

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Richland County Foundation (a non-profit corporation) (the Foundation), which comprise the statement of statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2019 and 2018, the related statements of revenue collected, expenditures paid and other changes - modified cash basis and the statement of functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of The Richland County Foundation of as of December 31, 2019 and 2018, and its support, revenue and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note B.

Report on Summarized Comparative Information

We have previously audited The Richland County Foundation's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

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

Wilging, Roush & Parsons CPAs

Wilging, Roush & Parsons CPAs

Mansfield, Ohio

May 22, 2020

The Richland County Foundation
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2019 and 2018

Assets

	<u>2019</u>	<u>2018</u>
<u>Cash and Investments</u>		
Cash	\$ 942,557	\$ 564,206
Investments	175,473,875	151,657,247
Total cash and investments	176,416,432	152,221,453
 <u>Property and Equipment</u>		
Land and land improvements	348,357	348,357
Building	1,052,406	1,052,406
Furniture and fixtures	128,601	128,077
Office equipment	50,690	49,719
Computer equipment	56,285	63,124
Property and equipment, at cost	1,636,339	1,641,683
Less: accumulated depreciation	(326,172)	(295,022)
Property and equipment, net of accumulated depreciation	1,310,167	1,346,661
 <u>Intangible Assets</u>		
Intangible asset	10,154	10,154
Less: accumulated amortization	(10,154)	(7,973)
Intangible asset, net of accumulated amortization	0	2,181
Total assets	\$ 177,726,599	\$ 153,570,295

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
<u>Liabilities</u>		
Payroll taxes withheld	\$ 4,769	\$ 5,324
Annuity contracts payable	47,157	53,019
Funds held as agency endowments	7,607,587	6,513,674
Total liabilities	7,659,513	6,572,017
 <u>Net Assets</u>		
Without donor restrictions	93,106,420	78,408,817
With donor restrictions	76,960,666	68,589,461
Total net assets	170,067,086	146,998,278
Total liabilities and net assets	\$ 177,726,599	\$ 153,570,295

The accompanying notes are an integral part of these financial statements

The Richland County Foundation
Statement of Revenue Collected, Expenditures Paid and Other Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2019
(With Comparative Totals For The Year Ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	As Restated Total
<u>Public Support and Revenue:</u>				
Contributions	\$ 1,292,744	\$ 1,532,594	\$ 2,825,338	\$ 7,529,943
<u>Investment Income</u>				
Interest and dividends	1,840,132	1,514,597	3,354,729	4,177,817
Realized gains and (losses) on investments, net	814,954	859,419	1,674,373	5,960,629
Unrealized gains and (losses) on investments, net	12,452,093	9,861,582	22,313,675	(16,323,210)
Less: Investment and custody fees	(204,219)	0	(204,219)	(197,909)
Net investment (loss) income	14,902,960	12,235,598	27,138,558	(6,382,673)
Change in gift annuity value	0	(3,512)	(3,512)	(6,452)
Administrative fee charged to agency funds	24,470	0	24,470	24,425
Net assets released from restrictions	2,562,278	(2,562,278)	0	0
Reclassification of net assets	2,831,197	(2,831,197)	0	0
Total public support and revenue	21,613,649	8,371,205	29,984,854	1,165,243
<u>Functional Expenses:</u>				
Program services	6,431,653	0	6,431,653	8,462,427
Management and general	269,004	0	269,004	263,962
Fundraising	215,389	0	215,389	229,710
Total functional expenses	6,916,046	0	6,916,046	8,956,099
Increase (decrease) in net assets	14,697,603	8,371,205	23,068,808	(7,790,856)
Net assets, beginning of year	78,408,817	68,589,461	146,998,278	154,789,134
Net assets, end of year	\$ 93,106,420	\$ 76,960,666	\$ 170,067,086	\$ 146,998,278

The accompanying notes are an integral part of these financial statements

The Richland County Foundation
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2019

