

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

***REPORT ON AUDITED
FINANCIAL STATEMENTS***

***YEARS ENDED
DECEMBER 31, 2018 AND 2017***

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Chautauqua Community Foundation
West Dunkirk, New York

We have audited the accompanying financial statements of **Northern Chautauqua Community Foundation**, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northern Chautauqua Community Foundation** as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted a new accounting pronouncement, Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Jamestown, New York
May 30, 2019

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION**

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<i>As of December 31,</i>	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 77,503	\$ 108,712
Investments	25,210,808	27,377,365
Cash surrender value of life insurance	23,978	22,708
Building, equipment and land, net	65,030	62,850
	\$ 25,377,319	\$ 27,571,635
Liabilities and Net Assets		
Current liabilities		
Grants and accounts payable	\$ 9,465	\$ 14,402
Gift annuities payable	17,141	16,307
Total current liabilities	26,606	30,709
Funds held for agencies	2,105,159	2,284,681
Funds held for pass-through	278,968	261,645
Total liabilities	2,410,733	2,577,035
Net assets without donor restrictions		
Operating	9,580	2,241
Unreserved - fixed assets	65,030	62,850
Board designated - building reserve	25,000	20,000
Community benefit funds	6,267,154	6,953,644
Designated funds	7,691,370	8,148,498
Donor advised funds	1,022,449	1,121,655
Brocton Scholarship funds	92,510	102,335
Dunkirk Scholarship funds	2,301,415	2,535,756
Fredonia Scholarship funds	816,630	859,709
Miscellaneous Scholarship funds	4,064,126	4,529,605
Westfield Scholarship funds	638,236	682,252
Gift annuities	(26,914)	(23,945)
Total net assets without donor restrictions	22,966,586	24,994,600
	\$ 25,377,319	\$ 27,571,635

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

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

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Years ended December 31,	2018	2017
Support and revenue		
Contributions	\$ 574,659	\$ 1,119,456
Unrealized gains (losses)	(2,414,019)	2,703,475
Realized gains (losses)	407,275	(14,198)
Interest and dividends, net	655,667	559,919
Other fund transfers and adjustments	32,228	--
Fundraising revenue	--	1,000
Patron dues and miscellaneous income	21,385	21,441
Change in cash surrender value of life insurance	1,270	740
Change in value of charitable gift annuities	(2,969)	--
Total support and revenue	(724,504)	4,391,833
Expenses		
Program service	1,167,405	1,029,219
Management and general	90,844	93,777
Other fund transfers and adjustments	--	44,694
Fundraising expenses	45,261	47,354
Total expenses	1,303,510	1,215,044
Change in net assets without donor restrictions	(2,028,014)	3,176,789
Net assets without donor restrictions, at beginning of year	24,994,600	21,817,811
Net assets without donor restrictions, at end of year	\$ 22,966,586	\$ 24,994,600

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

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

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Year ended December 31, 2018

	Program Service	Management and General	Fundraising	2018 Total
Grants	\$ 1,002,215	\$ --	\$ --	\$ 1,002,215
Salaries and benefits	117,226	63,081	31,874	212,181
Payroll taxes	10,540	5,672	2,866	19,078
Utilities	2,300	1,237	625	4,162
Conferences and meetings	1,451	781	395	2,627
Office supplies and expenses	6,180	3,326	1,680	11,186
Dues and subscriptions	809	435	221.03	1,465
Telephone	1,306	703	355	2,364
Insurance	2,065	1,111	562	3,738
Travel and promotion	5,927	3,189	1,611	10,727
Computer support	7,919	4,261	2,153	14,333
Professional fees	3,880	2,088	1,055	7,023
Accounting services	1,803	970	491	3,264
Depreciation expense	--	1,954	344	2,298
Building maintenance	1,547	832	421	2,800
Miscellaneous	2,237	1,204	608	4,049
Fundraising	--	--	--	--
Subtotals	1,167,405	90,844	45,261	1,303,510
Transfers	--	--	--	--
Total expenses	\$ 1,167,405	\$ 90,844	\$ 45,261	\$ 1,303,510

