



The Richland County Foundation

Financial Statements

December 31, 2018 and 2017



The Richland County Foundation

Financial Statements

December 31, 2018 and 2017

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Independent Auditor's Report

To the Audit Committee of
The Richland County Foundation
181 South Main Street
Mansfield, Ohio 44902

Report on the Financial Statements

We have audited the accompanying financial statements of The Richland County Foundation (a non-profit corporation) (the Foundation), which comprise the statement of statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2018 and 2017, the related statements of revenue collected, expenditures paid and other changes - modified cash basis 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 the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of The Richland County Foundation of as of December 31, 2018 and 2017, and its support, revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

Report on Summarized Comparative Information

We have previously audited The Richland County Foundation's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule I - statement of administrative expenses paid - modified cash basis of accounting is presented for purposes of additional analysis and is 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.

Wilging, Roush & Parsons CPAs

Wilging, Roush & Parsons CPAs

Mansfield, Ohio

May 6, 2019

The Richland County Foundation
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2018 and 2017

Assets

	2018	2017
<u>Cash and Investments</u>		
Cash	\$ 564,206	\$ 1,321,323
Investments	151,657,247	159,297,451
Total cash and investments	152,221,453	160,618,774
 <u>Property and Equipment</u>		
Land and land improvements	348,357	272,080
Building	1,052,406	1,052,406
Furniture and fixtures	128,077	128,078
Office equipment	49,719	48,520
Computer equipment	63,124	63,124
Property and equipment, at cost	1,641,683	1,564,208
Less: accumulated depreciation	(295,022)	(244,615)
Property and equipment, net of accumulated depreciation	1,346,661	1,319,593
 <u>Intangible Assets</u>		
Intangible asset	10,154	10,154
Less: accumulated amortization	(7,973)	(5,942)
Intangible asset, net of accumulated amortization	2,181	4,212
Total assets	\$ 153,570,295	\$ 161,942,579

Liabilities and Net Assets

	2018	2017
<u>Liabilities</u>		
Payroll taxes withheld	\$ 5,324	\$ 7,208
Annuity contracts payable	53,019	55,941
Funds held as agency endowments	6,513,674	7,090,296
Total liabilities	6,572,017	7,153,445
 <u>Net Assets</u>		
Without donor restrictions	78,408,817	81,863,349
With donor restrictions	68,589,461	72,925,785
Total net assets	146,998,278	154,789,134
Total liabilities and net assets	\$ 153,570,295	\$ 161,942,579

See independent auditor's report and accompanying notes to financial statements

The Richland County Foundation
Statement of Revenue Collected, Expenditures Paid and Other Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>Public Support and Revenue:</u>				
Contributions	\$ 5,648,802	\$ 1,928,981	\$ 7,577,783	\$ 4,533,205
<u>Investment Income</u>				
Interest and dividends	2,690,825	1,640,023	4,330,848	2,991,059
Realized gains and (losses) on investments, net	2,895,321	3,381,608	6,276,929	3,434,713
Unrealized gains and (losses) on investments, net	(7,860,583)	(9,330,376)	(17,190,959)	12,728,313
Less: Investment and custody fees	(206,736)	0	(206,736)	(207,642)
Net investment (loss) income	(2,481,173)	(4,308,745)	(6,789,918)	18,946,443
Change in gift annuity value	0	(6,452)	(6,452)	(6,164)
Net assets released from restrictions	2,090,945	(2,090,945)	-	0
Reclassification of net assets	435,785	(435,785)	0	0
Total public support and revenue	5,694,359	(4,912,946)	781,413	23,473,484
<u>Expenses and Other Deductions:</u>				
Net grants paid	8,301,556	0	8,301,556	6,489,204
Administrative expenses paid (Schedule I)	847,335	0	847,335	815,810
Total expenses and other deductions	9,148,891	0	9,148,891	7,305,014
(Decrease) increase in net assets before current year change in agency liability	(3,454,532)	(4,912,946)	(8,367,478)	16,168,470
Current year change in agency liability	0	576,622	576,622	(697,673)
(Decrease) increase in net assets	(3,454,532)	(4,336,324)	(7,790,856)	15,470,797
Net assets, beginning of year	81,863,349	72,925,785	154,789,134	139,318,337
Net assets, end of year	<u>\$ 78,408,817</u>	<u>\$ 68,589,461</u>	<u>\$ 146,998,278</u>	<u>\$ 154,789,134</u>