<u>Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<u>Net grants paid</u>	\$ 6,072,890	\$ 0	\$ 0	\$ 6,072,890
<u>Personnel</u>				
Salaries	208,337	148,795	98,813	455,945
Employee insurance	27,037	4,971	9,848	41,856
Payroll taxes	15,505	11,074	7,354	33,933
Employee 403(b) plan	8,085	7,368	4,940	20,393
Retirement compensation	0	4,466	0	4,466
Total personnel	<u>258,964</u>	<u>176,674</u>	<u>120,955</u>	<u>556,593</u>
<u>Occupancy</u>				
Utilities and telephone	4,533	3,239	2,151	9,923
Building maintenance and cleaning	13,591	9,707	6,445	29,743
Security	351	251	166	768
Total occupancy	<u>18,475</u>	<u>13,197</u>	<u>8,762</u>	<u>40,434</u>
<u>Operating Expenses</u>				
Professional fees	7,008	18,125	0	25,133
Annual report	0	11,369	0	11,369
Asset development, marketing and technology	436	311	8,065	8,812
Capacity building	7,369	0	0	7,369
Community relations	0	0	45,048	45,048
Computers support and license fees	14,074	10,051	6,675	30,800
Depreciation and amortization	25,350	18,105	12,023	55,478
Donor and volunteer recognition	38	27	1,752	1,817
Equipment maintenance and repair	1,366	976	648	2,990
Office supplies and expense	4,840	5,335	2,295	12,470
Travel	895	639	425	1,959
Professional dues	8,329	5,949	3,950	18,228
Publications and subscriptions	106	76	51	233
Staff and board development and training	3,520	2,514	1,670	7,704
Printing	1,072	766	509	2,347
Insurance	4,369	3,120	2,072	9,561
Miscellaneous	2,552	1,770	489	4,811
Total operating expenses	<u>81,324</u>	<u>79,133</u>	<u>85,672</u>	<u>246,129</u>
Total personnel, occupancy and operating expenses	<u>358,763</u>	<u>269,004</u>	<u>215,389</u>	<u>843,156</u>
Total expenses	<u>\$ 6,431,653</u>	<u>\$ 269,004</u>	<u>\$ 215,389</u>	<u>\$ 6,916,046</u>

The accompanying notes are an integral part of these financial statements

The Richland County Foundation
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2018

<u>Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<u>Net grants paid</u>	\$ 8,108,764	\$ 0	\$ 0	\$ 8,108,764
<u>Personnel</u>				
Salaries	190,933	143,770	95,808	430,511
Employee insurance	25,558	4,697	10,883	41,138
Payroll taxes	14,308	10,774	7,180	32,262
Employee 403(b) plan	9,352	7,426	4,959	21,737
Retirement compensation	0	7,656	0	7,656
Total personnel	<u>240,151</u>	<u>174,323</u>	<u>118,830</u>	<u>533,304</u>
<u>Occupancy</u>				
Utilities and telephone	4,956	3,733	2,488	11,177
Building maintenance and cleaning	7,264	5,469	3,645	16,378
Security	341	257	170	768
Total occupancy	<u>12,561</u>	<u>9,459</u>	<u>6,303</u>	<u>28,323</u>
<u>Operating Expenses</u>				
Professional fees	6,332	19,110	0	25,442
Annual report	0	11,434	0	11,434
Asset development, marketing and technology	488	368	8,662	9,518
Capacity building	29,243	0	0	29,243
Community relations	0	0	66,510	66,510
Computers support and license fees	10,687	8,047	5,363	24,097
Depreciation and amortization	23,256	17,512	11,670	52,438
Donor and volunteer recognition	29	22	225	276
Equipment maintenance and repair	368	277	184	829
Office supplies and expense	4,497	5,317	2,257	12,071
Travel	767	578	385	1,730
Professional dues	7,028	5,292	3,526	15,846
Publications and subscriptions	69	52	34	155
Staff and board development and training	5,257	4,231	2,638	12,126
Printing	1,514	1,139	759	3,412
Insurance	3,516	2,647	1,764	7,927
Miscellaneous	7,900	4,154	600	12,654
Total operating expenses	<u>100,951</u>	<u>80,180</u>	<u>104,577</u>	<u>285,708</u>
Total personnel, occupancy and operating expenses	<u>353,663</u>	<u>263,962</u>	<u>229,710</u>	<u>847,335</u>
Total expenses	<u>\$ 8,462,427</u>	<u>\$ 263,962</u>	<u>\$ 229,710</u>	<u>\$ 8,956,099</u>

The accompanying notes are an integral part of these financial statements

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note A - Summary of Foundation and Nature of Activities

Foundation

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

Nature of Activities

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

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash

For purposes of the statements of financial position - modified cash basis, the Foundation considers cash on hand along with checking and savings held at financial institutions as cash. The Foundation maintains its cash accounts with local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended December 31, 2019 and 2018. At various times during the year, the Foundation's balances in the accounts may exceed the insured amount. Total exceeding FDIC insured amounts at December 31, 2019 and 2018 were \$856,638 and \$493,393, respectively.

