

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Combined Financial Statements and
Independent Auditor's Report
June 30, 2018 and 2017

Contents

	Page
Independent Auditor's Report	1
Combined Financial Statements	
Combined Statements of Financial Position	2
Combined Statement of Activities and Changes in Net Assets - 2018.....	3
Combined Statement of Activities and Changes in Net Assets - 2017.....	4
Combined Statements of Cash Flows	5
Notes to Combined Financial Statements.....	6

Independent Auditor's Report

The Board of Directors
The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Community Foundation of Sarasota County, Inc. and its subsidiaries and support organizations (the Foundation) (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2018 and 2017, the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Sarasota County, Inc. and its subsidiaries and support organizations as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Beckering Barkhuis & Co." The signature is written in a cursive, flowing style.

Sarasota, Florida
October 26, 2018

The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations
 Combined Statements of Financial Position
 June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 29,232,289	\$ 22,404,404
Investments	320,553,828	280,276,179
Contributions, pledges and bequests receivable	29,936,208	9,470,936
Program related investment	127,004	156,511
Split interest agreement assets	9,486,812	11,822,081
Beneficial interest in trusts	2,281,095	2,199,851
Single life annuity instruments	2,500,000	2,500,000
Other assets	229,705	556,090
Property and equipment, net	<u>4,035,973</u>	<u>4,191,230</u>
 Total Assets	 <u>\$ 398,382,914</u>	 <u>\$ 333,577,282</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 341,476	\$ 337,125
Grants and scholarships payable	13,939,089	2,293,711
Split-interest agreements payable	4,333,551	4,722,043
Funds held as agency endowments	40,983,578	33,308,752
Mortgage payable - MCF	-	352,284
Total liabilities	<u>59,597,694</u>	<u>41,013,915</u>
 Net Assets:		
Unrestricted	311,882,479	263,790,856
Temporarily restricted	12,083,290	12,762,371
Permanently restricted	<u>14,819,451</u>	<u>16,010,140</u>
Total net assets	<u>338,785,220</u>	<u>292,563,367</u>
 Total Liabilities and Net Assets	 <u>\$ 398,382,914</u>	 <u>\$ 333,577,282</u>

See accompanying notes to combined financial statements.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Combined Statement of Activities and Changes in Net Assets

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Releases:				
Contributions	\$ 65,943,987	\$ -	\$ 390,335	\$ 66,334,322
Realized and unrealized gain on investments	11,144,481	792,617	803,503	12,740,601
Investment income	5,637,596	378,466	385,154	6,401,216
Change in value of split-interest agreements	466,961	394,501	3,481	864,943
Change in value of beneficial interest in trusts	-	81,244	-	81,244
Other revenue and support	234,933	-	-	234,933
Transfers	4,805,343	(2,032,181)	(2,773,162)	-
Net assets released from restriction	293,728	(293,728)	-	-
Total support, revenue and releases	88,527,029	(679,081)	(1,190,689)	86,657,259
Expenses:				
Program expenses:				
Grants and scholarships	34,326,105	-	-	34,326,105
Initiatives and Program services	1,780,972	-	-	1,780,972
Total program expenses	36,107,077	-	-	36,107,077
Management and general	1,987,401	-	-	1,987,401
Investment management fees	697,894	-	-	697,894
Development expenses	1,643,034	-	-	1,643,034
Total expenses	40,435,406	-	-	40,435,406
Change in net assets	48,091,623	(679,081)	(1,190,689)	46,221,853
Net assets, beginning of year	263,790,856	12,762,371	16,010,140	292,563,367
Net assets, end of year	\$ 311,882,479	\$ 12,083,290	\$ 14,819,451	\$ 338,785,220

See accompanying notes to combined financial statements.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Combined Statement of Activities and Changes in Net Assets

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Releases:				
Contributions	\$ 33,803,687	\$ 2,280,742	\$ 183,758	\$ 36,268,187
Realized and unrealized gain on investments	19,407,913	1,389,862	1,408,498	22,206,273
Investment income	4,504,749	313,615	320,170	5,138,534
Change in value of split-interest agreements	(56,080)	923,408	(56,351)	810,977
Change in value of beneficial interest in trusts	-	159,985	-	159,985
Other revenue and support	186,103	-	-	186,103
Transfers	2,900,728	(1,201,027)	(1,699,701)	-
Net assets released from restriction	497,196	(497,196)	-	-
Total support, revenue and releases	61,244,296	3,369,389	156,374	64,770,059
Expenses:				
Program expenses:				
Grants and scholarships	32,886,536	-	-	32,886,536
Initiatives and Program services	1,898,342	-	-	1,898,342
Total program expenses	34,784,878	-	-	34,784,878
Management and general	1,891,699	-	-	1,891,699
Investment management fees	893,868	-	-	893,868
Development expenses	1,580,044	-	-	1,580,044
Total expenses	39,150,489	-	-	39,150,489
Change in net assets	22,093,807	3,369,389	156,374	25,619,570
Net assets, beginning of year	241,697,049	9,392,982	15,853,766	266,943,797
Net assets, end of year	\$ 263,790,856	\$ 12,762,371	\$ 16,010,140	\$ 292,563,367

