

**REPORT OF
CLEARFIELD COUNTY CHARITABLE FOUNDATION
CLEARFIELD, PENNSYLVANIA**

FOR THE YEAR ENDED DECEMBER 31, 2018

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities, and Net Assets - Cash Basis	3
Statement of Support, Revenue, and Expenses - Cash Basis	4
Statement of Functional Expenses - Cash Basis	5
Notes to Financial Statements	6 - 9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clearfield County Charitable Foundation
PO Box 171
Clearfield, PA 16830

We have audited the accompanying financial statements of the Clearfield County Charitable Foundation (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - cash basis as of December 31, 2018, and the related statement of support, revenue, and expenses - cash basis and statement of functional expenses - cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the 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 Clearfield County Charitable Foundation as of December 31, 2018, and its support, revenue, and expenses and functional expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Clearfield County Charitable Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Young, Baker, Brown & Company, P.C.

**CLEARFIELD COUNTY CHARITABLE FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
CASH BASIS
DECEMBER 31, 2018**

<u>ASSETS</u>	
Mutual Funds (Cost)	\$5,158,850
	<hr/>
TOTAL ASSETS	\$5,158,850
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Net Assets</u>	
Without Donor Restrictions	\$ 958,810
With Donor Restrictions	<u>4,200,040</u>
Total Net Assets	\$5,158,850
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$5,158,850
	<hr/> <hr/>

See Accompanying Notes and Independent Auditor's Report

**CLEARFIELD COUNTY CHARITABLE FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<u>Revenue and Other Support</u>			
Contributions	\$112,226	\$1,409,152	\$1,521,378
Other Income:			
Investment Income	<u>29,122</u>	<u>107,907</u>	<u>137,029</u>
Total Revenue and Other Support	<u>\$141,348</u>	<u>\$1,517,059</u>	<u>\$1,658,407</u>
<u>Net Assets Released from Restrictions</u>	<u>\$109,372</u>	<u>(\$ 109,372)</u>	<u>\$ 0</u>
<u>Expenses</u>			
Program Services	\$146,841	\$ 0	\$ 146,841
Management and General	12,574	0	12,574
Fundraising	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>\$159,415</u>	<u>\$ 0</u>	<u>\$ 159,415</u>
Change in Net Assets	\$ 91,305	\$1,407,687	\$1,498,992
<u>Net Assets</u> - Beginning of Year	<u>867,505</u>	<u>2,792,353</u>	<u>3,659,858</u>
<u>Net Assets</u> - End of Year	<u>\$958,810</u>	<u>\$4,200,040</u>	<u>\$5,158,850</u>

See Accompanying Notes and Independent Auditor's Report

**CLEARFIELD COUNTY CHARITABLE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

----- Net Assets Without Donor Restrictions -----

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Grants	\$146,841	\$ 0	\$ 0	\$146,841
Management Fees	0	5,200	0	5,200
Advertising	0	409	0	409
Office Supplies and Expenses	0	869	0	869
Administrative Services	0	2,883	0	2,883
Insurance	0	258	0	258
Professional Fees	0	2,500	0	2,500
Membership Dues and Fees	<u>0</u>	<u>455</u>	<u>0</u>	<u>455</u>
 Total Functional Expenses	 <u>\$146,841</u>	 <u>\$12,574</u>	 <u>\$ 0</u>	 <u>\$159,415</u>

See Accompanying Notes and Independent Auditor's Report

**CLEARFIELD COUNTY CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1: Nature of Activities and Summary of Significant Accounting Policies

a. Nature of Activities

The Clearfield County Charitable Foundation (the Foundation) was established in 2006 to improve the quality of life in the Clearfield, PA region and to promote effective philanthropy. The Foundation accomplishes its purpose by building a permanent endowment for the benefit of the community through the support of its philanthropically minded donors. Funds are contributed by individuals, corporations, and non-profit agencies and support a wide range of organizations that promote the educational, cultural, health, social, and civic development of the region.

b. Basis of Accounting

The Foundation's accounts are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred.

c. Basis of Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) and its *Not-for-Profit Entities* Topic of the Financial Accounting Standards. Under the topic, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions.

Net Assets Without Donor Restrictions include those assets not restricted as to use in any way or only restricted by Board of Director designation. Net Assets With Donor Restrictions are those assets restricted by the donor for a specific period or purpose to be fulfilled at some future time or restricted in use for an indefinite period of time usually taking the form of an endowment or bequeath. These assets are released from their restricted status upon fulfillment of the purpose or time restriction.

d. Income Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the financial statements. The Organization's Federal Return of Organization Exempt from Income Tax returns for the years ended December 31, 2015 and beyond remain subject to examination by the Internal Revenue Service.

e. Contributions and Pledges Receivable

The Foundation has adopted the *Not-for-Profit Entities* Topic of the Financial Accounting Standards. In accordance with the standard's topic, contributions received are recorded as support with donor restrictions or as support without donor restrictions depending on the existence or nature of any donor restrictions.

