

Community Foundation of Utah and Community Trust of Utah

COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Years Ended December 31, 2017 and 2016

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of Utah and Community Trust of Utah

We have audited the accompanying combined financial statements of **Community Foundation of Utah** (a nonprofit organization) and **Community Trust of Utah** (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of **Community Foundation of Utah and Community Trust of Utah** as of December 31, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The 2017 and 2016 supplemental information on pages 23 through 26 is presented for the purpose of additional analysis and is not a required part of the combined financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Larsen & Company PC

Salt Lake City, Utah
October 10, 2018

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Combined Statements of Financial Position
As of December 31, 2017 and 2016

<u>ASSETS</u>	2017	2016
Current assets		
Cash and cash equivalents	\$ 8,889,531	\$ 7,958,348
Restricted cash	-	10,000,000
Accrued interest on notes receivable	84,360	-
Prepays	-	11,500
Promises to give	529,359	4,050,000
Current portion of notes receivable	1,556,780	953,544
Total current assets	11,060,030	22,973,392
Noncurrent assets		
Investments	29,310,084	22,312,142
Financial assets carried at cost	3,388,334	2,898,508
Notes receivable, net of current portion	8,661,641	22,456
Interest in variable life policy	264,058	232,215
Total noncurrent assets	41,624,117	25,465,321
Total assets	\$ 52,684,147	\$ 48,438,713
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable and accrued liabilities	\$ 78,743	\$ 11,538
Income taxes payable	60,396	50,190
Agency funds	265,866	10,241,921
Total current liabilities	405,005	10,303,649
Net assets		
Unrestricted		
Board designated net assets	51,398,377	37,404,402
Board designated as endowment	135,083	114,420
Undesignated net assets	745,682	616,242
Total net assets	52,279,142	38,135,064
Total liabilities and net assets	\$ 52,684,147	\$ 48,438,713

The accompanying notes to the combined financial statements are an integral part of these statements

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Combined Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017	2016
Support and revenue		
Contributions	\$ 24,417,103	\$ 12,965,271
Return on investments, net of investment fees	2,826,172	701,666
Other income	242,044	122,039
Total support and revenue	27,485,319	13,788,976
Expenses		
Community grants awarded	12,592,082	5,789,137
Functional expenses		
Program services	385,909	497,944
Management and general	281,227	226,091
Development	82,023	94,562
Total expenses	13,341,241	6,607,734
Change in unrestricted net assets	14,144,078	7,181,242
Net assets, beginning of year	38,135,064	30,953,822
Net assets, end of year	\$ 52,279,142	\$ 38,135,064

The accompanying notes to the combined financial statements are an integral part of these statements

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Combined Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 14,144,078	\$ 7,181,242
Adjustment to reconcile change in net assets to cash from operating activities		
Unrealized (gains) losses on investments	(1,559,879)	298,276
Realized gains on investments	(601,713)	-
In-kind contribution of financial assets carried at cost	(9,366,666)	-
Contribution of note receivable	(1,280,000)	-
(Increase) decrease in operating assets		
Accounts receivable	-	9,901
Accrued interest on notes receivable	(84,360)	11,243
Related party notes receivable	-	48,141
Prepays	11,500	(11,500)
Promises to give	3,520,641	(4,050,000)
Property and equipment	-	10,476
Other assets	(31,843)	(10,290)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	67,205	(17,804)
Income taxes payable	10,206	50,190
Agency funds	(9,976,055)	10,019,198
Net cash flows from operating activities	(5,146,886)	13,539,073
Cash flows from investing activities		
Issuance of notes receivable	(50,000)	-
Proceeds from sale of financial assets carried at cost	500,000	-
Proceeds from notes receivable	954,245	962,483
Proceeds from sale of investment securities	17,018,552	10,336,643
Cash paid for purchase of investments	(22,344,728)	(19,557,241)
Net cash flows from investing activities	(3,921,931)	(8,258,115)
Increase (decrease) in cash and cash equivalents	(9,068,817)	5,280,958
Cash and cash equivalents, beginning of year	17,958,348	12,677,390
Cash and cash equivalents, end of year	\$ 8,889,531	\$ 17,958,348
Supplemental disclosures		
Interest paid	\$ 3,707	\$ -
Income taxes paid	\$ 48,916	\$ -

The accompanying notes to the combined financial statements are an integral part of these statements

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

The combined financial statements include the accounts of the Community Foundation of Utah (the "Foundation") and The Community Trust of Utah (the "Trust"), which are affiliated by virtue of common control. All intercompany accounts and transactions between the Foundation and Trust (collectively the "Organization") have been eliminated in combination.