See accompanying notes to combined financial statements.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Combined Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 46,221,853	\$ 25,619,570
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	196,572	196,039
Non-cash contributions	(9,607,844)	(3,533,379)
Realized and unrealized gain on investments	(14,690,974)	(25,123,101)
Change in value of split-interest agreements	(864,943)	(370,333)
Change in value of beneficial interest in trusts	(81,244)	(159,985)
Change in operating assets:		
Contributions, pledges and bequests receivable, net	(20,465,272)	9,706,276
Split-interest agreement assets	3,279,753	(1,529,483)
Other assets	326,385	(204,214)
Change in operating liabilities:		
Accounts payable and accrued liabilities	4,352	38,060
Grants and scholarships payable	11,645,378	(7,861)
Split-interest agreements payable	(470,504)	(628,679)
Funds held as agency endowments	7,674,826	4,320,498
Total adjustments	(23,053,515)	(17,296,162)
Net cash provided by operating activities	23,168,338	8,323,408
Cash Flows from Investing Activities:		
Program related investments	29,507	20,778
Purchases of investments	(184,411,668)	(132,710,100)
Proceeds from sales of investments	168,435,307	132,332,458
Purchases of property and equipment	(41,315)	(56,516)
Net cash used in investing activities	(15,988,169)	(413,380)
Cash Flows from Financing Activities:		
Payments on mortgage payable	(352,284)	(19,803)
Net cash used in financing activities	(352,284)	(19,803)
Change in cash and cash equivalents	6,827,885	7,890,225
Cash and cash equivalents, beginning of year	22,404,404	14,514,179
Cash and cash equivalents, end of year	\$ 29,232,289	\$ 22,404,404

See accompanying notes to combined financial statements.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements
June 30, 2018 and 2017

I. Organization

The Community Foundation of Sarasota County, Inc. is a public charity founded in 1979 by the Southwest Florida Estate Planning Council as a resource for caring individuals and the causes they support, enabling them to make a charitable impact on the community.

Since our founding, the Community Foundation has been making the important connection between individuals' personal memories, passions, dreams and the fulfillment of their charitable goals. We help create permanent charitable funds of everlasting impact. These funds ensure that people of vision will have an enduring influence on the quality of life in our community and the charitable causes they hold dear.

With assets of over \$398 million in more than 1,440 charitable funds, the Community Foundation awarded grants and scholarships totaling more than \$34 million this past year in the areas of education, health and human services, the arts, animal welfare, and the environment. Since our founding, more than \$252 million has been awarded through grants and scholarships.

The vision and mission of the Community Foundation of Sarasota County is community impact powered by philanthropy. The Community Foundation of Sarasota County, Inc. has three strategic drivers that guide its work: ensuring donor confidence, achieving community results and impact, and advancing the Community Foundation of Sarasota County.

The Community Foundation of Sarasota County has two supporting organizations: the Manatee Community Foundation (which also includes the Lakewood Ranch Community Fund, both of which serve neighboring Manatee County), and the Wetherington Foundation. The Community Foundation also serves Longboat Key through the Longboat Key Foundation Fund. The Community Foundation has two subsidiary organizations, the Community Foundation Trust of Sarasota County, Inc. and CFSC Asset Company, LLC. Collectively, these organizations are referred to as the Community Foundation, or, the Foundation.

Donors

From its very beginnings, the Community Foundation has placed donor intentions and personalized customer service at the forefront of its business practices. Donors have a wide variety of charitable tools that maximize impact, tax benefits and their future legacy. The Community Foundation proudly displays the "Community Foundation National Standards" seal, which signifies our commitment to accountability, transparency and continuous self-improvement.

One way the Community Foundation has clearly demonstrated its commitment to honoring donor intent is to hire in-house Corporate Counsel. This experienced legal professional is responsible for providing legal guidance to Community Foundation leadership and staff, maintaining relationships with professional advisors and donors, and ensuring that fund agreements not only reflect donor intentions, but that they can also be managed and implemented readily.

Donors who wish to make a permanent charitable impact on the community can partner with the Community Foundation to carry out their estate plans. These donors, who only need to make a statement of establishment or intent to leave a gift to the Community Foundation in their estate plans, are recognized through the Legacy Society.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

I. Organization (Continued)

Donors (Continued)

Nonprofits are also encouraged to choose the Community Foundation of Sarasota County to steward their funds - no administrative fees are charged to nonprofit organizations, and they benefit from the large investment pools at the Community Foundation, resulting in lower investment management fees. Manatee Community Foundation charges an administrative fee of 0.50% for nonprofits.

Professional Advisors

For professional advisors, the Community Foundation is a single, convenient partner for meeting a variety of charitable interests. The Community Foundation partners with professional advisors to provide support, information and expertise on charitable giving. The Community Foundation works with advisors who wish to discuss charitable giving with their clients. The team asks and carefully listens to understand what a donor wants to achieve so that we can be an effective resource for donor's charitable purpose and intent, crafting a plan to meet their needs for community impact. Additionally, there are opportunities for professional wealth advisors to financially manage their clients' funds held at the Community Foundation.

One way the Community Foundation recognizes the efforts of area professional advisors is by hosting the Distinguished Speaker Series, a signature series of multiple educational lectures provided to our community's professional advisors, enabling them to earn continuing education credits at no cost.

Community Investment

In its effort to ensure donor funds are used efficiently and achieve maximum impact, the Community Foundation works to increase nonprofit capacity through its Community Investment department. This team spearheads the community partnership that built and supports The Giving Partner, an online tool populated with in-depth information about more than 700 charitable organizations serving Sarasota, Manatee, Charlotte and DeSoto Counties.

The Giving Partner profiles include information about the organizations' core mission, programmatic impact, governance, management and financials. Using the profiles local organizations develop and update in The Giving Partner, our Foundation team provides donors with informed choices to guide their philanthropy; streamlines an Immediate Impact grant application process; provides valuable nonprofit information to other local funders, donors and citizens; and uses local data to determine capacity-building needs including governance, management, financial, leadership and marketing training, consulting and resources.