Investments

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

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (continued)

Investments (continued)

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

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the financial statements.

Contributions and Bequests

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

Funds Held as Agency Endowments

If a not-for-profit organization has established a fund with its own funds and specifies itself as the beneficiary of that fund, the Foundation accounts for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

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

At December 31, 2019, the Foundation was the owner of thirty agency endowment funds with a combined value of \$7,607,587. At December 31, 2018, the Foundation was the owner of thirty agency endowment funds with a combined value of \$6,513,674.

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (continued)

Net Asset Classifications:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

In-Kind Donations

The Foundation records the value of in-kind donations when received and when there is an objective basis available to measure their value. During 2019 and 2018, the Foundation was the recipient of donations with a total fair market value, at the date of donation, of \$17,851 and \$584,387, respectively.

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

Donated Services

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

Property and Equipment

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The following useful lives were used in determining depreciation:

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

Depreciation expense was \$53,297 and \$50,408 for the years ended December 31, 2019 and 2018,

Intangible Asset

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

Amortization expense was \$2,181 and \$2,030 for the years ended December 31, 2019 and 2018, respectively.

Income Tax Status

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation had no unrelated business income for the years ended December 31, 2019 and 2018, respectively. Accordingly, the accompanying financial statements include no provision for income taxes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for December 31, 2019 and 2018.

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

The Foundation's evaluation on December 31, 2019 and 2018, respectively revealed no tax positions that would have a material impact on the financial statements. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Advertising Costs

The Foundation participates in various promotions and publications. All costs related to advertising are expensed in the period incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$31,256 for \$36,381, respectively.

Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting services classification on the basis of actual expenses incurred by the program or supporting services, time records, and estimates made by the Foundation's management.

Reclassification

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

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

Note C - Cash and Cash Equivalents

The cash balance was \$942,557 and \$564,206 at December 31, 2019 and 2018, respectively:

Note D - Investments

The investment balance was comprised of the following at December 31, 2019 and 2018, respectively:

	2019	2018	2019	2018
	Cost	Cost	Fair Market Value	Fair Market Value
<u>At published quoted values:</u>				
Cash and cash equivalents	\$ 7,330,895	\$ 2,964,003	\$ 7,330,895	\$ 2,964,003
Equities	62,465,369	61,412,447	106,563,925	86,181,810
Fixed income	35,360,902	35,408,613	36,152,133	34,255,658
Alternative investments	8,234,611	11,741,507	7,985,247	10,658,871
<u>At net asset or other value:</u>				
Alternative investments	14,455,903	15,841,517	17,441,675	17,596,905
Total investments	<u>\$ 127,847,680</u>	<u>\$ 127,368,087</u>	<u>\$ 175,473,875</u>	<u>\$ 151,657,247</u>

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note D - Investments (continued)

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

Note E - Pooled Income Fund

The Richland County Foundation is the income and principal beneficiary of various remainder interest gifts, which have been combined into a pooled income fund held by Richland Bank. No income or principal will be received by the Foundation until the deaths of the donors or their beneficiaries. The carrying value of the pooled income fund at December 31, 2019 and 2018 is \$375,395 and \$376,372, respectively and the fair value is \$380,368 and \$367,694, respectively.