CLEARFIELD COUNTY CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(CONTINUED)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

e. **Contributions and Pledges Receivable** (Continued)

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of support, revenue, and expenses as "net assets released from restrictions."

f. **Advertising Expenses**

The Foundation expenses advertising costs as incurred. Advertising expense was \$409 for the year ended December 31, 2018.

g. **Change in Accounting Principle**

ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, is effective for fiscal years beginning after December 15, 2017, and is applied retrospectively to all prior periods presented. The ASU, along with other provisions and disclosure requirements, changes the net asset classifications of a not-for-profit entity from the three net asset categories of Unrestricted, Temporarily Restricted and Permanently Restricted to two classes of net assets, Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions and eliminated the distinction between resources with permanent and temporary restrictions. The Standard also requires a not-for-profit to report its investment returns net of external and direct internal investment expenses, to disclose the methods used to allocate costs among program and support expenses, and to disclose quantitative and qualitative information about the liquidity of its assets.

All previously reported *Unrestricted Net Assets* and related activity of the Clearfield County Charitable Foundation have been reclassified to *Net Assets Without Donor Restrictions*.

h. **Natural Expense Classification Allocation Method**

Natural Expenses are allocated using either the Direct Allocation Method or the Indirect Allocation Method for classification purposes. The Direct Allocation Method assigns each expense to a functional expense category (Program Service, Management and General, or Fundraising) based on direct usage whereby the Indirect Allocation Method assigns each expense to a functional category based upon rational and objective methods using financial or nonfinancial data or in proportion to some major natural expense.

Clearfield County Charitable Foundation allocates all of its expenses to functional expense categories using the Direct Allocation Method based on the expenditure's natural purpose. No indirect allocation has been made for any of the expenses recognized in the Statement of Functional Expenses.

CLEARFIELD COUNTY CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(CONTINUED)

Note 2: Investments

Investments purchased by the Foundation are recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation.

Investments are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$5,158,850	\$5,666,990
	<u> </u>	<u> </u>

Investment return consists of the following:

Investment Income		\$109,498
Net Realized Gain on Sales of Investments		<u>27,531</u>
		<u>\$137,029</u>

Note 3: Related Party Transactions

Riverview Bank, successor fiduciary to CBT Bank, serves as the Foundation's Trustee. The Bank charges the Foundation below-market fees designed to cover supplies and accounting and reporting services. The Foundation paid Riverview Bank \$5,200 for these services in 2018. In addition, three bank employees (one non-voting) are also members of the Foundation's Board of Directors. The Foundation does not provide any compensation for serving on the board.

Note 4: Functional Allocations of Expenses

The Foundation's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible and indirect allocation if a single expenditure benefits more than one function. Expenditures that require allocation are allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the expenditure. For the year ended December 31, 2018, all expenses were allocated based on direct identification.

Note 5: Endowment Funds

The Foundation's endowment consists of 44 individual funds established within a specific framework to support various philanthropic programs and needs within the community. The funds include both donor-restricted endowment funds, one fund designated by the board to function as an endowment for operating purposes and donor advised funds. Contributions made to donor-restricted funds are maintained in perpetuity, the income of which is expendable for the donor's intended purpose. Annual distributions are in accordance with the Foundation's investment and spending policy and subject to Pennsylvania law.

CLEARFIELD COUNTY CHARITABLE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(CONTINUED)

Note 5: Endowment Funds (Continued)

Changes in endowment net assets as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets 2018</u>
Endowment Net Assets - December 31, 2017	\$867,505	\$2,792,353	\$3,659,858
Contributions	112,226	1,409,152	1,521,378
Investment Return	29,122	107,907	137,029
Management Fees	(5,200)	0	(5,200)
Amounts Appropriated for Expenditure	(37,469)	(109,372)	(146,841)
Other Changes:			
Distribution from Board-Designated Endowment Pursuant to Distribution Policy	(<u>7,374</u>)	<u>0</u>	(<u>7,374</u>)
Endowment Net Assets - December 31, 2018	<u>\$958,810</u>	<u>\$4,200,040</u>	<u>\$5,158,850</u>

Note 6: Liquidity and Availability of Resources

The Foundation is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. As part of the Foundation's liquidity management, it has an endowment fund specifically designated for paying expenditures as they become due. The fund has \$47,865 of investments available to meet cash needs for general expenditures within one year of the financial statement date.

Note 7: Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 4, 2019, the date the financial statements were available to be issued. No items requiring additional disclosure were noted.