The Foundation is a publicly supported, nonprofit public benefit corporation. It received its IRS exemption in March 2008. The Foundation serves as a partner and resource to nonprofits and citizens improving the quality of life in Utah and to those donors who want to give back locally and nationally.

The Foundation's mission is to harness Utah's entrepreneurial spirit in service to the common good. The Foundation helps people gather assets and ideas that will serve the state of Utah. Its vision is to be a catalyst for philanthropy that is visionary, sustainable, and inclusive.

In November of 2017, the Trust was established with the Foundation as grantor and certain members of the Board as trustees. The Trust is a 501(c)(3) organization formed to benefit, perform the functions of, and carry out the charitable purposes of the Foundation.

There was no activity in the Trust during the year ended 2017.

Advised Funds

The Organization offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. These are called donor advised funds and are reported in unrestricted net assets as board designated net assets. Donor advised funds allow donors to recommend grant recipients, subject to the Organization's due diligence and approval. These funds may be advised by an individual, family, or committee of people who desire to pool their contributions toward a common purpose.

Field of interest funds enable donors to identify a broad charitable purpose or category of interest (e.g. women and girls, impact investing, LGBTQ philanthropy, and the environment) and/or geographic area or target population (e.g., Dagget County, The Panoramaland Fund, and People Living with Cancer Fund).

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in Accounting Standards Codification ("ASC") 958, *Financial Statements for Not-for-Profit Organizations*. The ASC requires classification of net assets and contributions based on the existence or absence of donor restrictions as follows:

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Unrestricted - is defined as that portion of net assets that have no use or time restrictions, and for which the governing board has discretionary control. Virtually all gifts to the Organization explicitly grant the Organization variance power to redirect the use of assets. Accordingly most contributions are carried as unrestricted and considered board designated net assets.

Temporarily restricted - is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a future event. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as temporarily restricted until appropriated for use based on the Organization's spending policy. The Organization also receives grants from charitable foundations, corporations, and individuals for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as temporarily restricted until the purpose restrictions are met. When the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets, and reported as net assets released from restrictions.

Permanently restricted - is defined as that portion of net assets consisting of the fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes. The Organization also records contributions to charitable trusts as permanently restricted where the donor has permanently restricted the corpus of the trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents were made up of the following as of year-end:

	2017	2016
Cash on deposit	\$ 1,693,932	\$ 418,979
Money market funds	7,195,599	7,539,369
Total	\$ 8,889,531	\$ 7,958,348

Included in restricted cash at December 31, 2016 was a gift of \$10 million which represents an agency transaction to be distributed to an organization named by the donor.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Promises to Give

Promises to give represent unconditional promises to give to the Organization and are recorded at their fair value at date of gift. Promises due later than one year are considered time restricted and are recorded at the present value of estimated cash flows using imputed discount rates applicable to the year the promise is received. The discount is amortized over the years the promise is paid. The Organization's promises to give are all due within one year and classified with current assets.

Split-interest Agreement and Note Receivable

Until November 1, 2014, the Organization was named as an irrevocable vested beneficiary in one charitable remainder trust ("CRT"). On November 1, 2014, the original donor of the CRT elected to repurchase the CRT's contributed interests from the Organization. The donor agreed to pay \$315,041 which was received in the form of cash during December 2014. In addition, the donor entered into a promissory note agreement in the amount of \$2,835,369. As a result of this transaction, the CRT asset was transferred back to the donor and the net assets related to this transaction were released from temporarily restricted net assets to unrestricted net assets. See Note 5 for additional information.

Fair Value of Financial Instruments

The Organization's financial statements include cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities. The recorded values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The recorded value of the Organization's notes receivable reflects amounts which management believes approximate fair value.

In accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that the Organization believes market participants would use in pricing the asset or liability at the measurement date.

See Note 3 for a description of valuation techniques applied to the major categories of financial instruments measured at fair value.

Financial and Investment Policies

The Organization's financial objective is to provide the greatest level of support for current, as well as future, grant making and administrative needs while maintaining the purchasing power of the Organization's charitable assets over time. Endowment funds are invested with a focus on diversification to help control risk, achieve long-term growth, offset inflationary impact, and allow for distributions and fees.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Endowment Funds

Utah enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in 2007. Accordingly, the Organization reviews all relevant gift instruments and organizing documents to identify funds with donor-imposed restrictions that are subject to the state enacted version of the UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination as to the appropriation of assets for expenditure: 1) the duration and preservation of the fund, 2) the purposes of the Organization and donor-restricted endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and appreciation of investments, 6) other resources of the Organization, and 7) the investment policies of the Organization.

