HENDRICKS COUNTY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2017

Estep Burkey Simmons, LLC
Certified Public Accountants
& Consultants

Independent Auditors' Report

Board of Directors
Hendricks County Community Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hendricks County Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows 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 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 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 financial position of Hendricks County Community Foundation, Inc. as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Hendricks County Community Foundation, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Estep Burkey Simmons, LLC

Muncie, Indiana
April 27, 2018

Hendricks County Community Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With comparative totals at December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 602,184	$ 1,225,813
Trust receivable	181,404	-
Estate receivable	18,178	-
Annuity receivable	55,474	74,394
Prepaid expenses	2,600	2,627
Investments	12,921,062	10,985,672
Cash surrender value of life insurance	74,110	70,911
Property and equipment, net	6,062	9,418
	$ 13,861,074	$ 12,368,835
LIABILITIES		
Accounts payable	$ 4,439	$ 1,386
Grants and scholarships payable	77,697	87,345
Accrued payroll	8,950	7,174
Capital lease	1,363	4,553
Annuity liability	127,841	140,396
Funds held as agency partner funds	434,193	409,996
Total liabilities	654,483	650,850
NET ASSETS		
Unrestricted	882,306	765,441
Temporarily restricted	1,789,472	1,084,023
Permanently restricted	10,534,813	9,868,521
	13,206,591	11,717,985
	$ 13,861,074	$ 12,368,835

The accompanying notes are an integral part of this statement.

Hendricks County Community Foundation, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017
(With comparative totals at December 31, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue:					
Contributions and pledges	$ 109,690	$ 72,736	$ 666,292	$ 848,718	$ 1,844,452
Administrative fee income	225,063			225,063	200,764
Special events, net of $17,970 in 2017 and $17,128 in 2016 of expense	1,677	99,438		101,115	153,317
Investment income, net of fees	353,109	1,144,668		1,497,777	739,561
Change in value of annuity		(6,365)		(6,365)	(12,471)
	689,539	1,310,477	666,292	2,666,308	2,925,623
Net assets released from restrictions:					
Restrictions satisfied by payments	605,028	(605,028)			
Expenses:					
Program services					
Grants and scholarships	617,019			617,019	865,267
Program expense	81,131			81,131	113,640
Supporting services					
Management and general	196,075			196,075	149,691
Administrative fees	219,819			219,819	192,772
Fundraising and development	63,658			63,658	71,117
	1,177,702			1,177,702	1,392,487
CHANGE IN NET ASSETS	116,865	705,449	666,292	1,488,606	1,533,136
Net assets at beginning of year	765,441	1,084,023	9,868,521	11,717,985	10,184,849
Net assets at end of year	$ 882,306	$ 1,789,472	$ 10,534,813	$ 13,206,591	$ 11,717,985

Hendricks County Community Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017
(With comparative totals at December 31, 2016)

	2017				2016
	Program Services	Management and General	Fundraising	Total	Total
Grants, scholarships and awards	$ 617,019			$ 617,019	$ 865,267
Salaries and wages	49,069	$ 96,386	$ 29,792	175,247	173,485
Payroll taxes	4,395	8,632	2,668	15,695	15,735
Employee benefits	3,581	7,035	2,174	12,790	
Depreciation		3,356		3,356	3,870
Occupancy		22,500		22,500	22,500
Equipment rental and maintenance		3,766		3,766	2,723
Meetings and conferences	1,507	2,961	915	5,383	1,260
Print materials			12,637	12,637	6,676
Professional fees		9,369		9,369	12,023
Staff education and development		5,996		5,996	1,816
Office expense		10,804		10,804	5,361
Insurance		6,284		6,284	5,096
Interest		108		108	218
Postage	886	886	443	2,215	2,132
Communications and technical support	5,321	10,453	3,231	19,005	27,605
Advertising and promotions			7,382	7,382	15,151
Donor development and networking			3,690	3,690	4,682
Special events	3,594		14,376	17,970	17,128
Administrative fees		219,819		219,819	192,772
Other expenses:					
Auto expense	1,452	1,452	726	3,630	2,825
Bank charges		2,040		2,040	3,602
Dues and subscriptions		4,047		4,047	3,265
Scholarship-related expenses	14,920			14,920	24,423
	701,744	415,894	78,034	1,195,672	1,409,615
Less: direct expenses of special events netted with revenues on the statement of activities	(3,594)		(14,376)	(17,970)	(17,128)
	$ 698,150	$ 415,894	$ 63,658	$ 1,177,702	$ 1,392,487