Note F - Split-Interest Agreements

At December 31, 2019 and 2018, the Foundation has recorded approximately \$89,762 and \$83,407, respectively, in fair value of split-interest agreements as an asset in its statement of assets, liabilities and net assets - modified cash basis. Assets received under these agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation. Related contributions per the agreements are recognized as contributions revenue and are equal to the present value of future benefits to be received by the Foundation over the term of the agreements. No contributions were received in 2019 and 2018, respectively. A liability has been established for the split-interest agreements as the Foundation is obligated to the annuitants under charitable gift annuities. The liability totaled approximately \$47,157 at December 31, 2019 and \$53,019 at December 31, 2018. During the term of these agreements, changes in the value of the split-interest agreements are recognized in the statements of revenue collected, expenditures paid and other changes in net assets - modified cash basis based on accretion of the discounted amount of the contribution, and reevaluations of the expected future payments to be paid by the Foundation based on changes in life expectancy and other assumptions. Annuity rates of 5.7% to 7.3% were used in the calculations at the dates of

Note G - Endowment Funds

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note G - Endowment Funds (continued)

Interpretation of Relevant Law

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

Interpretation of Relevant Law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Foundation

Endowment Net Asset Composition

The endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Donor designated endowment funds:</u>			
Designated	\$ 0	\$ 11,720,291	\$ 11,720,291
Agency	0	3,493,930	3,493,930
Field of interest	0	4,700,087	4,700,087
Individual assistance	0	1,360,848	1,360,848
Scholarship	0	12,444,648	12,444,648
Donor advised	71,481	38,389	109,870
Undesignated	1,890,164	1,856,015	3,746,179
<u>Other endowment funds:</u>			
Field of interest	0	642,239	642,239
Undesignated	213,204	426,847	640,051
Total Endowment Funds	\$ 2,174,849	\$ 36,683,294	\$ 38,858,143

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note G - Endowment Funds (continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Donor designated endowment funds:</u>			
Designated	\$ 0	\$ 10,113,935	\$ 10,113,935
Agency	0	3,011,548	3,011,548
Field of interest	0	3,857,416	3,857,416
Individual assistance	0	1,183,975	1,183,975
Scholarship	0	10,557,376	10,557,376
Donor advised	88,752	78,569	167,321
Undesignated	1,342,892	1,801,929	3,144,821
<u>Other endowment funds:</u>			
Field of interest	0	544,839	544,839
Undesignated	130,927	407,591	538,518
Total Endowment Funds	<u>\$ 1,562,571</u>	<u>\$ 31,557,178</u>	<u>\$ 33,119,749</u>

Reconciliation of Changes in Endowment Net Assets

The Foundation's reconciliation of the beginning and ending balances of the endowment, in total and by net asset classes for the year ended December 31, 2019 follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,562,571	\$ 31,557,178	\$ 33,119,749
Investment return, net	577,039	5,780,677	6,357,716
Contributions	0	612,098	612,098
Amounts appropriated for expenditure	(73,686)	(1,161,231)	(1,234,917)
Interfund transfers	108,925	(105,428)	3,497
Endowment net assets, end of year	<u>\$ 2,174,849</u>	<u>\$ 36,683,294</u>	<u>\$ 38,858,143</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,975,436	\$ 33,488,767	\$ 35,464,203
Investment return, net	(397,381)	(1,673,166)	(2,070,547)
Contributions	2,000	925,249	927,249
Amounts appropriated for expenditure	(122,822)	(1,078,834)	(1,201,656)
Interfund transfers	105,338	(104,838)	500
Endowment net assets, end of year	<u>\$ 1,562,571</u>	<u>\$ 31,557,178</u>	<u>\$ 33,119,749</u>

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note G - Endowment Funds (continued)

Description of Amounts Classified as Net Assets with Donor Restrictions

Following is a description of the amounts classified as Net Assets with Donor Restrictions of the Foundation (Endowment only) for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Original donor restricted endowment gift amount and amounts required to be restricted by donor	\$ 24,715,943	\$ 24,120,633
Accumulated investment gains or endowment funds with purpose restrictions	11,967,351	7,436,545
Total endowment funds classified as net asset with donor restrictions	<u>\$ 36,683,294</u>	<u>\$ 31,557,178</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which had an original gift value of \$2,699, a current fair value of \$329, and a deficiency of \$2,370 as of December 31, 2019. Deficiencies of this nature exist in seven donor-restricted endowment funds, which together have an original gift value of \$1,345,692, a current fair value of \$1,290,027, and a deficiency of \$55,665 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note G - Endowment Funds (continued)

Spending Policy and How Investment Objectives Relate

The spending policy is used to annually calculate the amount of money available to be distributed from the Foundation's various endowment funds for grant making and operations. The Foundation has a policy of appropriating for distribution each year a rate of 4% in 2019 and 2018 of its endowment fund's average fair value over the prior 12 quarters through September 30th preceeding the year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$0 from underwater endowment funds during the year.

