment fund - including its historic dollar value - as it deems prudent and shall consider, if relevant, the following factors: duration and preservation of the specific endowment fund; purposes of the Foundation and the specific endowment fund; general economic conditions; possible effects of inflation or deflation; expected total return from income and appreciation of investments; other resources of the Foundation; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the specific endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and this IPS. For each determination to appropriate for expenditure, the Foundation shall keep a contemporaneous record describing the consideration that was given to each of the factors enumerated above.
- Note that under NYPMIFA, an appropriation of an amount greater than 7% of the fair market value of a specific endowment fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than five years immediately preceding the year in which the appropriation for expenditure is made, creates a rebuttable presumption of imprudence. For a specific endowment fund in existence for fewer than five years, the fair market value of the specific endowment fund must be calculated for the period the specific endowment fund has been in existence.

Implementation of Spending Policy

Overview

This Spending Policy applies to each of the Foundation's **endowed funds** separately, and determines the spendable amount available each year for grant making. This Policy also specifies the fees applicable to both endowed and non-endowed invested funds.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

***Note 12* Endowment Funds - Continued**

Implementation of Spending Policy - Continued

Definitions

The *spendable amount* is the maximum amount that can be spent on grant making in the current year.

The *payout percentage* is the percentage set by the Board that determines the spendable amount (as described below). For 2017, the Board has set the payout percentage to 4%.

The *fund balance* is the market value of the fund, net of all fees.

The *fund principal* is the dollar amount of the initial contribution plus all subsequent additional contributions and gifts to the fund (but excluding return on investments).

The *total return* is the difference between the fund balance and the fund principal (or zero if the fund balance is less than the fund principal).

Spendable amount

Early in the calendar year, the Board sets the payout percentage (consistent with the Investment Policy Statement) and the spendable amount is determined based in part on the total return at the end of the previous year. The payout percentage is generally in the range of 3% to 5%. The spendable amount is specified to be the lesser of:

- The total return, and
- The payout percentage of the fund balance averaged over the previous 20 quarters (or as many quarters as the fund has existed, if less than 20).

The spendable amount is the maximum that can be granted, but there is no obligation to grant the whole amount. Any unspent amount remains in the fund as part of the total return. There is no carry-over of an unspent amount as a spendable amount in subsequent years.

Initial payout

Agency/Organizational Funds will have their first annual grant payout following the end of the first complete calendar year after the initial minimum contribution has been achieved. Agencies/organizations may elect not to receive any annual grant payout by notifying the Community Foundation of their desire.

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 and 2016

Note 12 Endowment Funds - Continued

Implementation of Spending Policy - Continued

Other endowed funds may nominate grants following the end of the first complete calendar year after the initial minimum contribution has been achieved. The initial contribution may be scheduled over a maximum of two years with the first partial contribution required to be at least half of the initial minimum contribution.

Initial minimum contribution		Two Year Option	
Unrestricted, donor advised endowed, scholarship and field of interest	\$	10,000	\$ 5,000
Agency endowment and donor advised expendable		20,000	10,000

Assessments and Fees

All invested funds (endowed and non-endowed) are subject to a philanthropic services assessment levied by the Foundation and also an investment management fee levied by the Investment Manager.

For 2017, these assessments and fees are:

Philanthropic Services Assessment

- 1.75% on balances under \$50,000, \$150 annual minimum
- 1.25% on balances of \$50,000 and above
- 2.0% on all scholarship fund balances, \$150 annual minimum

Investment Management Fees

- Non-SRI/ESG (Vanguard) portfolios: 0.2%
- SRI/ESG portfolio (Brown Advisory) portfolio: 0.35%

Note 13 Donated Goods and Services

In-kind donations consisted of the following at December 31,:

	2017	2016
Rent for special event	\$ 300	\$ 1,000
Food and catering services	2,219	4,342
Accounting	1,700	1,700
Radio advertising		2,500
Graphic design		250
Video production		3,008
Goods for special event		145
Total	\$ 4,219	\$ 12,945

COMMUNITY FOUNDATION OF TOMPKINS COUNTY, INC.

SCHEDULES OF FINANCIAL POSITION (OPERATING FUND BASIS) DECEMBER 31,

	2017		
	Operating Fund	Restricted Funds	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents:			
Checking and savings	\$ 242,245	\$ 1,317,973	\$ 1,560,218
Money market fund		26,393	26,393
Total Cash and Cash Equivalents	242,245	1,344,366	1,586,611
Unconditional promises to give to be collected after one year	114,819	990	115,809
Cash value of life insurance		273,844	273,844
Prepaid expenses	3,284		3,284
Investments:			
Mutual funds	277,468	13,196,253	13,473,721
Mutual funds - Permanently restricted		2,025,901	2,025,901
EFT's\Equities		754,221	754,221
Total Investments	277,468	15,976,375	16,253,843
Total Current Assets	637,816	17,595,575	18,233,391
Furniture and equipment, net	2,121		2,121
Unconditional promises to give to be collected after one year	10,000		10,000
Total Assets	\$ 649,937	\$ 17,595,575	\$ 18,245,512
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 14,685	\$	\$ 14,685
Grants payable		13,156	13,156
Total Liabilities	14,685	13,156	27,841
Net Assets			
Unrestricted:			
Unrestricted - Undesignated	389,494		389,494
Board designated:			
Donor advised and field of interest funds		8,383,581	8,383,581
Operating endowment	245,758		245,758
Total Unrestricted Net Assets	635,252	8,383,581	9,018,833
Temporarily Restricted		126,100	126,100
Permanently Restricted		9,072,738	9,072,738
Total Net Assets	635,252	17,582,419	18,217,671
Total Liabilities and Net Assets	\$ 649,937	\$ 17,595,575	\$ 18,245,512

See Independent Auditor's Report.

2016		
Operating Fund	Restricted Funds	Total
\$ 128,194	\$ 690,698	\$ 818,892
	180,580	180,580
<u>128,194</u>	<u>871,278</u>	<u>999,472</u>
43,210	1,890	45,100
	266,019	266,019
3,190		3,190
246,663	4,196,752	4,443,415
	1,605,639	1,605,639
	<u>7,239,377</u>	<u>7,239,377</u>
<u>246,663</u>	<u>13,041,768</u>	<u>13,288,431</u>
<u>421,257</u>	<u>14,180,955</u>	<u>14,602,212</u>
3,244		3,244
<u>14,436</u>		<u>14,436</u>
<u>\$ 438,937</u>	<u>\$ 14,180,955</u>	<u>\$ 14,619,892</u>
\$ 15,993	\$	\$ 15,993
	4,163	4,163
<u>15,993</u>	<u>4,163</u>	<u>20,156</u>
227,186		227,186
	6,376,938	6,376,938
<u>195,758</u>		<u>195,758</u>
<u>422,944</u>	<u>6,376,938</u>	<u>6,799,882</u>
	60,100	60,100
	<u>7,739,754</u>	<u>7,739,754</u>
<u>422,944</u>	<u>14,176,792</u>	<u>14,599,736</u>
<u>\$ 438,937</u>	<u>\$ 14,180,955</u>	<u>\$ 14,619,892</u>