See independent auditor's report and accompanying notes to financial statements

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note A - Summary of Foundation and Nature of Activities

Foundation

The Richland County Foundation (the Foundation) is a nonprofit Ohio corporation governed by a volunteer Board of Directors.

Nature of Activities

The Richland County Foundation is a Community Foundation (the "Foundation") with a mission to improve the quality of life in Richland County through organized philanthropy. The Foundation's primary source of revenue is contributions and bequests from individuals and organizations in the Richland County area.

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on a modified basis of cash collected and paid. Accordingly, the financial statements do not reflect unrealized pledges receivable, undistributed grants and commitments, and other revenue earned but not yet collected and expenditures incurred but not yet paid.

Use of Estimates

The Foundation uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash

For purposes of the statements of financial position - modified cash basis, the Foundation considers cash on hand along with checking and savings held at financial institutions as cash. The Foundation maintains its cash accounts with local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended December 31, 2018 and 2017. At various times during the year, the Foundation's balances in the accounts may exceed the insured amount.

Investments

Investment purchases are initially recorded at cost, or, when contributed to the Foundation, at the fair market values of the investment assets received at the date of contribution.

The Foundation records investments of debt and equity securities, investments in all marketable equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of assets, liabilities and net assets - modified cash basis. The market values for alternative investments represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by the investment managers. Unrealized gains and losses are included in the change in net assets in the statement of revenue collected, expenditures paid and other changes in net assets - modified cash basis.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (continued)

Investments (continued)

Alternative investments not publicly traded on national security exchanges are generally illiquid, and their fair values have been estimated by investment managers in the absence of readily ascertainable market values. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Contributions and Bequests

Contributions received, including contributed services and non-cash items, are recognized as revenues in the period received at their fair value. The Foundation reports gifts of cash, investments and other assets as restricted support if they are received with donor stipulations that limit the use or time of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets. Subsequent gains or losses on the sale and reinvestment of assets received are recognized as they occur.

Funds Held as Agency Endowments

The Foundation records transactions in which it accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. If a not-for-profit organization has established a fund with its own funds and specifies itself as the beneficiary of that fund, the Foundation accounts for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the Not-For-Profit organizations.

At December 31, 2018, the Foundation was the owner of thirty agency endowment funds with a combined value of \$6,513,674. At December 31, 2017, the Foundation was the owner of thirty agency endowment funds with a combined value of \$7,090,296.

Net Asset Classifications:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (continued)

In-Kind Donations

The Foundation records the value of in-kind donations when received and when there is an objective basis available to measure their value. During 2018 and 2017, the Foundation was the recipient of donations with a total fair market value, at the date of donation, of \$584,387 and \$1,700,828, respectively.

Donated property and equipment are recorded as support at their estimated fair market value at the date the donation is received. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions ratably over the life of the donated or acquired assets.

Donated Services

The Foundation recognizes donated services contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation, Inc. had a large number of volunteers who donated substantial amounts of time for the campaigns and various programs and administrative activities. Because these services do not meet the above requirements, they are not recorded in the financial statements.

Property and Equipment

Property and equipment are recorded at either cost, if purchased, or at fair market value, if donated. The Foundation's policy is to capitalize property and equipment additions that cost more than \$250 and have useful lives of more than one year. Generally, major renewals and improvements over \$250 are charged to the property and equipment accounts while maintenance and repairs which do not improve or extend the life of the respective assets are expensed. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss from normal retirements or sales is credited or charged to income. Depreciation is provided over the estimated useful life of the related asset using the straight-line method.