The Giving Challenge is an exciting 24-hour giving event supporting more than 630 nonprofits serving Sarasota, Manatee, Charlotte and DeSoto counties, who have shown a commitment to transparency by having profiles in The Giving Partner. Since 2012, donors from throughout our region have shown their love for local nonprofit organizations by providing more than \$40 million in unrestricted funding to support their missions through six Challenges. The 2018 Giving Challenge once again demonstrated the extraordinary generosity in our community when more than \$11.7 million was raised in just 24 hours to benefit more than 630 nonprofits listed in the Giving Partner.

Community Foundation Initiatives

It is when the Community Foundation's deep knowledge of community needs intersects with the passion of its donors that innovation truly happens. In partnership with living and legacy donors, and numerous other community organizations, the Community Foundation has focused on the following areas:

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

I. Organization (Continued)

Community Foundation Initiatives (Continued)

- Helping the at-risk: these efforts are focused on preventing homelessness through Season of Sharing, an 18-year campaign that provides targeted financial assistance, primarily for mortgage/rent and utilities. The Student Emergency Fund provides funds for principals and teachers to allocate to needy children for one-time, immediate assistance.
- Literacy/Education: a multi-project, multi-partner effort that includes programs such as Any Given Child (arts integration for low income students in K-8 grade), EdExploreSRQ (experiential learning opportunities for students in K-12), Campaign for Grade Level Reading (focusing on literacy efforts on birth through third grade), and two-generational work with students and parents at Alta Vista, Gocio, Tuttle and Emma E. Booker Elementary Schools which serve low income families.

We are especially proud of the Summer Learning Academies which began with 62 rising kindergarteners at Alta Vista in 2012 thanks to the vision of donors. Evaluations show the students attending Summer Learning Academies outperform their peers who do not attend the Learning Academies and do not experience the “summer slide” where they fall behind in their learning during the summer months. Based on the success of the Learning Academy at Alta Vista, they were expanded to Gocio, Emma E. Booker and Tuttle. The continuing success allowed the Sarasota County School district to receive state of Florida funding to expand to all 11 Title I schools impacting over 1,100 students the summer of 2018.

- Inspired by the work of Ascend at the Aspen Institute, the Community Foundation is applying a two-generational lens to much of its work. This approach posits that a powerful way to help struggling families move beyond poverty is through a “two-generation” strategy, which provides opportunities for vulnerable children and their parents together. Parents attend Parent University at the Summer Learning Academies where they learn valuable skills.

Several parents also attend certificate programs through Suncoast Technical College which has classrooms at Alta Vista Elementary school, allowing for a more convenient location. Over 100 parents have received Certified Nurse Assistant certificates, Microsoft Office credentials, Child Development Specialist, Security Officer or other certificates to advance their earning ability.

2. Summary of Significant Accounting Policies

Combined Financial Statements

The combined financial statements and notes are representations of the Foundation’s management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

Basis of Accounting

The Foundation prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue, expenses and changes in net assets during the reported period. Actual results could differ from those estimates and assumptions.

Principles of Combination

The combined financial statements of the Foundation include its own accounts, and the accounts of related organizations which include the Community Foundation Trust of Sarasota County, Inc. (Trust), Wetherington Foundation, Inc. (WF), a Type I supporting organization, Manatee Community Foundation, Inc. (MCF), a Type I supporting organization, and CFSC Asset Company, LLC, all of which are exempt nonprofit organizations. The Foundation controls WF and MCF through a majority voting interest in the Board of Directors. All material transactions between the organizations have been eliminated.

Financial Statement Presentation

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

Unrestricted net assets - Net assets that provide management or the governing board with discretionary control to use in carrying on the mission of the Foundation due to the absence of donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations for use in future periods or currently available for use but only for purposes specified by the grantor or donor.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire within a certain period of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Variance Power

Accounting principles generally accepted in the United States of America and the *Not-for-Profit Entities* Topic of the FASB Accounting Standards Codification provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has the ability known as variance power; however, the Board of Directors would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's combined financial statements classify the majority of funds, including the corpus of certain donor advised funds, as unrestricted net assets, but segregate for internal management and record keeping the portion that is held as donor advised from the funds that are currently available for grants administration.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments Not Measured at Fair Value

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents, contributions, pledges and bequests receivable, program related investment, other assets, accounts payable and accrued expenses, and grants and scholarships payable.

Cash and Cash Equivalents

The Foundation considers all short-term, highly liquid investments with original maturities of ninety days or less to be cash equivalents. Cash equivalents include money market funds, which are readily convertible to cash, and are stated at cost which approximates fair value.

Investments

Investments are stated at fair value, which represents the value on the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Investment income and unrealized gains or losses are allocated to the funds based upon their respective balances.

The Foundation's investments consist primarily of common and preferred stocks, mutual funds, United States government securities/bonds, alternative investments and corporate bonds. Assets included in investments are carried at fair value as detailed in Note 4.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized net of allowances. Grant revenue is recorded as a contribution when awarded on an unconditional basis.

The Foundation assesses the collectability of individual pledges receivable annually and provides an allowance for uncollectible pledges receivable. The Foundation considers all pledges receivable to be fully collectible at June 30, 2018 and 2017, therefore no allowance has been provided for in these combined financial statements.

Bequests Receivable

The Foundation has been named beneficiary in a number of bequests. Bequests that have not been recorded in the accompanying combined financial statements are those where the donors' wills have not been declared valid by the probate court or the value of the amounts to be received are not yet determinable. All other bequests are reflected as bequests receivable in the accompanying combined financial statements.