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

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

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Year ended December 31, 2017

	Program Service	Management and General	Fundraising	2017 Total
Grants	\$ 858,461	\$ --	\$ --	\$ 858,461
Salaries and benefits	109,999	59,192	29,910	199,101
Payroll taxes	9,922	5,339	2,698	17,959
Utilities	2,209	1,189	601	3,999
Conferences and meetings	2,289	1,232	623	4,144
Office supplies and expenses	6,079	3,271	1,653	11,003
Dues and subscriptions	1,043	561	284	1,888
Telephone	1,903	1,024	518	3,445
Insurance	2,649	1,426	720	4,795
Travel and promotion	4,340	2,336	1,180	7,856
Computer support	7,363	3,962	2,002	13,327
Professional fees	3,782	2,035	1,028	6,845
Accounting services	15,458	8,318	4,203	27,979
Depreciation expense	--	1,890	333	2,223
Building maintenance	1,466	789	398	2,653
Miscellaneous	2,255	1,213	613	4,081
Fundraising	--	--	591	591
Subtotals	1,029,219	93,777	47,354	1,170,350
Transfers	--	--	--	44,694
Total expenses	\$ 1,029,219	\$ 93,777	\$ 47,354	\$ 1,215,044

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

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

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Years ended December 31,	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (2,028,014)	\$ 3,176,789
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized losses (gains) on investments	2,414,019	(2,703,474)
Net realized losses (gains) on investments	(407,275)	14,198
Change in value of split-interest agreement	2,969	--
Change in cash surrender value of life insurance	(1,270)	(741)
Contribution of life insurance policy (non-cash)	--	(548)
Depreciation expense	2,520	2,403
Change in operating assets and liabilities:		
Prepaid expenses	--	2,031
Grants and accounts payable	(4,937)	7,101
Gift annuity payable	834	(2,135)
Funds held for agencies	(179,522)	306,855
Funds held for pass-through	17,323	17,793
Net cash flows (used in) provided by operating activities	(183,353)	820,272
Cash flows from investing activities		
Fixed asset purchases	(4,700)	--
Sale of investments	3,849,412	2,978,507
Purchase of investments	(3,692,568)	(3,780,129)
Net cash provided by (used in) investing activities	152,144	(801,622)
Net change in cash	(31,209)	18,650
Cash and cash equivalents, at beginning of year	108,712	90,062
Cash and cash equivalents, at end of year	\$ 77,503	\$ 108,712

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

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Nature of Operations

Northern Chautauqua Community Foundation (the Foundation) is a publicly supported not-for-profit corporation created in 1986 who serves as a catalyst for the establishment of endowments to benefit the community both now and in the future, promotes local philanthropy, and provides leadership and resources to address local challenges and opportunities. The administration of the Foundation's operations and the approval of its grants are the responsibility of a board of directors. The directors are elected by a plurality of votes cast at the annual meeting of the membership. The Foundation operates primarily in the Northern Chautauqua region and receives and invests gifts from individuals, corporations, foundations, and other not-for-profit organizations. These funds are invested and the income generated thereon is used for the community's charitable needs.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Topic 958, *Not-for-Profit Entities*. Under this topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation does not have any net assets that would be considered net assets with donor restrictions.

Variance Power

Generally accepted accounting principles 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 bylaws of the Foundation include a variance power provision giving the Board of Directors the power to vary the use of funds if the stated purpose of a contribution becomes no longer applicable and therefore, incapable of fulfillment. Based on this provision, all contributions received by the Foundation, except for contributions to Agency Funds and Pass-Through as described in Note 3, are reported as revenues without donor restrictions. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

Fund Accounting

In order to account for assets, liabilities, revenues, and expenditures directly related to certain activities, separate funds are used by the Foundation.

Contributions

Gifts of cash and other assets received are reported as revenue and net assets without donor restrictions, unless subject to time restrictions. All contributions are recorded at fair value when the Foundation becomes aware of them. It is the Foundation's policy to liquidate gifts of stocks and securities as soon as possible. Any gain or loss on liquidation is allocated to the fund that received the donation.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenues and net assets without donor restrictions. They are reported at estimated fair value and capitalized, with depreciation being taken over their estimated useful lives.