Note H - Funds Held as Agency Endowments

The following summarizes the activity funds held as agency endowments for the years ended December 31, 2019 and 2018:

	2019	2018
Agency endowment fund balances, beginning of year	\$ 6,513,674	\$ 7,090,296
Contributions and bequests	61,336	47,840
Interest and dividends	154,814	152,780
Net realized investment gains	87,539	315,780
Net unrealized gains (losses) on investments	1,023,059	(867,092)
Grants paid	(199,620)	(192,792)
Investment and custodial fees	(8,745)	(8,811)
Administrative expenses allocate to agency endowment funds	(24,470)	(24,327)
Agency endowment fund balances, end of year	<u>\$ 7,607,587</u>	<u>\$ 6,513,674</u>

Note I - Grants and Commitments

Grants and commitments approved by the Foundation but not yet paid at December 31, 2019 and 2018 are as follows:

	2019	2018
2019	\$ 0	\$ 580,980
2020	256,935	138,378
2021	28,333	0
2022	28,333	0
Total Grants and Commitment	<u>\$ 313,601</u>	<u>\$ 719,358</u>

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note J - Employee Pension and 403(b) Plan

The Foundation adopted a 403(b) plan on January 1, 2017, the plan covers all full-time employees who meet certain requirements. The plan includes elective salary deferrals, a mandatory employer nonelective contribution of 4% and an optional employer discretionary contribution. The Foundation's discretionary contribution for years ended December 31, 2019 and 2018 was one percent, respectively. The Foundation contributed \$20,393 and \$21,737 to the plan for years ended December 31, 2019 and 2018, respectively.

Note K - Concentrations

During the year ended December 31, 2019, the Foundation received four gifts which totaled more than 30% of the total contributions for the year.

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

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note L - Summary of Fair Value Exposure

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

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

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

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

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

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

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

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

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

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

The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2019 and 2018, respectively.

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note L - Summary of Fair Value Exposure (continued)

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	2019			Total
	Level 1	Level 2	Level 3	
<u>Assets:</u>				
Cash and cash equivalents	\$ 7,330,895	\$ 0	\$ 0	\$ 7,330,895
Equities	106,563,925	0	0	106,563,925
Fixed income	36,152,133	0	0	36,152,133
Alternative investments	7,985,247	0	0	7,985,247
Total	<u>\$ 158,032,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 158,032,200</u>

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

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

Additional information regarding the alternative investments valued at their net asset or other value is as follows: as of December 31, 2019 and 2018:

	Fair Value 2019	Fair Value 2018	Redemption Frequency if Currently Eligible	Redemption Notice Period
<u>Multi-Strategy Hedge Funds:</u>				
Weatherlow Offshore Fund I Ltd	\$ 6,636,214	\$ 8,154,931	Quarterly	65 days
Black Diamond Arbitrage, LTD	6,083,374	5,084,728	Last day of month	45 business days
<u>Partnership Investment:</u>				
White Oak Limited Liability Partnership	4,722,087	4,357,246	Semi-annually	180 days
Total Level 3	<u>\$ 17,441,675</u>	<u>\$ 17,596,905</u>		

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note L - Summary of Fair Value Exposure (continued)

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

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

Note M - Net Assets With Donor Restrictions

The net assets with donor restrictions was comprised of the following at December 31, 2019 and 2018, respectively:

	2019	2018
Donor restricted to maintain as an endowment	\$ 36,683,294	\$ 31,557,178
Donor restricted designated for non-endowment	40,277,372	37,032,283
Total net assets with donor restrictions	\$ 76,960,666	\$ 68,589,461

The composition of with donor restrictions net assets are comprised of the following for the years ended December 31, 2019 and 2018, respectively.