The following useful lives were used in determining depreciation:

	<u>Estimated Useful Life in Years</u>
Land and land improvements	3 - 25
Building	10 - 40
Furniture and fixtures	5 - 10
Office equipment	5 - 10
Computer equipment	3 - 5

Depreciation expense was \$50,408 and \$53,292 for the years ended December 31, 2018 and 2017, respectively.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (continued)

Intangible Asset

The cost of website development is amortized straight line over five years. The website became operational in 2015.

Amortization expense was \$2,030 and \$2,030 for the years ended December 31, 2018 and 2017, respectively.

Income Tax Status

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation had federal tax due on unrelated business income for the year ended December 31, 2018 of approximately \$11,000 which will be paid by the due date with extension in 2019. The Foundation had no unrelated business income for the year ended December 31, 2017. Accordingly, the accompanying financial statements include no provision for income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2018 and 2017.

The Foundation files its forms 990 in the U.S. federal jurisdiction and the office of the state's Attorney General for the State of Ohio. The Foundation is generally no longer subject to examination by the Internal Revenue Service after three years.

The Foundation's evaluation on December 31, 2018 and 2017, respectively revealed no tax positions that would have a material impact on the financial statements. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Advertising Costs

The Foundation participates in various promotions and publications. All costs related to advertising are expensed in the period incurred. Total advertising costs for the years ended December 31, 2018 and 2017 were \$36,381 for \$14,545, respectively.

Reclassification

Certain amounts from the prior year have been reclassified to conform to the current year presentation.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (continued)

Reclassification (continued)

Net assets classified as with restrictions were reclassified as without restrictions net assets due to an allocation of administrative expenses and investment and custodial fees. Also included under reclassification of net assets are interfund grants and other changes in net assets due to income transfers.

Note C - Cash and Cash Equivalents

The cash balance was \$564,206 and \$1,321,323 at December 31, 2018 and 2017, respectively:

Note D - Investments

The investment balance was comprised of the following at December 31, 2018 and 2017, respectively:

	2018	2017	2018	2017
	Cost	Cost	Fair Market Value	Fair Market Value
<u>At published quoted values:</u>				
Cash and cash equivalents	\$ 2,964,003	\$ 2,055,725	\$ 2,964,003	\$ 2,055,725
Equities	61,412,447	53,516,985	86,181,810	92,547,540
Fixed income	35,408,613	36,019,735	34,255,658	36,023,120
Alternative investments	11,741,507	10,838,194	10,658,871	11,159,882
<u>At net asset or other value:</u>				
Alternative investments	15,841,517	15,386,693	17,596,905	17,511,184
Total investments	<u>\$ 127,368,087</u>	<u>\$ 117,817,332</u>	<u>\$ 151,657,247</u>	<u>\$ 159,297,451</u>

The majority of the funds included in the cash and cash equivalents is invested in money market funds which are not federally insured.

Note E - Pooled Income Fund

The Richland County Foundation is the income and principal beneficiary of various remainder interest gifts, which have been combined into a pooled income fund held by Richland Bank. No income or principal will be received by the Foundation until the deaths of the donors or their beneficiaries. The carrying value of the pooled income fund at December 31, 2018 and 2017 is \$376,372 and \$377,266, respectively and the fair value is \$367,694 and \$375,543, respectively.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note F - Split-Interest Agreements

At December 31, 2018 and 2017, the Foundation has recorded approximately \$83,407 and \$96,199, respectively, in fair value of split-interest agreements as an asset in its statement of assets, liabilities and net assets - modified cash basis. Assets received under these agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Related contributions per the agreements are recognized as contributions revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. One contribution of \$0 and \$6,688 was received in 2018 and 2017, respectively. A liability has been established for the split-interest agreements as the Foundation is obligated to the annuitants under charitable gift annuities. The liability totaled approximately \$53,019 at December 31, 2018 and \$55,941 at December 31, 2017. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the statements of revenue collected, expenditures paid and other changes in net assets - modified cash basis based on accretion of the discounted amount of the contribution, and reevaluations of the expected future payments to be paid by the Foundation based on changes in life expectancy and other assumptions. Annuity rates of 5.7% to 7.3% were used in the calculations at the dates of the contributions.

