



**The Richland County Foundation**

Financial Statements

December 31, 2017 and 2016



The Richland County Foundation

Financial Statements

December 31, 2017 and 2016

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1005 Lexington Avenue  
Mansfield, Ohio 44907  
Ph: 419-522-2727  
Fax: 419-522-2729

**Wilging, Roush & Parsons CPAs**  
**Accountants and Advisors**  
[www.wrpcpas.com](http://www.wrpcpas.com)

1684 Venture Drive Suite B  
Mount Vernon, Ohio 43050  
Ph: 740-397-0779  
Fax: 740-397-0472

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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, 2017 and the related statements of revenue collected, expenditures paid and other changes - modified cash basis for the year 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.

## ***Opinion***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017, and the 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***

The prior year summarized comparative information has been derived from other auditors financial statements for the year ended December 31, 2016, dated April 24, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for prior year comparative date, is based solely on the report of the other auditors. Those auditors expressed an unqualified opinion on those statements.

## ***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  
April 24, 2018

The Richland County Foundation  
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis  
December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
<u>Cash and Investments</u>		
Cash	\$ 1,321,323	\$ 1,120,921
Investments	159,297,451	143,265,093
Total cash and investments	160,618,774	144,386,014
 <u>Property and Equipment</u>		
Land and land improvements	272,080	273,024
Building	1,052,406	1,052,406
Furniture and fixtures	128,078	128,078
Office equipment	48,520	48,520
Computer equipment	63,124	63,124
Property and equipment, at cost	1,564,208	1,565,152
Less: accumulated depreciation	(244,615)	(191,324)
Property and equipment, net of accumulated depreciation	1,319,593	1,373,828
 <u>Intangible Assets</u>		
Intangible asset	10,154	10,154
Less: accumulated amortization	(5,942)	(3,911)
Intangible asset, net of accumulated amortization	4,212	6,243
Total assets	\$ 161,942,579	\$ 145,766,085

Liabilities and Net Assets

<u>Liabilities</u>	<u>2017</u>	<u>2016</u>
Payroll taxes withheld	\$ 7,208	\$ 4,885
Annuity contracts payable	55,941	50,240
Funds held as agency endowments	7,090,296	6,392,623
Total liabilities	7,153,445	6,447,748
 <u>Net Assets</u>		
Unrestricted net assets	81,863,349	76,194,980
Temporarily restricted net assets	49,660,135	41,553,980
Permanently restricted net assets	23,265,650	21,569,377
Total net assets	154,789,134	139,318,337
Total liabilities and net assets	\$ 161,942,579	\$ 145,766,085

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, 2017  
(with comparative totals for the year ended December 31, 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<u>Public Support and Revenue:</u>					
Contributions	\$ 1,494,835	\$ 1,424,903	\$ 1,613,467	\$ 4,533,205	\$ 8,131,349
<u>Investment Income</u>					
Interest and dividends	1,566,115	1,424,944	0	2,991,059	2,508,319
Realized gains and (losses) on investments, net	1,575,388	1,859,325	0	3,434,713	1,752,922
Unrealized gains and (losses) on investments, net	6,297,222	6,431,091	0	12,728,313	4,801,015
Less: Investment and custody fees	(207,642)	0	0	(207,642)	(187,296)
Net investment income	9,231,083	9,715,360	0	18,946,443	8,874,960
Change in gift annuity value	0	(6,164)	0	(6,164)	3,880
Net assets released from restrictions	1,768,069	(1,768,069)	0	0	0
Reclassification of net assets	479,396	(572,602)	93,206	0	0
Total public support and revenue	12,973,383	8,793,428	1,706,673	23,473,484	17,010,189
<u>Expenses and Other Deductions:</u>					
Net grants paid	6,489,204	0	0	6,489,204	3,982,211
Administrative expenses paid (Schedule I)	815,810	0	0	815,810	740,433
Total expenses and other deductions	7,305,014	0	0	7,305,014	4,722,644
Increase in net assets before current year change in agency liability	5,668,369	8,793,428	1,706,673	16,168,470	12,287,545
Current year change in agency liability	0	(687,273)	(10,400)	(697,673)	(399,941)
Increase in net assets	5,668,369	8,106,155	1,696,273	15,470,797	11,887,604
Net assets, beginning of year	76,194,980	41,553,980	21,569,377	139,318,337	127,430,733
Net assets, end of year	\$ 81,863,349	\$ 49,660,135	\$ 23,265,650	\$ 154,789,134	\$ 139,318,337

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

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

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.