	2019	2018
<u>Donor designated endowment funds:</u>		
Designated	\$ 11,720,291	\$ 10,113,935
Agency	3,493,930	3,011,548
Field of interest	4,700,087	3,857,416
Individual assistance	1,360,848	1,183,975
Scholarship	12,444,648	10,557,376
Donor advised	38,389	78,569
Undesignated	1,856,015	1,801,929
<u>Other endowment funds:</u>		
Field of interest	642,239	544,839
Undesignated	426,847	407,591
Total Endowment Funds	36,683,294	31,557,178
<u>Donor designated non-endowment</u>		
Designated	\$ 12,076,328	\$ 10,552,511
Agency	3,747,266	3,228,156
Field of interest	11,404,458	10,034,232
Charitable gift annuity	42,606	30,389
Individual assistance	3,649,443	3,145,857
Project	603,310	14,600
Administrative	0	1,201,658
Scholarship	8,634,657	7,298,086
Donor advised	0	5,435
Undesignated	119,304	103,670
<u>Other non-endowment funds</u>		
Administrative	0	1,417,689
Total Non-Endowment Funds	40,277,372	37,032,283
Total Net Assets With Donor Restrictions	\$ 76,960,666	\$ 68,589,461

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note N - Liquidity and Availability of Financial Assets

The Foundation monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general operating expenditure within one year. Financial assets are considered unavailable when not liquid or not convertible into cash within one year, assets held for others, or board designated funds.

	2019	2018
<u>Financial Assets:</u>		
Cash	\$ 942,557	\$ 564,206
Investments	175,473,875	151,657,247
Total financial assets	\$ 176,416,432	\$ 152,221,453
 <u>Less those unavailable for general expenditures within one year, due to:</u>		
Donor restricted to maintain as an endowment	36,683,294	31,557,178
Donor restricted designated for non-endowment	40,277,372	37,032,283
Funds held as agency endowments	7,607,587	6,513,674
Total amounts not available for general expenditure within on year	84,568,253	75,103,135
Financial assets available to meet cash needs for general expenditure within one year	\$ 91,848,179	\$ 77,118,318

The Organization manages its cash available to meet general expenditures following three guiding principles: (1) operating with prudent range of financial soundness and stability, (2) maintaining adequate liquid assets, and (3) maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations will continue to be met, ensuring the sustainability of the Organization.

The Richland County Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Note O - Change in Accounting Principle

On January 1, 2018, the Foundation elected to change its method of reporting for Agency Funds. In prior years, the Foundation reported the Agency Funds activity gross in the Foundation Statement of Revenue Collected, Expenditures Paid and Other Changes in Net Assets - Modified Cash Basis. The new method of accounting for Agency Funds (not including in gross activity) and comparative financial statements of prior years have been adjusted to apply the new method retrospectively. The below financial statement line items for year ended December 31, 2018 were affected by the change in accounting principle. The total December 31, 2018 total assets, liabilities and net assets and 2018 net (decrease) in net assets were not changed.

	As Originally Stated 2018	As Restated 2018	Change 2018
<u>Public Support and Revenue:</u>			
Contributions	\$ 7,577,783	\$ 7,529,943	\$ 47,840
<u>Investment Income</u>			
Interest and Dividends	4,330,848	4,177,817	153,031
Net Realized Gains on Investments	6,276,929	5,960,629	316,300
Net Unrealized Gains (Losses) on Investments	(17,190,959)	(16,323,210)	(867,749)
Less Investment and Custody Fees	(206,736)	(197,909)	(8,827)
Net Investment Income (Loss)	(6,789,918)	(6,382,673)	(407,245)
Change in Gift Annuity Value	(6,452)	(6,452)	0
Administrative Fees Charged to Agency Funds	0	24,425	(24,425)
Net Assets Released From Restrictions	0	0	0
Reclassification of Net Assets	0	0	0
Total public support and revenue	781,413	1,165,243	(383,830)
<u>Functional Expenses:</u>			
Program services	8,655,219	8,462,427	192,792
Management and general	263,962	263,962	0
Fundraising	229,710	229,710	0
Total functional expenses	9,148,891	8,956,099	192,792
Increase (decrease) in net assets	(8,367,478)	(7,790,856)	(576,622)
Current year change in agency liability	576,622	0	576,622
(Decrease) in net assets	(7,790,856)	(7,790,856)	0
Net assets, beginning of year	154,789,134	154,789,134	0
Net assets, end of year	\$ 146,998,278	\$ 146,998,278	\$ 0

Note P - Subsequent Events

Management has evaluated subsequent events through May 22, 2020, the date the financial statements were available to be issued. No material subsequent events were noted.