Note G - Endowment Funds

The Foundation's endowment consists of approximately 167 individual funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note G - Endowment Funds (continued)

Interpretation of Relevant Law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization 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 the organization
- (7) The investment policies of the Foundation

Endowment Net Asset Composition

The endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Donor designated endowment funds:</u>			
Designated	\$ 0	\$ 10,113,935	\$ 10,113,935
Agency	0	3,011,549	3,011,549
Field of interest	0	3,857,416	3,857,416
Individual assistance	0	1,183,975	1,183,975
Scholarship	0	10,557,376	10,557,376
Donor advised	49,394	117,927	167,321
Undesignated	505	3,144,316	3,144,821
<u>Other endowment funds:</u>			
Field of interest	0	544,839	544,839
Undesignated	0	538,518	538,518
Total Endowment Funds	\$ 49,899	\$ 33,069,851	\$ 33,119,750

The endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Donor designated endowment funds:</u>			
Designated	\$ 0	\$ 11,125,745	\$ 11,125,745
Agency	0	3,284,307	3,284,307
Field of interest	0	3,989,462	3,989,462
Individual assistance	0	1,289,531	1,289,531
Scholarship	0	10,952,758	10,952,758
Donor advised	47,282	131,725	179,007
Undesignated	4,774	3,471,066	3,475,840
<u>Other endowment funds:</u>			
Field of interest	0	580,890	580,890
Undesignated	13,327	573,336	586,663
Total Endowment Funds	\$ 65,383	\$ 35,398,820	\$ 35,464,203

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note G - Endowment Funds (continued)

Reconciliation of Changes in Endowment Net Assets

The Foundation's reconciliation of the beginning and ending balances of the endowment, in total and by net asset classes for the year ended December 31, 2018 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 65,383	\$ 35,398,820	\$ 35,464,203
Investment return, net	0	(1,961,575)	(1,961,575)
Contributions	2,000	925,249	927,249
Amounts appropriated for expenditure	(122,822)	(1,187,805)	(1,310,627)
Interfund transfers	105,338	(104,838)	500
Endowment net assets, end of year	<u>\$ 49,899</u>	<u>\$ 33,069,851</u>	<u>\$ 33,119,750</u>

The Foundation's reconciliation of the beginning and ending balances of the endowment, in total and by net asset classes for the year ended December 31, 2017 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 64,091	\$ 30,204,603	\$ 30,268,694
Investment return, net	0	4,617,447	4,617,447
Contributions	2,750	1,611,173	1,613,923
Amounts appropriated for expenditure	(105,519)	(1,049,054)	(1,154,573)
Interfund transfers	104,061	14,651	118,712
Endowment net assets, end of year	<u>\$ 65,383</u>	<u>\$ 35,398,820</u>	<u>\$ 35,464,203</u>

Description of Amounts Classified as Net Assets with

Following is a description of the amounts classified as Net Assets with Donor Restrictions of the Foundation (Endowment only) for the years ended December 31, 2018 and 2017:

	2018	2017
Original donor restricted endowment gift amount and amounts required to be restricted by donor	\$ 24,140,633	\$ 23,265,649
Accumulated investment gains or endowment funds with purpose restrictions	8,929,218	12,133,171
Total endowment funds classified as net asset with donor restrictions	<u>\$ 33,069,851</u>	<u>\$ 35,398,820</u>

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note G - Endowment Funds (continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in seven donor-restricted endowment funds, which together have an original gift value of \$1,345,692, a current fair value of \$1,290,027, and a deficiency of \$55,665 as of December 31, 2018. Deficiencies of this nature exist in one donor-restricted endowment fund, which had an original gift value of \$2,699, a current fair value of \$292, and a deficiency of \$2,406 as of December 31, 2017. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to charitable organizations in the community that are supported by its endowment funds, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organization must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that allow the portfolio to grow at the spending rate plus the rate of inflation over a market cycle, generally 7-10 years. Inflation is measured by the consumer price index (CPI). The investment objective should be achieved with the least required level of portfolio volatility. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note G - Endowment Funds (continued)

Spending Policy and How Investment Objectives Relate

The spending policy is used to annually calculate the amount of money available to be distributed from the Foundation's various endowment funds for grant making and operations. The Foundation has a policy of appropriating for distribution each year a rate of 4 percent in 2018 and 2017 of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$0 from underwater endowment funds during the year, as all but one of the underwater funds were new in 2018.