Program Related Investment

The Manatee Community Foundation entered into a program related investment loan with another nonprofit organization in Manatee County during the year ended May 31, 2013. The investment represents a below market rate loan in an amount not to exceed \$1,155,000 for the furtherance of the non-for-profit's tax-exempt mission. The terms of the program related investment loan require the loan to be repaid in five years, but may be extended beyond five years if agreed to by the Foundation.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Program Related Investment (Continued)

As of May 31, 2013, the Foundation has disbursed \$1,055,806 of the total commitment. As of June 30, 2018, \$701,000 of the loan had been forgiven, \$227,802 has been repaid and the remaining balance is \$127,004. The note has been extended through June 1, 2022. This program related investment is considered to be fully collectible, therefore, no allowance has been provided for in these financial statements.

Beneficial Interest in Trusts

The Foundation has been given beneficial interests in trusts. The trusts' assets are held by third party trustees and the Foundation receives the income generated by the trusts' assets in perpetuity or until the termination of the Foundation. The Foundation's beneficial interests in the trusts are measured by the fair value of the trusts' assets held on behalf of the Foundation.

Property and Equipment, Net

Property and equipment are stated at historical cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Property and equipment are recorded as unrestricted net assets or temporarily restricted net assets when the donations have time stipulations. Expenditures over \$1,000 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the period the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of estimated useful lives is as follows:

Land improvements	15 years
Buildings and improvements	15 to 39 years
Furniture and equipment	3 to 7 years

Single Life Annuity Instruments

Single life annuity instruments include beneficial interests in single life annuities as of June 30, 2018 and 2017, respectively. These single life annuity instruments are recorded at the original cost to the Foundation totaling \$2,500,000 as of June 30, 2018 and 2017, respectively.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of charitable gift annuities, charitable remainder annuity trusts and charitable remainder unitrusts. Contributions of split-interest agreements are recorded at fair value when the Foundation is informed of the contribution and its interest is irrevocable. Contributions of split-interest agreements and charitable remainder trusts included in contributions on the accompanying statements of activities were \$211,306 and \$0, respectively, for the year ended June 30, 2018. Contributions of split-interest agreements and charitable remainder trusts included in contributions on the accompanying statements of activities were \$47,711 and \$1,357,586, respectively, for the year ended June 30, 2017. Assets are invested and payments are made to donors and/or others in accordance with the respective agreements. The present value of payments under these arrangements are calculated using applicable tax discount rates at the statements of financial position dates and annuity payout rates ranging from 3.7% – 11.3%.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)

June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements (Continued)

Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the statements of activities and changes in net assets. These amounts and amounts of related assets and liabilities are based on the estimated maturities of the agreements. Actual results could differ from those estimates.

Charitable remainder trusts are classified as temporarily restricted and permanently restricted. Once the beneficial interest is passed to the Foundation, the remaining assets are released for unrestricted, temporarily restricted or permanently restricted use as specified by the donor.

Charitable gift annuities are classified as unrestricted, temporarily restricted and permanently restricted based upon the individual gift agreements. Gift annuity assets totaled \$4,409,109 and \$4,822,206 as of June 30, 2018 and 2017, respectively, and are included in investments in the statement of financial position. Distributions of the annuities are paid from income first then as a release of principal, if necessary.

The Foundation has reinsured six gift annuities with highly rated life insurance companies. Estimated future payments related to the reinsured gift annuity totaled \$1,006,458 and \$973,867 as of June 30, 2018 and 2017, respectively, and is recorded in the statement of financial position under split-interest agreements payable, as well as split-interest agreement assets.

Grants and Scholarships Payable

Grants and scholarships payable consist of grants which are recorded as expenses when authorized by the Board of Directors and committed to a specified recipient but have not yet been paid. Certain grants made by the Board of Directors are contingent on activities to be performed by the recipient.

Agency Endowments

The Foundation accounts for agency transactions in accordance with FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This Topic establishes standards for transactions in which a community foundation 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. The ASC specifically requires that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account 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.

At June 30, 2018 and 2017, the Foundation held 149 and 143 agency endowment funds with fair values of \$40,983,578 and \$33,308,752, respectively. Funds are segregated on the statements of financial position and are classified as funds held as agency endowments.

Donated Services

Donated services have not been recorded in the accompanying combined financial statements because they did not meet the requirements for recording under generally accepted accounting principles; however, a substantial number of volunteers have donated time to the Foundation.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Foundation and its support organizations are exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for. The Foundation is not a private foundation under Section 509(a) of the Internal Revenue Code.

Under the *Income Taxes* Topic of the FASB Accounting Standards Codification, the Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the combined financial statements.

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject include fiscal years ended May 31, 2015 through June 30, 2018.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosure for all investments for which fair value is measured using the NAV per share practical expedient. The Foundation elected to adopt ASU 2015-07 for its fiscal year ended June 30, 2018, and has applied the amendments retrospectively to the fiscal year ended June 30, 2017.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Contributions, Pledges and Bequests Receivable

As of June 30, 2018 and 2017, the Foundation has written contributions, pledges and bequests receivable totaling \$29,936,208 and \$9,470,936, respectively. The Foundation records signed pledges as receivables based upon management evaluations of donors and pledge history.

As of June 30, 2018 and 2017, no allowance for uncollectible pledges has been established, as all receivables were considered collectible. Amounts are generally collected over one to five years and are recorded at their realizable value which approximates fair value. Based on the limited receivable balance due after one year, amounts are not discounted to net present value.