Donated Services

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board Topic 958-605, *Not-for-Profit Entities – Revenue Recognition – Contributed Services*, 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 does not recognize any donated services, but many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

Grants

Grants are recorded as expenses of net assets without donor restrictions when approved by the Board of Directors.

Use of Estimates

Management uses estimates and assumptions in preparing 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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NOTE 1 - SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

Net Assets Without Donor Restrictions

Net assets without donor restrictions of the Foundation are segregated based on the type of fund the donor agrees to and are defined below as

Endowed Fund – An endowed fund is expected to last in perpetuity. The Foundation requires an initial deposit of \$5,000 and the fund must have a balance of at least \$5,000 to issue grants.

Non-Endowed Fund – A non-endowed fund is not expected to last in perpetuity and is created with the intent of distributing the entire balance in a short period of time.

Operations/administration – Net assets for the operation/administration of the Foundation.

Reclassifications

Certain reclassifications have been made to the prior year financial statements and related notes in order for them to be in conformity with the current year presentation.

Functional Allocation of Expenses

Expenses consist of costs related to program services, management, administrative functions, and fundraising. On the statement of functional expenses, costs are allocated to the function they benefit.

New Accounting Pronouncement

During the year ended December 31, 2018, the Foundation adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses in investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. A footnote of liquidity (Note 8), changes in net assets (Note 13), and statement of functional expenses has also been added.

The accompanying summarized information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

NOTE 2 – CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash balances at more than one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the years, the balance in these accounts exceeded the Federal Deposit Insurance Corporation limit.

At December 31, 2018, cash and cash equivalents classified as investments totaled \$1,442,084 invested with Lake Shore Savings Bank, Cattaraugus County Bank, and TD Ameritrade. At December 31, 2017, cash and cash equivalents classified as investments totaled \$722,983 invested with Lake Shore Savings Bank, Cattaraugus County Bank, TD Ameritrade and Charles Schwab.

NOTE 3 – FUNDS HELD FOR AGENCIES

The Foundation adopted the Financial Accounting Standards Board Topic 958-605, *Not-for-Profit Entities – Revenue Recognition – Transfers of Assets to Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*. This Topic establishes standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both, to a not-for-profit organization that is specified by the donor. This Topic specifically requires that if the donor is a not-for-profit organization that established a fund at the Foundation using its own funds, and for its own benefit, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency funds.

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance the FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments to be made to the nonprofit organization.

All financial activity related to those agency funds is recorded as adjustments to the funds held for agencies liability on the statements of financial position and is omitted from the statements of activities.

As of December 31, 2018 and 2017, the Foundation was the owner of twenty-three agency funds with a combined value of \$2,105,159 and \$2,284,681, respectively. The Foundation also had fifty-three pass-through funds with a combined value of \$278,968 and \$261,645 as of December 31, 2018 and 2017, respectively.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 – FUNDS HELD FOR AGENCIES (CONTINUED)

The change in the funds held for agencies and pass-through funds consists of the following for the years ended December 31:

	2018	2017
Additions:		
Contributions	\$ 252,747	\$ 247,165
Special fund - fundraising revenues	134,148	135,497
Unrealized gains	--	251,439
Realized gains	37,517	--
Interest and dividends, net	60,400	52,089
Transfer	--	44,694
Total additions	484,812	730,884
Deductions:		
Unrealized losses	222,983	--
Realized losses	--	1,313
Grants	305,821	310,201
Special fund - fundraising expense	56,912	69,462
Administrative expenses	29,067	25,260
Transfer	32,228	--
Total deductions	647,011	406,236
Change in balance	(162,199)	324,648
Balance at beginning of year	2,546,326	2,221,678
Balance at end of year	\$ 2,384,127	\$ 2,546,326

NOTE 4 – BUILDING, EQUIPMENT AND LAND

Building, equipment and land consisted of the following as of December 31:

	2018	2017
Office furniture and equipment	\$ 56,851	\$ 52,151
Building	60,798	60,798
Land	10,000	10,000
Subtotal – cost basis	127,649	122,949
Less: accumulated depreciation	(62,619)	(60,099)
Total, net	\$ 65,030	\$ 62,850

Office furniture and equipment is depreciated using the straight-line method over an estimated life of five years and depreciation totaled \$961 and \$844 for the years ended December 31, 2018 and 2017, respectively. The building is depreciated using the straight-line method over an estimated life of thirty-nine years and depreciation totaled \$1,559 for each of the years ended December 31, 2018 and 2017.