Note H - Funds Held as Agency Endowments

The following summarizes the activity funds held as agency endowments for the years ended December 31, 2018 and 2017:

	2018	2017
Agency endowment fund balances, beginning of year	\$ 7,090,296	\$ 6,392,623
Contributions and bequests	47,840	14,428
Interest and dividends	152,780	135,198
Net realized investment gains	315,780	175,797
Net unrealized gains (losses) on investments	(867,092)	619,312
Grants paid	(192,792)	(214,454)
Investment and custodial fees	(8,811)	(9,099)
Administrative expenses allocate to agency endowment funds	(24,327)	(23,509)
Agency endowment fund balances, end of year	<u>\$ 6,513,674</u>	<u>\$ 7,090,296</u>

Note I - Grants and Commitments

Grants and commitments approved by the Foundation but not yet paid at December 31, 2018 and 2017 are as follows:

	2018	2017
2017	\$ 0	\$ 159,700
2018	0	477,766
2019	580,980	376,402
2020	138,378	0
Total Grants and Commitments	<u>\$ 719,358</u>	<u>\$ 1,013,868</u>

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note J - Employee Pension and 403(b) Plan

The Foundation adopted a 403(b) plan on January 1, 2017, the plan covers all full-time employees who meet certain requirements. The plan includes elective salary deferrals, mandatory employer nonelective contribution of 4% and an optional employer discretionary contribution. The Foundation's discretionary contribution for years ended December 31, 2018 and 2017 was one percent, respectively. The Foundation contributed \$21,737 and \$21,795 to the plan for years ended December 31, 2018 and 2017, respectively.

Note K - Concentrations

The Foundation maintains its cash in bank deposit accounts with various financial institutions which may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash. As of December 31, 2018 and 2017, there were deposits of \$493,393 and \$1,517,455, respectively, in excess of the federally insured limits.

During the year ended December 31, 2018, the Foundation received four gifts which totaled more than 50% of the total contributions for the year.

During the year ended December 31, 2017, the Foundation received two gifts which totaled more than 44% of the total contributions for the year.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note L - Summary of Fair Value Exposure

Fair value is defined as the price that would be received between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices in active markets for identical assets that the Foundation has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 and include assets that have a specified (contractual) term. Level 3 inputs are unobservable inputs where there is little, if any, market activity for the asset at the measurement date.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical assets.

Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-

Carrying amounts of cash and cash equivalents, and liabilities approximate fair value under Level 1.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3: Significant unobservable inputs (including Foundation's own assumptions in determining the fair value of the assets).

Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity, venture capital, hedge funds and real estate.

The inputs and methodology used for valuing the Foundation's financial assets and liabilities are not indicators of the risks associated with those securities.

The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2018 and 2017, respectively.

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note L - Summary of Fair Value Exposure (continued)

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
Cash and cash equivalents	\$ 2,964,003	\$ 0	\$ 0	\$ 2,964,003
Equities	86,181,810	0	0	86,181,810
Fixed income	34,255,658	0	0	34,255,658
Alternative investments	10,658,871	0	0	10,658,871
Total	<u>\$ 134,060,342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,060,342</u>

	2017			
	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
Cash and cash equivalents	\$ 2,055,725	\$ 0	\$ 0	\$ 2,055,725
Equities	92,547,540	0	0	92,547,540
Fixed income	36,023,120	0	0	36,023,120
Alternative investments	11,159,882	0	0	11,159,882
Total	<u>\$ 141,786,267</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 141,786,267</u>

The Foundation presents Disclosures for Investments in Certain Entities that Calculate Net Asset Value per share. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of assets, liabilities and net assets - modified cash basis.