Classification of Net Assets

Net Assets

The net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted

Unrestricted net assets represent those resources that have no donor imposed restrictions on expenditure of the assets themselves or their investment income.

Temporarily Restricted

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and are reported in the statement of revenue collected, expenditures paid and other changes in net assets.

Permanently Restricted

Permanently restricted net assets comprise those assets contributed to the Foundation by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the Foundation. Investment income, including realized and unrealized gains and losses, generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the Foundation.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (continued)

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, 2017 and 2016. 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.

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.



The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (continued)

Endowment Investment and Spending Policies

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. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to return 7% net of investment fees. Actual returns in any given year may vary from this amount.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets. The current spending policy is to distribute an amount equal to 4.0% of the "Distribution Value" of each fund. The "Distribution Value" of each fund means the average market value of each fund as of the last day of each calendar year that ended subsequent to the date of the establishment of the fund, except that if more than three (3) calendar years have ended since the date of the establishment of the fund, through the end of the preceding calendar year, only the values of the fund as of the end of the three (3) calendar years ending the preceding December 31, will be used.

The spending policy is used to annually calculate the amount of money available to be distributed from the Foundation's various endowment funds for grantmaking and operations. The spending policy is to distribute a maximum amount equal to 4% for the years beginning January 1, 2017 and 2016, for all funds of a moving three-year average market value..

Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at an average rate of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

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 are 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.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (continued)

Funds Held as Agency Endowments

The Foundations 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, 2017, the Foundation was the owner of thirty agency endowment funds with a combined value of \$7,090,296. At December 31, 2016 the Foundation was the owner of twenty-nine agency endowment funds with a combined value of \$6,392,623.

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 2017 and 2016, the Foundation was the recipient of donations with a total fair market value, at the date of donation, of \$1,700,828 and \$117,810, 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.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (continued)

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 \$53,292 and \$53,865 for the years ended December 31, 2017 and 2016,

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, 2017 and 2016, respectively.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note B - Summary of Significant Accounting Policies (continued)

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 no unrelated business income for the years ended December 31, 2017 and 2016. 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 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016 were \$14,545 for \$20,712, respectively.

Reclassification

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

Net assets classified as temporarily restricted were reclassified as unrestricted 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.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note C - Cash and Cash Equivalents

The cash balance was \$1,321,323 and \$1,120,921 at December 31, 2017 and 2016, respectively:

Note D - Investments

The investment balances were comprised of the following at December 31, 2017 and 2016, respectively:

	2017	2016	2017	2016
	Cost	Cost	Fair Market Value	Fair Market Value
<u>At published quoted values:</u>				
Cash and cash equivalents	\$ 2,055,725	\$ 4,010,461	\$ 2,055,725	\$ 4,010,461
Equities	53,516,985	53,701,124	92,547,540	82,128,579
Fixed income	36,019,735	34,755,169	36,023,120	34,242,306
Alternative investments	10,838,194	6,427,722	11,159,882	6,169,790
<u>At net asset value:</u>				
Alternative investments	15,386,693	15,618,776	17,511,184	16,713,957
Total investments	<u>\$ 117,817,332</u>	<u>\$ 114,513,252</u>	<u>\$ 159,297,451</u>	<u>\$ 143,265,093</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, 2017 and 2016 is \$377,266 and \$372,241, respectively and the fair value is \$375,543 and \$378,645, respectively.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note F - Split-Interest Agreements

At December 31, 2017 and 2016, the Foundation has recorded approximately \$92,436 and \$79,725, 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 \$6,688 and \$4,088 was received in 2017 and 2016, 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 \$55,941 at December 31, 2017 and \$50,240 at December 31, 2016. 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 reports the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Also, this improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of Ohio adopted its version of UPMIFA effective June 1, 2009. The Foundation adopted the reporting for the year ended December 31, 2008 as it applied to all endowment funds and for the year ended December 31, 2009 as it applied to endowments subject to UPMIFA.

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The 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.

The Foundation's endowment consists of approximately 155 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. 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.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note G - Endowment Funds (continued)

The Board of Trustees of the Foundation has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA), which became effective June 1, 2009, 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is 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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

Classification of Net Assets

The Foundation is required to report financial 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. As disclosed in Note B to the financial statements, the classes of net assets are determined by restrictions, if any, imposed by the donor.