NOTE 5 – INVESTMENTS

Investments are presented in the financial statements in the aggregate at fair market value. Endowment funds were invested as follows at December 31, 2018:

Investment Description	Cost	Market
Lakeshore Savings Bank		
Cash & Cash Equivalents	\$ 50,059	\$ 50,059
Cattaraugus County Bank		
Cash & Cash Equivalents	40,527	40,527
Monroe Capital		
Alternative Investment	500,000	500,000
TD Ameritrade- Courier		
Capital:		
Cash & Cash Equivalents	1,273,995	1,273,995
Exchange Traded Funds	6,069,527	6,274,689
Fixed Income	3,912,259	3,859,362
Mutual Funds	10,828,957	13,212,176
Total	\$ 22,675,324	\$ 25,210,808

Endowment funds were invested as follows at December 31, 2017:

Investment Description	Cost	Market
Lakeshore Savings Bank		
Cash & Cash Equivalents	\$ 49,294	\$ 49,294
Cattaraugus County Bank		
Cash & Cash Equivalents	40,426	40,426
Monroe Capital		
Alternative Investment	500,000	500,000
TD Ameritrade- Courier		
Capital:		
Cash & Cash Equivalents	633,263	633,263
Exchange Traded Funds	5,722,613	6,813,902
Fixed Income	4,148,969	4,188,937
Mutual Funds	11,399,469	15,151,543
Total	\$ 22,494,034	\$ 27,377,365

On September 27, 2017, the Foundation invested \$500,000 with New York Income Partners IV, LLC (NYIP). The alternative investment is a participatory note whereby the Foundation will receive a fixed interest rate of 8%, paid monthly, through December 31, 2021, at which time the principal amount will be paid in full. The Foundation will also receive an additional interest payment equal to 20% of NYIP's adjusted net income. Any net losses experienced by NYIP will be offset against additional interest payments earned in future years. The Foundation will have the ability to extend the note for one additional five year period at the date of maturity. The value of the alternative investment is based on the Foundation's contribution.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – INVESTMENTS (CONTINUED)

Sales of investments including, agency and pass-through funds, resulted in net realized gains (losses) of \$444,792 and (\$15,511) at December 31, 2018 and 2017, respectively. For purposes of determining the gain or loss on a sale, the cost of securities sold is based on the first in first out (FIFO) cost method for mutual funds and the specific identification method for all other investments. The fair values for investments, except for alternative investments, are based primarily on quoted market prices.

Return on investments for Endowment and Agency and Pass-Through Funds is as follows for the years ended:

	2018	2017
Realized gains (losses)	\$ 444,792	\$ (15,511)
Unrealized gains (losses)	(2,637,002)	2,954,913
Interest and dividends, net	716,067	612,008
Return on investment	\$ (1,476,143)	\$ 3,551,410

Netted against return on investments are investment fees in the amount of \$35,051 and \$32,416, for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, there were 15 funds whose combined market value of \$487,823 was below their historical cost value of \$504,469 totaling approximately \$16,646.

As of December 31, 2017, there were no funds whose combined market value was below their historical cost value.

NOTE 6 - GIFT ANNUITIES PAYABLE

A charitable gift annuity is a contract between the Foundation and the Donor. The Foundation agrees to pay the Donor (or other person named by the Donor) a lifetime annuity in return for a gift of cash or securities. The Foundation used fair market value for recognizing assets related to the gift annuities payable in the financial statements. The Foundation has segregated investments in the U.S. Treasury Funds restricted for the payment of the annuities.

This amount met the required investment by New York State Insurance Law. The Foundation had one gift annuity remaining at December 31, 2018 and December 31, 2017.