4. Fair Value of Financial Assets and Liabilities

The Foundation values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

The following table presents the classes of assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, and indicates the fair value hierarchy of the valuation techniques used to determine fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

Description	Fair Value June 30, 2018	Level 1	Level 2	Level 3
Assets at Fair Value				
Investments:				
Equity:				
Large cap U.S.	\$ 92,774,339	\$ 92,774,339	\$ -	\$ -
Mid cap U.S.	13,495,874	13,495,874	-	-
Small cap U.S.	8,890,815	8,890,815	-	-
International developed	55,389,410	55,389,410	-	-
Emerging markets	20,679,158	20,679,158	-	-
Total equity	<u>191,229,596</u>	<u>191,229,596</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Core U.S. fixed	65,549,223	65,549,223	-	-
TIPS	3,512,541	3,512,541	-	-
International	7,983,004	7,983,004	-	-
High yield	14,003,243	14,003,243	-	-
Total fixed income	<u>91,048,011</u>	<u>91,048,011</u>	<u>-</u>	<u>-</u>
Alternative:				
Private equity	108,822	-	-	108,822
Commodities	4,766,990	4,766,990	-	-
REITS	14,980,081	14,980,081	-	-
Limited partnership	546,700	-	-	546,700
Infrastructure	895,508	895,508	-	-
Other	14,558	14,558	-	-
Total alternative	<u>21,312,659</u>	<u>20,657,137</u>	<u>-</u>	<u>655,522</u>
Investments measured at net asset value*	<u>16,963,562</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>320,553,828</u>	<u>302,934,744</u>	<u>-</u>	<u>655,522</u>

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

Description	Fair Value June 30, 2018	Level 1	Level 2	Level 3
Assets at Fair Value (Continued)				
Bequests receivable	29,110,000	29,110,000	-	-
Estimated reinsurance receivable	1,006,458	-	-	1,006,458
Charitable remainder trust assets held as trustee	864,292	864,292	-	-
Charitable remainder trusts receivable	7,616,061	-	-	7,616,061
Beneficial interest in trusts	2,281,095	2,281,095	-	-
Total Assets at Fair Value	<u>\$ 361,431,734</u>	<u>\$ 335,190,131</u>	<u>\$ -</u>	<u>\$ 9,278,041</u>
Liabilities at Fair Value				
Split-interest agreements payable	\$ 4,333,551	\$ -	\$ -	\$ 4,333,551
Funds held as agency endowments	40,983,578	40,983,578	-	-
Total Liabilities at Fair Value	<u>\$ 45,317,129</u>	<u>\$ 40,983,578</u>	<u>\$ -</u>	<u>\$ 4,333,551</u>
Description	Fair Value June 30, 2017	Level 1	Level 2	Level 3
Assets at Fair Value				
Investments:				
Equity:				
Large cap U.S.	\$ 80,375,990	\$ 80,375,990	\$ -	\$ -
Mid cap U.S.	21,256,481	21,256,481	-	-
Small cap U.S.	14,301,486	14,301,486	-	-
International developed	46,128,725	46,128,725	-	-
Emerging markets	14,255,960	14,255,960	-	-
Total equity	<u>176,318,642</u>	<u>176,318,642</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Core U.S. fixed	48,856,666	48,856,666	-	-
TIPS	2,691,037	2,691,037	-	-
International	6,374,141	6,374,141	-	-
High yield	11,310,432	11,310,432	-	-
Total fixed income	<u>69,232,276</u>	<u>69,232,276</u>	<u>-</u>	<u>-</u>

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

Description	Fair Value June 30, 2017	Level 1	Level 2	Level 3
Alternative:				
Private equity	291,609	-	-	291,609
Commodities	3,348,514	3,348,514	-	-
REITS	7,159,749	7,159,749	-	-
Limited partnership	546,700	-	-	546,700
Total alternative	<u>11,346,572</u>	<u>10,508,263</u>	<u>-</u>	<u>838,309</u>
Investments measured at net asset value*	<u>23,378,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>280,276,179</u>	<u>256,059,181</u>	<u>-</u>	<u>838,309</u>
Bequests receivable	9,044,655	9,044,655	-	-
Estimated reinsurance receivable	973,867	-	-	973,867
Charitable remainder trust assets held as trustee	895,934	895,934	-	-
Charitable remainder trusts receivable	9,952,280	-	-	9,952,280
Beneficial interest in trusts	2,199,851	2,199,851	-	-
Total Assets at Fair Value	<u>\$ 303,342,766</u>	<u>\$ 268,199,621</u>	<u>\$ -</u>	<u>\$ 11,764,456</u>
Liabilities at Fair Value				
Split-interest agreements payable	\$ 4,722,043	\$ -	\$ -	\$ 4,722,043
Funds held as agency endowments	<u>33,308,752</u>	<u>33,308,752</u>	<u>-</u>	<u>-</u>
Total Liabilities at Fair Value	<u>\$ 38,030,795</u>	<u>\$ 33,308,752</u>	<u>\$ -</u>	<u>\$ 4,722,043</u>

(*) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The total cost of investments as of June 30, 2018 and 2017 is \$299,344,441 and \$250,123,128 respectively. For the year ended June 30, 2018, the Foundation had realized gains and unrealized losses on investments of \$23,634,637 and \$8,943,664, respectively. This includes realized gains and unrealized losses on agency endowments totaling \$2,994,327 and \$1,043,953, respectively. For the year ended June 30, 2017, the Foundation had realized gains and unrealized gains on investments of \$17,240,635 and \$7,882,466, respectively. This includes realized gains and unrealized gains on agency endowments totaling \$2,108,350 and \$808,478, respectively.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

The following methods and assumptions were used by the Foundation in estimating the fair value of its Level 1, Level 2 and Level 3 financial instruments:

Private equity - the Foundation's investment in one private equity fund is not actively traded and is valued at fair value by the general partner/managing member based on such factors as the underlying partnership's net assets, liquidity, nature of the portfolio and market conditions. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market for these investments existed. The Foundation believes that the carrying amounts of these investments as disclosed above are reasonable estimates of fair value as of June 30, 2018 and 2017 (Level 3).