Additional information regarding the alternative investments valued at their net asset or other value is as follows: as of December 31, 2018 and 2017:

	Fair Value 2018	Fair Value 2017	Redemption Frequency if Currently Eligible	Redemption Notice Period
<u>Multi-Strategy Hedge Funds:</u>				
Weatherlow Offshore Fund I Ltd	\$ 8,154,931	\$ 8,417,833	Quarterly	65 days
Standard Life Investments Global Absolute Return Strategies Off-Shore Feeder Fund	0	5,093,351	Quarterly	5 business days
Black Diamond Arbitrage, LTD	5,084,728	0	Last day of month	45 business days
<u>Partnership Investment:</u>				
White Oak Limited Liability Partnership	4,357,246	4,000,000	Semi-annually	180 days
Total Level 3	<u>\$ 17,596,905</u>	<u>\$ 17,511,184</u>		

The Richland County Foundation
Notes to Financial Statements
December 31, 2018 and 2017

Note L - Summary of Fair Value Exposure (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value or certain financial instruments could result in a different fair value measurement as of the reporting date.

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer.

Note M - Net Assets With Donor Restrictions

The net assets with donor restrictions was comprised of the following at December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Donor-restricted to maintain as an endowment	\$ 33,069,851	\$ 35,398,820
Donor-restricted designated for non-endowed	35,519,610	37,526,965
Total net assets with donor restrictions	<u>\$ 68,589,461</u>	<u>\$ 72,925,785</u>

Note N - Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of the Statement of Assets, Liabilities and Net Assets - Modified Cash Basis date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2018</u>	<u>2017</u>
Financial assets at year-end	\$ 152,221,453	\$ 160,618,774
<u>Less those unavailable for general expenditures within one year, due to:</u>		
Donor-restricted to maintain as an endowment	33,069,851	35,398,820
Donor-restricted designated for non-endowed	35,519,610	37,526,965
Funds held as agency endowments	6,513,674	7,090,296
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 77,118,318</u>	<u>\$ 80,602,693</u>

As part of the Foundation's liquidity management, it invests excess cash into various investments.

Note O - Subsequent Events

Management has evaluated subsequent events through May 6, 2019, the date the financial statements were available to be issued. No material subsequent events were noted.

The Richland County Foundation

Supplemental Schedule

December 31, 2018 and 2017

The Richland County Foundation
Schedule I - Statement of Administrative Expenses Paid - Modified Cash Basis
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Personnel</u>		
Salaries	\$ 430,509	\$ 421,815
Employee insurance	41,138	42,465
Payroll taxes	32,262	32,038
Employee pension and 403(b) plan	21,737	21,795
Retirement compensation	7,656	7,656
Total personnel	<u>533,302</u>	<u>525,769</u>
<u>Occupancy</u>		
Utilities and telephone	11,179	9,475
Building maintenance and cleaning	16,378	18,092
Security	768	768
Total occupancy	<u>28,325</u>	<u>28,335</u>
<u>Operating Expenses</u>		
Professional fees	25,442	27,566
Annual report	11,434	10,495
Asset development, marketing and technology	9,518	4,579
Capacity building	29,243	14,237
Community relations	66,510	63,292
Computers support and license fees	24,097	23,025
Depreciation and amortization	52,438	55,322
Donor and volunteer recognition	276	397
Equipment maintenance and repair	829	1,221
Office supplies and expense	12,071	12,230
Travel	1,730	2,607
Professional dues	15,846	15,302
Publications and subscriptions	155	482
Staff and board development and training	12,126	10,925
Printing	3,412	4,470
Insurance	7,927	7,666
Special events	6,702	2,443
Miscellaneous	5,952	5,447
Total operating expenses	<u>285,708</u>	<u>261,706</u>
Total administrative expenses paid	<u>\$ 847,335</u>	<u>\$ 815,810</u>

See independent auditor's report