The following assumptions were made for the gift annuities payable at December 31:

	Discount Rate	Lifetime Expectancy	Amount of the Payable
2018			
Annuity VII	7.50%	6.4	\$ 17,141
	Discount Rate	Lifetime Expectancy	Amount of the Payable
2017			
Annuity VII	6.80%	7.2	\$ 16,307

NOTE 7- ENDOWMENTS

Return Objectives and Risk Parameters

The primary investment objective of the Foundation is to maximize long-term real (after inflation) investment returns recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns. The Foundation has adopted investment 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. Under New York's Prudent Management of Institutional Funds Act (NYPMIFA), adopted by New York State, the Foundation, at its discretion, has the ability to distribute endowment assets below the donor's original dollar value of the gift.

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 objectives shall be accomplished by utilizing a strategy of equities, fixed income and cash equivalents in a mix that is conducive to participation in a rising market while allowing for adequate protection in a falling market.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy complies with the requirements of the NYPMIFA.

A summary of the terms of the spending policy are as follows:

	Effective 1/1/2018	Effective 1/1/2017
Spending percentage:		
Available to spend Maximum	3.50%	3.50%
Administrative fees	1.00%	1.00%
Total	4.50%	4.50%

The Foundation has two scholarship funds that are charged a 2% administrative fee rather than 1%.

Calculation period:

Available to spend	Trailing 20 quarters	Trailing 20 quarters
Administrative fees	Average beginning and ending year to date balances	Average beginning and ending year to date balances

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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NOTE 7- ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

Under the spending policy, distributions are based on the endowments average fair value over the calculation period as described above. This spending strategy reflects the total return approach to investing and disbursing funds as described above. Grant spending is dependent upon the type of fund established (endowed versus non-endowed).

NOTE 8- LIQUIDITY

The Foundation's financial assets available for general use within one year of the balance sheet date consist of cash and cash equivalents which totaled approximately \$35,000 for operating at December 31, 2018. Designated funds received from a donor of approximately \$157,000 during the a prior year were available for operations and grant making purposes. The Foundation also has access to investments related to its board designated endowment and building reserve of approximately \$600,000. Although the Foundation does not intend to spend from these amounts, the assets could be made available if necessary through approval of the Board of Directors. In addition, the Foundation charges administrative fees to each of its funds which are available for the general use of the Foundation. The estimated amount of administrative fees expected to be collected in 2019 and available for general use are approximately \$304,000. Finally, investments are held in an endowment and are not available for general use unless written approval from donors.

NOTE 9 – FEDERAL TAX STATUS

The Foundation is a not-for-profit organization, exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code. Contributions to the Foundation are deductible under section 170(c) of the Code. The Foundation is not a private foundation as described in Section 509(a) of the Code. Income tax returns that remain open for examination by taxing authorities include 2015 and later years.

NOTE 10 – FUND TRANSFER

During the year-ended December 31, 2018, the Foundation transferred approximately \$32,000 from a fund previously categorized as a pass-through fund to create a new endowment. During the year-ended December 31, 2017, the Foundation transferred approximately \$45,000 from a fund previously categorized as an endowment fund to an agency fund.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through May 30, 2019, which is the date the financial statements were available to be issued.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 - FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 of certain financial instruments could result in different fair value measurement at the reporting date. FASB ASC 820-10-50 (formerly SFAS No. 157), Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table below, this hierarchy consists of three broad levels. Level 1 inputs on the hierarchy consist of unadjusted quoted prices in active markets and have the highest priority. Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement, and have the lowest priority. The Foundation uses appropriate valuation techniques based on available inputs to measure the fair value of the Foundation's investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs are not available. As of December 31, the Foundation's investments measured at fair value consisted of the following instruments and classifications within the fair value hierarchy.