Charitable remainder trust assets held as trustee and beneficial interest in trusts - represents assets held by the Foundation under charitable remainder trusts. Fair value is measured based on the underlying securities held within the trust assets, which have been determined to be Level 1 securities for the years ended June 30, 2018 and 2017.

Estimated reinsurance receivable and charitable remainder trusts receivable and split-interest agreements payable - The fair value of these assets and liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables.

Limited Partnership - the limited partnership investment was donated and fair value was based on an independent appraisal performed on January 25, 2015 (Level 3).

Bequests receivable - the fair value is estimated by management based on expected future cash flows. Collectability of these receivables is based on the Foundation's assumptions based on the best information available in the circumstances (Level 1).

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended June 30, 2018 and 2017:

	<u>Estimated Reinsurance Receivable</u>	<u>Charitable Remainder Trust Receivable</u>	<u>Split- Interest Agreements Payable</u>	<u>Private Equity Fund</u>	<u>Limited Partnership</u>
Balance - June 30, 2016	\$ 1,059,339	\$ 7,867,562	\$ (5,399,128)	\$ 401,326	\$ 546,700
Contributions	-	1,357,587	-	-	-
Purchases	-	-	-	6,948	-
Sales, withdrawals, distributions	(156,216)	-	-	(113,422)	(30,994)
Realized & unrealized gains (losses)	-	-	-	(3,243)	30,994
Changes in value of split interest agreements	70,744	727,131	397,162	-	-
New agreements	-	-	(39,346)	-	-
Maturities	-	-	319,269	-	-

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

	<u>Estimated Reinsurance Receivable</u>	<u>Charitable Remainder Trust Receivable</u>	<u>Split- Interest Agreements Payable</u>	<u>Private Equity Fund</u>	<u>Limited Partnership</u>
Balance - June 30, 2017	973,867	9,952,280	(4,722,043)	291,609	546,700
Contributions	-	-	-	-	-
Purchases	160,272	-	-	4,636	-
Sales, withdrawals, distributions	(164,393)	-	-	(220,241)	(38,743)
Realized & unrealized gains (losses)	-	-	-	32,818	38,743
Changes in value of split interest agreements	36,712	407,964	475,787	-	-
New agreements	-	-	(188,694)	-	-
Maturities	-	(2,744,183)	101,399	-	-
Balance - June 30, 2018	<u>\$ 1,006,458</u>	<u>7,616,061</u>	<u>\$ (4,333,551)</u>	<u>\$ 108,822</u>	<u>\$ 546,700</u>

The fair value of the funds listed below have been estimated based on net asset value per share as a practical expedient as reported by the investee. Fair value of the private equity funds and other alternative investments is estimated based upon the net asset value per share as reported by the investee, however, these funds are not redeemable and represent partnership interests. While the Foundation does receive distributions from these funds, it cannot determine or estimate the period of time over which the underlying investment may be liquidated by the investees.

	<u>NAV in Funds June 30, 2018</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity Funds:			
Private Equity Core Fund (QP) IV, L.P. (c)	\$ 2,305,636	n/a	n/a
Other Alternative:			
Makena Capital Associations, L.P. (d)	14,657,926	Annually	1 year
Total	<u>\$ 16,963,562</u>		

	<u>NAV in Funds June 30, 2017</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity and Fixed Income Funds:			
CommonFund Multi-Strategy Equity Investors, LLC (a)	\$ 572,259	Monthly	5 days
CommonFund Multi-Strategy Bond Investors, LLC (b)	1,182,009	Monthly	5 days
Private Equity Funds:			
Private Equity Core Fund (QP) IV, L.P. (c)	2,257,106	n/a	n/a
Other Alternative:			
Makena Capital Associations, L.P. (d)	19,367,315	Annually	1 year
Total	<u>\$ 23,378,689</u>		

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

- (a) The Fund allocates assets across a broad spectrum of equity strategies (not including private equity and venture capital) in proportions considered optimal for a fully diversified equity portfolio. The majority of the Fund's assets generally are invested directly or indirectly in a portfolio of common stocks, and securities convertible into common stocks, of U.S. companies. Additionally, the Fund seeks to diversify its portfolio by allocating assets to common stocks and other equity securities of foreign companies in both developed and emerging markets. The Fund's allocation of the U.S. equity market includes exposure to companies in the S&P 500 Composite Index, the benchmark for the Fund, as well as companies not included in the index. Under normal circumstances, at least 80 percent of the net assets of the Fund are invested directly or indirectly in equity securities. Redemptions from the fund are not permitted for amounts less than \$100,000 and are subject to the discretion of the Investment Manager.
- (b) The Fund allocates assets across a broad spectrum of fixed income sectors in proportions considered optimal for a fully diversified fixed income portfolio. The majority of the Fund's assets generally are invested directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the broad U.S. bond market. The Fund seeks to diversify its portfolio by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation indexed bonds, high yield bonds, emerging markets debt and opportunistic fixed income strategies. Under normal circumstances, at least 80 percent of the net assets of the Fund are invested directly or indirectly in fixed income securities or cash. The benchmark for the Fund is the Barclays Capital U.S. Aggregate Bond Index. Redemptions from the Fund are not permitted for amounts less than \$100,000 and are subject to the discretion of the Investment Manager.
- (c) The Fund is a limited partnership that was organized for the principal purpose of making investments in venture capital, buyout, and other private equity-oriented portfolio funds. The Partnership allocates its investable assets in several direct funds that seek capital appreciation by making equity and equity-related investments in conjunction with privately negotiated transactions. The Partnership shall terminate and be dissolved on the later of the twelfth anniversary of the Effective Date (July 1, 2009) or 120 days after the date on which the Partnership's last investment has been liquidated; provided that the Partnership may be terminated and dissolved at such earlier time as determined by the General Partner in its sole discretion. The original commitment to the fund was \$2,500,000. As of June 30, 2018, the total advanced to the limited partnership is \$2,258,750, leaving a remaining commitment to the fund of \$241,250.
- (d) This limited partnership is referred to as a "feeder fund" as it is part of a "master-feeder" structure whereby the limited partnership invests substantially all of its assets in several "master funds." The investment objectives of the master funds are to achieve capital appreciation in a wide range of asset classes through proprietary asset allocation and careful selection of third-party investment managers. The Master Funds may liquidate their investments in the Underlying Funds periodically, subject to the terms of the Underlying Funds' governing documents, which generally provide for restrictions on transferability, minimum holding periods or lock-ups, the suspension of redemptions/withdrawals or the institution of gates on redemptions/withdrawals, at the discretion of the Underlying Funds portfolio managers. As a result, the Master Funds may not be able to redeem/withdraw from an investment in an Underlying Fund depending on the provisions of the respective