Hendricks County Community Foundation, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017
(With comparative totals at December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 1,488,606	$ 1,533,136
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,356	3,870
Realized losses on investments	5,970	178,504
Unrealized gains on investments	(785,906)	(567,693)
Contributions to restricted funds	(666,292)	(719,411)
Non-cash stock contributions	(156,197)	(254,187)
(Increase) decrease in assets:		
Pledges receivable		36,250
Trust receivable	(181,404)	
Estate receivable	(18,178)	
Annuity receivable	18,920	18,920
Prepaid expenses	27	(889)
Cash surrender value of life insurance	(3,199)	(3,237)
Increase (decrease) in operating liabilities:		
Accounts payable	3,053	1,237
Grants and scholarships payable	(9,648)	9,443
Accrued payroll	1,776	1,361
Deferred revenue		(635,762)
Charitable gift annuity liability	(12,555)	(6,449)
Funds held as agency partner funds	24,197	13,018
Net cash used in operating activities	(287,474)	(391,889)
Cash flows from investing activities:		
Purchase of investments	(1,284,257)	(1,250,586)
Proceeds from sales of investments	285,000	1,241,378
Net cash used in investing activities	(999,257)	(9,208)
Cash flows from financing activities:		
Payments for capital lease	(3,190)	(3,080)
Cash received from contributors for restricted funds	666,292	719,411
Net cash provided by financing activities	663,102	716,331
Net increase (decrease) in cash and cash equivalents	(623,629)	315,234
Cash and cash equivalents at beginning of year	1,225,813	910,579
Cash and cash equivalents at end of year	$ 602,184	$ 1,225,813

The accompanying notes are an integral part of this statement.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

1. Nature of Activities

The Hendricks County Community Foundation, Inc. (Foundation) is a not-for-profit corporation organized under the laws of the State of Indiana. The Foundation was organized to help meet the charitable needs of the community by accepting, investing and administering funds established by donors and making grants to charitable organizations. Hendricks County is a vibrant, giving community. The Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

2. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and reflect all significant receivables, payables and other liabilities.

3. Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

4. Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the financial year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

5. Cash and Cash Equivalents

The Foundation maintains its cash in accounts at high credit financial institutions, which are insured by agencies of the U.S. Government. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

Investments consist primarily of marketable equity and debt securities that are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities and the uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in fair value could materially affect the net assets of the Foundation.

Investment income, net realized and unrealized gains or losses are included in the statement of activities. Realized gains and losses are determined using the specific-identification method.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

7. Equipment and Depreciation

Purchased equipment is stated at cost. Donated equipment is recorded as support at the estimated fair value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation has a capitalization policy which states that only items with a value of more than $1,000 are capitalized. Expenditures for routine maintenance and repairs are expensed as incurred. Depreciation is computed according to the estimated useful lives of the respective assets using the straight-line method.

8. Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision has been made for income taxes.

9. Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2017, the Foundation exceeded the insured limit by $184,008.

10. Contributed Services

During the year ended December 31, 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

11. Net Assets

Net assets are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted

Unrestricted net assets include revenue and expenses from the regular operations of the Foundation, which are at the discretion of management and the Board of Directors.

Temporarily Restricted

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

Permanently Restricted

Permanently restricted net assets include assets where the donor has stipulated that the assets should be maintained in perpetuity, the income from which is temporarily restricted to support activities as designated by various fund agreements.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES - Continued

12. Compensated Absences

The Foundation's liability for compensated absences is immaterial; accordingly, no provision has been made for compensated absences.

13. Advertising

Advertising expenses totaled $7,382 for the year ended December 31, 2017. The Foundation's policy is to record advertising expenditures in the period in which they are incurred.

14. Expense Allocation

Expenses have been classified as program services, management and general and fundraising based upon the actual direct expenditures and cost allocation based on estimates of time and usage by Foundation personnel and programs.

15. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total change in net assets.

16. Uncertain Tax Positions

The Foundation recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Foundation has examined this issue and has determined there are no material contingent tax liabilities.

The Foundation's federal and state exempt organization tax returns for 2014, 2015, and 2016 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

17. Estimates

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

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE B - INVESTMENTS

The following is an analysis of the cost and fair value at December 31, 2017 and by type of investment. The investments are held in uninsured trust accounts and local financial institutions.

	Fair Value
Certificates of deposit	$ 164,881
Mutual funds - equities:	
Foreign large blend	1,102,259
Large value	713,249
Diversified emerging markets	349,281
Large growth	718,123
Commodities precious metals	114,995
Alternatives	2,360,011
Mid-cap blend	338,163
Large blend	1,067,564
Moderate allocation	1,479,450
World allocation	1,948,181
Total mutual funds - equities	10,191,276
Mutual funds - fixed income:	
Corporate bonds	2,564,905
Total investments, at fair value	$ 12,921,062
Total investments, at historical cost	$ 11,219,799

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017.