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2018
Cash and cash equivalents	\$ 1,442,084	\$ --	\$ --	\$ 1,442,084
Mutual funds	13,212,176	--	--	13,212,176
Exchange Traded Funds	6,274,689	--	--	6,274,689
Fixed Income	3,859,362	--	--	3,859,362
Alternative investment	--	--	500,000	500,000
Cash surrender value of life insurance	--	--	23,978	23,978
Total	\$ 24,788,311	\$ --	\$ 523,978	\$ 25,312,289

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2017
Cash and cash equivalents	\$ 831,695	\$ --	\$ --	\$ 831,694
Mutual funds	15,151,543	--	--	15,151,543
Exchange Traded Funds	6,813,902	--	--	6,813,902
Fixed Income	4,188,937	--	--	4,188,937
Alternative investment	--	--	500,000	500,000
Cash surrender value of life insurance	--	--	22,708	22,708
Total	\$ 26,986,077	\$ --	\$ 522,708	\$ 27,508,785

The alternative investment and life insurance contracts are not actively traded and significant other observable inputs are not available. The fair value of life insurance contracts is equal to the cash surrender value of the insurance contracts. The following table provides further details of the Level 3 fair value measurements.

	Life Insurance Contracts	Alternative Investment
Balance at December 31, 2016	\$ 21,419	\$ --
2017 gains, losses, and dividends, net	741	--
Contributions	548	500,000
Balance at December 31, 2017	22,708	500,000
2018 gains, losses, and dividends, net	1,270	--
Balance at December 31, 2017	\$ 23,978	\$ 500,000

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 – CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS BY FUND CLASSIFICATION

	Balance at 1/1/17	Contributions	Net Investment Return	Grants	General and Administrative Expense	Other Income	Transfers	Balance at 12/31/17
Operating fund	\$ 4,785	\$ 11,734	\$ 111	\$ --	\$ (40,930)	\$21,441	\$ 5,100	\$ 2,241
Undesignated – fixed assets	65,253	--	--	--	(2,403)	--	--	62,850
Board designated – building reserve	15,000	--	--	--	--	--	5,000	20,000
Community benefit funds	6,236,121	244,683	923,197	(384,696)	(65,661)	--	--	6,953,644
Designated funds	6,749,933	576,510	1,036,565	(137,629)	(72,362)	--	(4,519)	8,148,498
Donor advised funds	1,034,161	12,812	148,659	(63,314)	(10,463)	--	(200)	1,121,655
Scholarships	7,736,703	273,717	1,141,404	(272,822)	(119,479)	409	(50,275)	8,709,657
Gift annuities	(24,145)	--	--	--	--	--	200	(23,945)
Total	\$ 21,817,811	\$ 1,119,456	\$3,249,936	\$ (858,461)	\$ (311,298)	\$21,850	\$(44,694)	\$24,994,600

	Balance at 1/1/18	Contributions	Net Investment Return	Grants	General and Administrative Expense	Other Income	Transfers	Balance at 12/31/18
Operating fund	\$ 2,241	\$ 4,250	\$ 109	\$ --	\$ (13,449)	\$21,385	\$ (4,956)	\$ 9,580
Undesignated – fixed assets	62,850	--	--	--	2,180	--	--	65,030
Board designated – building reserve	20,000	--	--	--	--	--	5,000	25,000
Community benefit funds	6,953,644	257,698	(393,656)	(480,094)	(70,313)	--	(125)	6,267,154
Designated funds	8,148,498	208,962	(437,908)	(183,438)	(81,514)	--	36,770	7,691,370
Donor advised funds	1,121,655	2,980	(60,535)	(30,545)	(11,106)	--	--	1,022,449
Scholarships	8,709,657	100,769	(457,817)	(308,138)	(127,093)	--	(4,461)	7,912,917
Gift annuities	(23,945)	--	(2,969)	--	--	--	--	(26,914)
Total	\$ 24,994,600	\$ 574,659	\$(1,352,776)	\$(1,002,215)	\$ (301,295)	\$21,385	\$ 32,228	\$22,966,586

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL MATERIAL

We have audited the financial statements of *Northern Chautauqua Community Foundation* as of and for the years ended December 31, 2018 and 2017 and our report thereon dated May 30 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental material on pages 15-17, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
May 30, 2019**