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Fair Value of Financial Assets and Liabilities (Continued)

Underlying Funds' offering documents and any negotiated liquidity agreements between the Master Funds and the Underlying Funds without continued exposure to changes in valuations, which could be material. As of December 31, 2017, the Foundation submitted notice to the limited partnership to withdrawal 100% of the capital account.

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Land	\$ 690,315	\$ 690,315
Land improvements	891,348	891,348
Buildings and improvements	3,805,844	3,798,436
Furniture and equipment	531,236	497,330
	5,918,743	5,877,429
Less accumulated depreciation	1,882,770	1,686,199
Total property and equipment, net	\$ 4,035,973	\$ 4,191,230

Depreciation expense for the years ended June 30, 2018 and 2017, was \$196,572 and \$196,039, respectively.

6. Agency Endowment Activity

The Foundation holds agency endowment funds on behalf of other nonprofit organizations. The following is a summary of the activity for the years ended June 30:

	2018	2017
Contributions	\$ 6,536,366	\$ 2,813,838
Investment income	\$ 1,088,869	\$ 654,939
Realized and unrealized gain on investments	\$ 1,950,373	\$ 2,916,827
Grants	\$ (1,791,594)	\$ (1,935,419)
Investment and administrative fees	\$ (109,188)	\$ (129,688)
Transfers	\$ -	\$ 9,096

The amounts reflected in the statement of activities for the years ended June 30, 2018 and 2017 are presented net of the activity summarized above related to agency endowments.

7. Net Asset Classifications

The Foundation's temporarily restricted net assets have been classified into the following categories as of June 30:

	2018	2017
Amounts related to split-interest agreements	\$ 7,929,723	\$ 8,673,474
Funds designated for specific organizations or purposes	1,872,473	1,889,047
Other irrevocable trusts	2,281,094	2,199,850
Total Temporarily Restricted Net Assets	\$ 12,083,290	\$ 12,762,371

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

7. Net Asset Classifications (Continued)

The Foundation's permanently restricted net assets have been classified into the following categories as of June 30:

	2018	2017
Amounts related to split-interest agreements	\$ (294,263)	\$ 1,286,761
Endowment funds, the income from which are to be used to support the Foundation or organizations or purposes specified by the donors	15,113,714	14,723,379
Total Permanently Restricted Net Assets	\$ 14,819,451	\$ 16,010,140

8. Net Assets Released from Restrictions

During the years ended June 30, 2018 and 2017, the Foundation released temporarily restricted net assets of \$293,728 and \$497,196, respectively.

9. Affiliated Organizations' Net Assets

At June 30, 2018 and 2017, the organizations included in the combined financial statements had net assets as follows:

	2018	2017
The Community Foundation of Sarasota County, Inc.	\$ 281,852,290	\$ 236,809,588
Community Foundation Trust of Sarasota County	20,932,308	21,469,794
Wetherington Foundation, Inc.	1,761,328	1,800,361
Manatee Community Foundation, Inc.	34,239,294	32,483,624
Total	\$ 338,785,220	\$ 292,563,367

10. Functional Expenses

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

- Initiatives and program services, including awarded grants, services to other non-profits, community programs, philanthropic leadership, and civic leadership;
- Development and fundraising, including originating and maintaining relationships with donors; and
- Management and general, including expenses that benefit the Foundation as an entity and the management and accounting for funds.

The cost of providing the various program and supporting services have been summarized on a functional basis in the Statements of Activities. This statement reflects expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimate of time and effort; occupancy expenses are allocated on the basis of square footage.

The costs of providing program and support services for the years ended June 30, 2018 and 2017 were \$5,411,407 and \$5,370,085, respectively, which are not specifically attributable to particular components of the activities. These costs were allocated as follows:

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

10. Functional Expenses (Continued)

	2018	2017
Initiatives and program services	\$ 1,780,972	\$ 1,898,342
Management and general	1,987,401	1,891,699
Development expenses	1,643,034	1,580,044
Total	<u>\$ 5,411,407</u>	<u>\$ 5,370,085</u>

11. Retirement Plans

Effective January 1, 2014, the foundation amended their 401(k) Profit Sharing Plan and Trust to a Safe Harbor 401(k) Plan. The Plan provides for a 401(k) Safe Harbor Matching Contribution and a discretionary Profit Sharing Contribution by the Foundation for eligible employees. For the years ended June 30, 2018 and 2017, employer contributions of \$144,347 and \$118,294, respectively, were made to the Safe Harbor 401(k) Plan.

Additionally, Manatee Community Foundation, Inc. has established a Simplified Employee Pension (SEP) IRA plan. The Plan provides for contributions by the Foundation, as well as rollover contributions. For the years ended June 30, 2018 and 2017, employer contributions of \$17,390 and \$13,070, respectively, were recognized for the SEP IRA plan.