Reconciliation of Changes in Endowment Fund Net

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Donor designated endowment funds:</u>				
Designated	\$ 0	\$ 3,913,478	\$ 7,212,267	\$ 11,125,745
Agency	0	1,359,803	1,924,504	3,284,307
Field of interest	0	954,088	3,035,374	3,989,462
Individual assistance	0	858,415	431,116	1,289,531
Scholarship	0	2,977,099	7,975,659	10,952,758
Donor advised	47,282	54,886	76,839	179,007
Undesignated	4,774	1,669,924	1,801,142	3,475,840
<u>Other endowment funds:</u>				
Field of interest	0	160,235	420,655	580,890
Undesignated	13,327	185,243	388,093	586,663
Total Endowment Funds	<u>\$ 65,383</u>	<u>\$ 12,133,171</u>	<u>\$ 23,265,649</u>	<u>\$ 35,464,203</u>

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note G - Endowment Funds (continued)

Reconciliation of Changes in Endowment Fund Net Assets

The endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Donor designated endowment funds:</u>				
Designated	\$ 0	\$ 2,823,836	\$ 7,042,745	\$ 9,866,581
Agency	0	1,035,408	1,902,022	2,937,430
Field of interest	0	637,754	1,774,842	2,412,596
Individual assistance	0	725,239	431,066	1,156,305
Scholarship	0	1,798,697	7,771,994	9,570,691
Donor advised	46,209	36,444	75,119	157,772
Undesignated	17,548	1,468,168	1,797,833	3,283,549
<u>Other endowment funds:</u>				
Field of interest	0	109,680	404,085	513,765
Undesignated	334	0	369,671	370,005
<b>Total Endowment Funds</b>	<b>\$ 64,091</b>	<b>\$ 8,635,226</b>	<b>\$ 21,569,377</b>	<b>\$ 30,268,694</b>

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 64,091	\$ 8,635,226	\$ 21,569,377	\$ 30,268,694
Interest and dividends	0	682,580	0	682,580
Investment expenses	0	(45,295)	0	(45,295)
Net appreciation	0	3,980,162	0	3,980,162
Contributions	2,750	8,500	1,602,673	1,613,923
Amounts appropriated for expenditure	(105,519)	(1,049,054)	0	(1,154,573)
Interfund transfers	104,061	(78,948)	93,599	118,712
<b>Endowment net assets, end of year</b>	<b>\$ 65,383</b>	<b>\$ 12,133,171</b>	<b>\$ 23,265,649</b>	<b>\$ 35,464,203</b>



The Richland County Foundation  
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Note G - Endowment Funds (continued)

Reconciliation of Changes in Endowment Fund Net Assets

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 49,400	\$ 7,895,383	\$ 21,382,411	\$ 29,327,194
Interest and dividends	0	607,461	0	607,461
Investment expenses	0	(49,078)	0	(49,078)
Net appreciation	0	1,201,245	0	1,201,245
Contributions	1,000	10,051	235,635	246,686
Amounts appropriated for expenditure	(88,050)	(988,048)	0	(1,076,098)
Interfund transfers	101,741	(41,788)	(48,669)	11,284
Endowment net assets, end of year	<u>\$ 64,091</u>	<u>\$ 8,635,226</u>	<u>\$ 21,569,377</u>	<u>\$ 30,268,694</u>

Note H - Funds Held as Agency Endowments

The following summarizes the activity funds held as agency endowments for the years ended December 31, 2017 and 2016:

	2017	2016
Agency endowment fund balances, beginning of year	\$ 6,392,623	\$ 5,992,682
Contributions and bequests	14,428	287,705
Interest and dividends	135,198	117,638
Net realized investment gains	175,797	90,837
Net unrealized gains (losses) on investments	619,312	137,561
Grants paid	(214,454)	(203,103)
Investment and custodial fees	(9,099)	(9,407)
Administrative expenses allocate to agency endowment funds	(23,509)	(21,290)
Agency endowment fund balances, end of year	<u>\$ 7,090,296</u>	<u>\$ 6,392,623</u>

Note I - Grants and Commitments

Grants and commitments approved by the Foundation but not yet paid at December 31, 2017 and 2016 are as follows:

	2017	2016
2016	\$ 0	\$ 362,707
2017	159,700	153,520
2018	477,766	120,620
2019	376,402	0
Total Grants and Commitments	<u>\$ 1,013,868</u>	<u>\$ 636,847</u>

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

Note J - Employee Pension and 403(b) Plan

The Foundation maintained a simplified employee pension plan covering all full-time employees who met certain requirements. Contributions to the plan were based upon specified percentages of salary. The Foundation contributed \$15,857 to the plan for year ended December 31, 2017. This plan was terminated on December 31, 2016.