	Endowments	Agency and Pass-through Funds	2018 Total	2017 Total
Grants	\$ 1,002,215	\$ --	\$ 1,002,215	\$ 858,461
Salaries and benefits	212,181	20,469	232,650	215,257
Payroll taxes	19,078	1,840	20,918	19,416
Utilities	4,162	402	4,564	4,323
Conferences and meetings	2,627	253	2,880	4,480
Office supplies and expenses	11,186	1,079	12,265	11,896
Dues and subscriptions	1,465	141	1,606	2,041
Telephone	2,364	228	2,592	3,725
Insurance	3,738	361	4,099	5,184
Travel and promotion	10,727	1,035	11,762	8,494
Computer support	14,333	1,383	15,716	14,408
Professional fees	7,023	677	7,700	7,400
Accounting services	3,264	315	3,579	30,249
Depreciation expense	2,298	222	2,520	2,403
Building maintenance	2,800	270	3,070	2,869
Special fund - fundraising expense	--	56,912	56,912	70,053
Miscellaneous	4,049	392	4,441	4,413
Total expenses	1,303,510	85,979	1,389,489	1,265,072
Transfers	--	--	--	44,694
Total expenses and transfers	\$ 1,303,510	\$ 85,979	\$ 1,389,489	\$ 1,309,766

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS BY FUND

Year ended December 31, 2018

	Beginning Liabilities and Net Assets at 1/1/18	Contributions	Special Fund - Fundraising Revenues	Interest and Dividends, Net	Realized Gains	Unrealized Losses and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income	Grants	General and Administrative Expenses	Special Fund - Fundraising Expenses	Fund Transfers & Adjustments	Change in Liability	Ending Liabilities and Net Assets at 12/31/18
Liabilities													
Grants payable	\$ 14,402	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (4,937)	\$ 9,465
Gift annuity payable	16,307	--	--	--	--	--	--	--	--	--	--	834	17,141
Funds held for agencies	2,284,681	3,481	--	60,251	37,415	(222,814)	--	(34,869)	(22,986)	--	--	--	2,105,159
Funds held for pass-throughs	261,645	249,266	134,148	149	102	(169)	--	(270,952)	(6,081)	(56,912)	(32,228)	--	278,968
Total Liabilities	2,577,035	252,747	134,148	60,400	37,517	(222,983)	--	(305,821)	(29,067)	(56,912)	(32,228)	(4,103)	2,410,733
Net Assets Without Donor Restrictions													
Operating fund	2,241	4,250	--	109	--	--	21,385	--	(13,449)	--	(4,956)	--	9,580
Undesignated - fixed assets	62,850	--	--	--	--	--	--	--	2,180	--	--	--	65,030
Board designated-building reserve	20,000	--	--	--	--	--	--	--	--	--	5,000	--	25,000
Community benefit funds	6,953,644	257,698	--	188,973	117,405	(700,034)	--	(480,094)	(70,313)	--	(125)	--	6,267,154
Designated funds	8,148,498	208,962	--	210,121	130,364	(778,393)	--	(183,438)	(81,514)	--	36,770	--	7,691,370
Donor advised funds	1,121,655	2,980	--	29,147	18,017	(107,699)	--	(30,545)	(11,106)	--	--	--	1,022,449
Brocton scholarships	102,335	184	--	2,658	1,638	(9,692)	--	(3,600)	(1,013)	--	--	--	92,510
Dunkirk scholarships	2,535,756	25,434	--	65,783	40,759	(239,652)	--	(86,685)	(35,519)	--	(4,461)	--	2,301,415
Fredonia scholarships	859,709	41,973	--	22,858	14,153	(85,524)	--	(27,815)	(8,724)	--	--	--	816,630
Miscellaneous scholarships	4,529,605	13,033	--	118,140	73,831	(426,432)	--	(169,057)	(74,994)	--	--	--	4,064,126
Westfield scholarships	682,252	20,145	--	17,878	11,108	(65,323)	--	(20,981)	(6,843)	--	--	--	638,236
Subtotal	25,018,545	574,659	--	655,667	407,275	(2,412,749)	21,385	(1,002,215)	(301,295)	--	32,228	--	22,993,500
Gift annuities	(23,945)	--	--	--	--	(2,969)	--	--	--	--	--	--	(26,914)
Total Net Assets Without Donor Restrictions	24,994,600	574,659	--	655,667	407,275	(2,415,718)	21,385	(1,002,215)	(301,295)	--	32,228	--	22,966,586
Total Liabilities and Net Assets	\$ 27,571,635	\$ 827,406	\$ 134,148	\$ 716,067	\$ 444,792	\$ (2,638,701)	\$ 21,385	\$ (1,308,036)	\$ (330,362)	\$ (56,912)	\$ --	\$ (4,103)	\$ 25,377,319