12. Advertising Expense

Advertising costs are expensed as incurred or expensed the first time the advertising takes place. Advertising expense for the years ended June 30, 2018 and 2017 totaled \$217,075 and \$169,214, respectively.

13. Endowments

The Foundation's endowment consists of funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, and, (b) the original value of subsequent gifts to the permanent endowment. Any portion of the endowment, including investment income, which is not classified as permanently restricted net assets, is to be classified as temporarily restricted net assets until it is appropriated for expenditure.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets that will support its spending policy and maintain or grow the real value of the portfolio.

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

13. Endowments (Continued)

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 return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution a percentage of its endowment funds' average fair value over the period of 12 quarters through the fiscal year end proceeding the fiscal year in which the distribution is planned. For the years ended June 30, 2018 and 2017, the authorized distribution rate was 4.5%. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide for additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets.

Endowment Net Asset Composition

As of June 30, 2018, endowment net assets consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u>(307,979)</u>	\$ <u>1,362,825</u>	\$ <u>15,113,714</u>	\$ <u>16,168,560</u>

As of June 30, 2017, endowment net assets consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ <u>(281,902)</u>	\$ <u>1,889,047</u>	\$ <u>14,723,379</u>	\$ <u>16,330,524</u>

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

13. Endowments (Continued)

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ (281,902)	\$ 1,889,047	\$ 14,723,379	\$ 16,330,524
Endowment investment return:				
Investment income	-	378,467	-	378,467
Realized and unrealized gains	-	792,617	-	792,617
Total endowment investment return	-	1,171,084	-	1,171,084
Contributions	-	-	390,335	390,335
Administrative and investment fees	-	(279,678)	-	(279,678)
Net assets released from restrictions	614,252	(614,252)	-	-
Appropriation of endowment for expenditures	(614,252)	-	-	(614,252)
Net transfers in (out) of endowment	(26,077)	(803,376)	-	(829,453)
Total endowment activity	(26,077)	(526,222)	390,335	(161,964)
 Endowment Net Assets, June 30, 2018	 \$ (307,979)	 \$ 1,362,825	 \$ 15,113,714	 \$ 16,168,560

Total permanently restricted net assets of \$14,819,451 as reported on the statement of financial position includes permanently restricted endowment net assets per above of \$15,113,714 less the value of permanently restricted split interest agreements of \$294,263.

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ (281,902)	\$ 243,768	\$ 14,539,620	\$ 14,501,486
Endowment investment return:				
Investment income	-	313,615	269,326	582,941
Realized and unrealized gains	-	1,389,862	1,389,863	2,779,725

**The Community Foundation of Sarasota County, Inc.
and its Subsidiaries and Support Organizations**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

**13. Endowments (Continued)
Changes in Endowment Net Assets (Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total endowment investment return	-	1,703,477	1,659,189	3,362,666
Contributions	-	1,208,965	183,758	1,392,723
Administrative and investment fees	-	(188,172)	(143,884)	(332,056)
Net assets released from restrictions	1,078,991	(1,078,991)	(1,515,304)	(1,515,304)
Appropriation of endowment for expenditures	(1,078,991)	-	-	(1,078,991)
Net transfers in (out) of endowment	-	-	-	-
Total endowment activity	-	1,645,279	183,758	1,829,037
Endowment Net Assets, June 30, 2017	\$ <u>(281,902)</u>	\$ <u>1,889,047</u>	\$ <u>14,723,379</u>	\$ <u>16,330,524</u>

Total permanently restricted net assets of \$16,010,140 as reported on the statement of financial position includes permanently restricted endowment net assets per above of \$14,723,379 plus the value of permanently restricted split interest agreements of \$1,286,761.

14. Mortgage Payable

In December 2015, the Manatee Community Foundation entered into a mortgage note payable with two individuals with interest at 5%. During the years ended June 30, 2018 and 2017, the Foundation paid \$8,701 and \$18,155, respectively, in interest. The mortgage was paid in full in January 2018.

15. Concentrations of Credit and Economic Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents, and investments. The Foundation places its cash and cash equivalents with high credit quality financial institutions. During the year, the Foundation may have deposits with financial institutions which exceed the FDIC insured limit.

The Foundation invests in a variety of investment vehicles, as described in Note 4. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the combined financial statements.

The Community Foundation of Sarasota County, Inc. and its Subsidiaries and Support Organizations

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

16. Related Party Transactions

A board member of the Community Foundation of Sarasota County holds a key position at a financial institution with which the Foundation holds significant cash and investments. The board member is not the investment manager of the Foundation's funds at this institution. A second board member holds a key position at a company that provides local advertising opportunities to the Foundation. The Foundation paid approximately \$27,915 and \$23,183 for advertising services to this company for the years ended June 30, 2018 and 2017, respectively.

A board member of the Manatee Community Foundation provides investment management services to the Foundation. The Foundation paid approximately \$646 and \$2,394 in investment fees for the years ended June 30, 2018 and 2017, respectively. A second MCF board member holds a key position at a financial institution with which the Foundation holds significant cash and investments. The director is not the investment manager of the Foundation's funds at this institution. A third MCF board member's company provided air and electrical services to the Foundation. The Foundation paid approximately \$3,571 and \$0 for the air and electrical services for the year ended June 30, 2018 and 2017, respectively.

From time to time, board members make pledges and contributions to the Foundation. Certain board members, staff and family members of board and staff are also on nonprofit boards that receive grants from the Foundation. All board members and staff are required to complete and sign conflict of interest forms annually and to adhere to the Conflict of Interest Policy.

17. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of June 30, 2018 through the date these statements were available for issuance, October 26, 2018, and have determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.