	Unrestricted	Temporarily Restricted	Total
Investment return	$ 172,859	$ 562,244	$ 735,103
Realized losses on investments	(1,549)	(4,421)	(5,970)
Unrealized gains on investments	199,061	586,845	785,906
Investment management fees	(17,262)		(17,262)
	$ 353,109	$ 1,144,668	$ 1,497,777

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE C - RISKS AND UNCERTAINTIES

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

NOTE D - TRUST RECEIVABLE

During 2017, the Foundation was notified it was named as a beneficiary of a trust. Under this trust, the Foundation is to receive distributions in the amount of 26% of the fair value of the trust. The payment expected to be received by the Foundation was estimated to be $181,404 at December 31, 2017.

NOTE E - ESTATE RECEIVABLE

During 2017, the Foundation was notified that it was named as a beneficiary of an estate. Under this estate, the Foundation is to receive a distribution in the amount of 17% of the fair value of the estate. The payment expected to be received by the Foundation was calculated to be $18,178 at December 31, 2017. This amount is expected to be collected during 2018.

The estate also established a contingent distribution to the Foundation in the amount of 17% of the fair value of the estate. No receivable was recorded for this distribution.

NOTE F - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A hierarchy of inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE F - FAIR VALUE MEASUREMENTS - Continued

	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash surrender value of life insurance	$ 74,110		$ 74,110	
Annuity	$ 55,474		$ 55,474	
Investments	$ 12,756,181	$ 11,012,561	$ 1,362,989	$ 380,631
Liabilities:				
Annuity liabilities	$ 127,841		$ 127,841	
Capital lease	$ 1,363		$ 1,363	

The following schedule provides further detail of the Level 3 fair value measurements using significant unobservable inputs at December 31, 2017:

Beginning Balance	$ 301,365
Realized and unrealized gains	79,266
Ending Balance	$ 380,631

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of the cash surrender value of life insurance is determined by reference to the annual statement provided by the insurance provider. Fair values for annuity assets are determined by the remaining value of the assets to be paid to the insurance companies. Fair values for gift annuity liabilities are determined by reference to present value calculations. Fair values for the capital lease are determined by the calculation of the value of the principle payments over the term of the lease. Fair value of the level 3 investments is based on the net asset value of the mutual fund as determined by the reported valuations of underlying investment managers.

NOTE G - PROPERTY AND EQUIPMENT

The amounts of property and equipment, net of depreciation, consist of the following at December 31, 2017.

Software	$ 30,380
Office furniture	8,724
Office equipment	36,887
Leasehold improvements	1,700
	77,691
Less accumulated depreciation	71,629
	$ 6,062

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE H - CAPITAL LEASE

Property held under capital lease, included with owned property on the balance sheet at December 31, 2017, consists of the following.

Classification: Equipment		
Technology equipment	$	12,295
Less accumulated amortization		8,811
Equipment under capital lease, net	$	3,484

The Foundation has leased technology equipment under an agreement which has been classified as a capital lease. The lease is non-cancelable and expires on May 31, 2018. The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at December 31, 2017, are as follows.

Year ending December 31, 2018	$	1,374
2019		0
2020		0
2021		0
2022		0
Total minimum lease payments		1,374
Amount representing interest		11
Present value of minimum lease payments	$	1,363

NOTE I - ADMINISTRATION MANAGEMENT

The Foundation assesses an administrative charge on endowment and pass-through funds. This charge is used primarily to support the operations of the Foundation.

For the year ended December 31, 2017, $225,063 is included as support and revenue and $219,819 as an expense. Due to the fact that administrative charges to various funds are considered a significant measure of the operations of community foundations, these fees have not been eliminated in the financial statements.

NOTE J - SPLIT-INTEREST AGREEMENTS

The Foundation's split-interest agreements with donors consist of two charitable gift annuities. The assets received are recorded at their fair value. The fair value of assets held for the charitable gift annuities totaled $74,390 at December 31, 2017. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. These assets are included in the Level 1 and Level 2 inputs in Note F and annuity assets and investments on the Statement of Financial Position. The present value of future payment obligations at December 31, 2017 were $127,841. The liabilities were determined using a discount rate of 2.6%. Changes in fair value of the charitable gift annuities are reflected as changes in temporarily restricted net assets in the statement of activities. During the year ending December 31, 2017 there were no contributions to charitable gift annuities.