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS BY FUND

Year ended December 31, 2017

	Beginning Liabilities and Net Assets at 1/1/17	Contributions	Special Fund - Fundraising Revenues	Interest and Dividends, Net	Realized Losses	Unrealized Gains and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income	Grants	General and Administrative Expenses	Special Fund - Fundraising Expenses	Fund Transfers & Adjustments	Change in Liability	Ending Liabilities and Net Assets at 12/31/17
Liabilities													
Grants payable	\$ 7,301	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,101	\$ 14,402
Gift annuity payable	18,442	--	--	--	--	--	--	--	--	--	--	(2,135)	16,307
Funds held for agencies	1,977,826	45,897	--	50,827	(1,281)	245,342	--	(12,902)	(20,928)	--	(100)	--	2,284,681
Funds held for pass-throughs	243,852	201,268	135,497	1,262	(32)	6,097	--	(297,299)	(4,332)	(69,462)	44,794	--	261,645
Total Liabilities	2,247,421	247,165	135,497	52,089	(1,313)	251,439	--	(310,201)	(25,260)	(69,462)	44,694	4,966	2,577,035
Net Assets Without Donor Restrictions													
Operating fund	4,785	11,734	--	111	--	--	21,441	--	(40,930)	--	5,100	--	2,241
Undesignated - fixed assets	65,253	--	--	--	--	--	--	--	(2,403)	--	--	--	62,850
Board designated-building reserve	15,000	--	--	--	--	--	--	--	--	--	5,000	--	20,000
Community benefit funds	6,236,121	244,683	--	159,014	(3,974)	768,157	--	(384,696)	(65,661)	--	--	--	6,953,644
Designated funds	6,749,933	576,510	--	178,832	(4,548)	862,281	--	(137,629)	(72,362)	--	(4,519)	--	8,148,498
Donor advised funds	1,034,161	12,812	--	25,514	(614)	123,759	--	(63,314)	(10,463)	--	(200)	--	1,121,655
Brocton scholarships	86,345	--	--	2,329	(57)	11,263	--	(3,300)	(956)	--	6,711	--	102,335
Dunkirk scholarships	2,178,080	149,662	--	55,895	(1,448)	270,058	--	(56,160)	(33,054)	--	(27,277)	--	2,535,756
Fredonia scholarships	727,042	7,641	--	19,538	(496)	94,602	--	(29,140)	(8,037)	--	48,559	--	859,709
Miscellaneous scholarships	4,079,038	115,084	1,000	103,213	(2,676)	499,251	--	(165,647)	(71,073)	(591)	(27,994)	--	4,529,605
Westfield scholarships	666,198	1,330	--	15,473	(385)	74,844	--	(18,575)	(6,359)	--	(50,274)	--	682,252
Subtotal	21,841,956	1,119,456	1,000	559,919	(14,198)	2,704,215	21,441	(858,461)	(311,298)	(591)	(44,894)	--	25,018,545
Gift annuities	(24,145)	--	--	--	--	--	--	--	--	--	200	--	(23,945)
Total Net Assets Without Donor Restrictions	21,817,811	1,119,456	1,000	559,919	(14,198)	2,704,215	21,441	(858,461)	(311,298)	(591)	(44,694)	--	24,994,600
Total Liabilities and Net Assets	\$ 24,065,232	\$ 1,366,621	\$ 136,497	\$ 612,008	\$ (15,511)	\$ 2,955,654	\$ 21,441	\$ (1,168,662)	\$ (336,558)	\$ (70,053)	\$ --	\$ 4,966	\$ 27,571,635