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 year ended December 31, 2017 was one percent. The Foundation contributed \$21,795 to the plan for year ended December 31, 2017.

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, 2017 and 2016, there were deposits of \$1,517,455 and \$723,510, respectively, in excess of the federally insured limits.

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 gifts were for \$2,001,394.

During the year ended December 31, 2016, the Foundation received one gift which totaled more than 77% of the total contributions for the year. The gift was for \$6,275,000.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

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-

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.

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

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, 2017 and 2016, respectively.

The Richland County Foundation  
Notes to Financial Statements  
December 31, 2017 and 2016

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, 2017 and 2016:

	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
<u>At net asset value:</u>				
Alternative investments	0	0	17,511,184	17,511,184
Total	<u>\$ 141,786,267</u>	<u>\$ 0</u>	<u>\$ 17,511,184</u>	<u>\$ 159,297,451</u>

	2016			
	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
Cash and cash equivalents	\$ 4,010,461	\$ 0	\$ 0	\$ 4,010,461
Equities	82,128,579	0	0	82,128,579
Fixed income	34,242,306	0	0	34,242,306
Alternative investments	6,169,790	0	0	6,169,790
<u>At net asset value:</u>				
Alternative investments	0	0	16,713,957	16,713,957
Total	<u>\$ 126,551,136</u>	<u>\$ 0</u>	<u>\$ 16,713,957</u>	<u>\$ 143,265,093</u>

Additional information regarding the alternative investments valued at their net asset value is as follows: as of December 31, 2017 and 2016:

			Redemption Frequency if Currently Eligible	Redemption Notice Period
	2017	2016		
<u>Multi-Strategy Hedge Funds:</u>				
Weatherlow Offshore Fund I Ltd	\$ 8,417,833	\$ 5,517,027	Quarterly	65 days
Alternative Investments Institutional Ltd	0	3,901,469	Quarterly	90 days
Alternative Investments Institutional Ltd	0	1,403,625	Quarterly	90 days
Standard Life Investments Global Absolute Return Strategies Off-Shore Feeder Fund	5,093,351	5,891,836	Quarterly	5 business days
<u>Partnership Investment:</u>				
White Oak Limited Liability Partnership	4,000,000	0	Semi-annually	180 days
Total Level 3	<u>\$ 17,511,184</u>	<u>\$ 16,713,957</u>		

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Notes to Financial Statements  
December 31, 2017 and 2016

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 - Subsequent Events

Management has evaluated subsequent events through April 24, 2018, the date the financial statements were available to be issued. No material subsequent events were noted.

The Richland County Foundation

Supplemental Schedule

December 31, 2017 and 2016

The Richland County Foundation  
Schedule I - Statement of Administrative Expenses Paid - Modified Cash Basis  
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Personnel</u>		
Salaries	\$ 421,815	\$ 366,421
Employee insurance	42,465	31,729
Payroll taxes	32,038	27,299
Employee pension and 403(b) plan	21,795	15,857
Retirement compensation	7,656	8,294
Total personnel	<u>525,769</u>	<u>449,600</u>
<u>Occupancy</u>		
Utilities and telephone	9,475	10,158
Building maintenance and cleaning	18,092	15,778
Security	768	768
Total occupancy	<u>28,335</u>	<u>26,704</u>
<u>Operating Expenses</u>		
Professional fees	27,566	20,718
Annual report	10,495	10,208
Asset development, marketing and technology	4,579	8,830
Capacity building	14,237	17,650
Community relations	63,292	64,873
Computers support and license fees	23,025	22,563
Depreciation and amortization	55,322	55,895
Donor and volunteer recognition	397	1,029
Equipment maintenance and repair	1,221	307
Office supplies and expense	12,230	13,086
Travel	2,607	4,182
Professional dues	15,302	14,602
Publications and subscriptions	482	533
Staff and board development and training	10,925	10,326
Printing	4,470	5,438
Insurance	7,666	7,542
Special events	2,443	2,222
Miscellaneous	5,447	4,125
Total operating expenses	<u>261,706</u>	<u>264,129</u>
Total administrative expenses paid	<u>\$ 815,810</u>	<u>\$ 740,433</u>

See independent auditor's report