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of the split-interest agreements in the statement of activities in their respective net asset classification.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE K - ENDOWMENT FUNDS

At December 31, 2017, the Foundation's endowment consists of 196 donor-restricted permanent endowment funds established to support designated charitable purposes and organizations, and 2 funds designated by the Board of Directors to function as endowments to provide unrestricted support for Foundation programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Indiana Prudent Management of Institutional Funds Act (UPMIFA) as requiring the maintenance of the historic dollar value for each endowed fund as defined previously by the Uniform Management of Institutional Funds Act. 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 funds 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. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Endowment net assets composition by type of fund as of December 31, 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,575,514	$ 10,534,813	$ 12,110,327
Board-designated endowment funds	$ 417,428			417,428
	$ 417,428	$ 1,575,514	$ 10,534,813	$ 12,527,755

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE K - ENDOWMENT FUNDS - Continued

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and support			
Contributions and grant income	$ 26,656	$ 14,080	$ 666,292
Investment return	170,009	558,961	
Net appreciation of investments	197,122	579,259	
Total revenue and support	393,787	1,152,300	666,292
Appropriatation of endowment assets for expenditure	300,617	340,943	
Change in endowment net assets	93,170	811,357	666,292
Endowment net assets, beginning of year	324,258	764,157	9,868,521
Endowment net assets, end of year	$ 417,428	$ 1,575,514	$ 10,534,813

Occasionally, 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. As of December 31, 2017, 27 of the 196 endowment funds had deficiencies totaling $307,832 Deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

In accordance with the Foundation's fund agreements, charitable endowments are classified as permanently restricted net assets. All other Foundation net assets are considered unrestricted or temporarily restricted.

The investment objective of this Portfolio is long-term growth of principal without undue exposure to risk, through capital appreciation, income, diversification, asset allocation, and donor development. The Foundation seeks returns over the time horizon that are sufficient to meet spending needs, preserve and enhance the real, inflation-adjusted purchasing power of the investments, and cover operating expenses. The long-term target return goal is at least the rate of inflation as measured by the Consumer Price Index plus 5%.

The Foundation has a policy (the spending policy) of appropriating for expenditure a percentage of the total portfolio fair value in order to provide for grants and to cover operating expenses. The purpose of the spending policy is to balance the short-term grant making obligations with its goal to provide grants into perpetuity, and, therefore, design a spending policy that is flexible. The Foundation will review the five most recent one-year periods ending September 30. The high and low annual rates of return will be eliminated and the remaining three years will be averaged for the adjusted 5-year average total return. The adjusted 5-year average total return will be used to compare to the maximum spending rate of 5% and the minimum of 3%. From which, the Board determines the spending policy for the coming year.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE L - RESTRICTED NET ASSETS

Donor restrictions have been imposed on a significant portion of the Foundation's net assets.

Temporarily restricted net assets at December 31, 2017 totaled $1,789,472, and may be expended for specific purposes as specified by various donors.

Permanently restricted net assets are composed of the following types of funds at December 31, 2017.

Donor advised	$ 2,935,289
Designated	2,361,055
Agency	294,296
Field of interest	768,617
Legacy	868,473
Scholarship	1,549,934
Unrestricted	1,629,466
Deferred	127,683
	$ 10,534,813

NOTE M - RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2017, officers, board members and employees made donations to the Foundation totaling $20,471.

NOTE N - OPERATING LEASES

The Foundation leases office space and a copier under non-cancelable leases expiring through March 2019. Minimum office lease payments of $1,875 per month are required for the term of the lease. Minimum copier lease payments of $216 per month are required for the term of the lease. Future minimum lease payments are as follows.

December 31, 2018	$ 13,847
2019	649
2020	-
2021	-
2022	-
	$ 14,496

Total lease expense for the year ended December 31, 2017 was $26,266.

NOTE O - AGENCY PARTNER FUNDS

The Foundation reports contributions as a liability when the donor has specified an unaffiliated beneficiary and not granted variance power over the gift. The Foundation reports these as Agency Funds on its statement of financial position.

Hendricks County Community Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE O - AGENCY PARTNER FUNDS - Continued

During the year ended December 31, 2017, the following activity occurred in the agency funds held by the Foundation. These amounts are not reflected on the statement of activities.

Support and revenue:		
Contributions and pledges	$ 4,368	
Investment income	15,629	
Realized losses on investments	(132)	
Unrealized gains on investments	16,871	
		$ 36,736
Expenses:		
Grants expense	6,924	
Bank trustee fees	369	
Administrative fees	5,246	
		12,539
Increase in agency funds		24,197
Balance at beginning of year		409,996
Balance at end of year		$ 434,193

NOTE P - BEQUESTS

Bequests from estates are recorded when the Foundation is notified by the executor or other representative of a deceased person of an amount due the Foundation from an estate. The Foundation has been notified that it has been named as a beneficiary of an estate; however no amounts have been disclosed.

NOTE Q - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 27, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, have been incorporated into these financial statements herein.