Per the Organization’s Spending Policy the amount available annually for the distribution from the Organization’s endowment fund is set by the Board of Directors and is reviewed annually by the Board under the advice of the Investment Committee. All or a portion of the payout amount may be reinvested. Additionally, endowment funds are charged a fee by the Organization, which is assessed monthly.

Investments

Investments are initially recorded at their acquisition cost if purchased and at estimated fair value on the date of donation if they were received as a contribution. Subsequent to acquisition, all debt and equity securities are valued and reported at their readily determinable fair values. Realized and unrealized gains and losses are included in the statement of activities. Investment purchases and sales are recorded based on their settlement dates.

The Organization has financial assets carried at cost which have been received from donors and are invested in alternative investments. See further information regarding these financial assets in Note 4.

In furtherance of its mission, the Organization may occasionally make investments in companies, below market rate loans, or investment vehicles that the Board has determined provide a social benefit to the community.

Property and Equipment

Acquisitions and donations of property and equipment with a fair value in excess of \$5,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets’ estimated lives or the term of the applicable lease.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Agency Funds

The Organization accepts funds from unrelated nonprofit organizations who desire to have the Organization provide efficient investment management. A liability is recorded at the readily determinable estimated fair values of assets deposited with the Organization by nonprofit organizations.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Temporarily restricted net assets are reclassified to unrestricted net assets when a time restriction ends or a purpose restriction is accomplished. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributions-in-Kind

Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not contributed, are recorded at their estimated fair market value. For the years ended December 31, 2017 and 2016, the Organization recognized a total of \$0 and \$15,030, respectively, of contributions-in-kind. These contributions were made up of advertising, web design, and web hosting services and are included with management and general expenses.

Grant Expense

Grants are recognized when all significant conditions are met, all due diligence has been completed, and they are approved by the staff and the Board or a committee of the Board.

Functional Expense Allocations

Expenses which apply to more than one functional category have been allocated between program, management and general, and development based on the time spent on these functions by specific employees as estimated by management. Indirect expenses are allocated based on the overall number of staff in the various functional categories. All other costs are charged directly to the appropriate functional category.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation and Trust are both organized as Utah nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Foundation and Trust are required to file an annual Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, both are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined there was unrelated business income tax due as of December 31, 2017 and 2016. Taxes due as of December 31, 2017 and 2016, respectively, were **\$60,396** and \$50,190, which included **\$50,454** and \$41,454 of federal taxes, **\$1,326** and \$1,274 of federal underpayment penalty, and **\$8,616** and \$7,462 of state income taxes.

The Organization has adopted the provisions of FASB ASC 74-10-25, *Accounting for Uncertainty in Income Taxes*. ASC 740-10-25 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740-10-25 and in subsequent periods. Management has determined there are no uncertain income tax positions. Tax years that remain subject to examination are 2014 forward.

Concentration of Credit and Market Risk

The Organization maintains its cash balances in bank accounts, which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation ("FDIC"). The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

The Organization also maintains accounts with stock brokerage firms. The accounts contain cash, securities, and other investments. The Organization's investments in securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the combined financial statements.

To address market risk of investments, the Organization maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the investment committee's performances. The Organization has custody agreements with selected banks that process disbursements at the direction of authorized staff.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Concentration of Credit and Market Risk (Continued)

The Organization recognizes there are inherent risks associated with non-publicly traded securities. Risk is managed through rigorous evaluations before an investment is made and regular communication with investment managers. The Organization may also have risk associated with its concentration of investments in certain geographic areas and certain industries.

In addition, concentrations of market and credit risk exist for charitable trusts as well as for cash equivalents. In the regular course of business, the Organization may maintain operating cash balances at various banks in excess of federally insured limits. Management does not believe it is exposed to any significant credit risk on uninsured amounts.

The Organization also had a concentration in notes receivable of which 87% of the balance is due from one company and 12% due from another company as of December 31, 2017. On December 31, 2016, 96% of the balance was due from one entity. Management does not believe it is exposed to any significant credit risk on these balances.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU 2014-09”), an update to FASB ASC 606, *Revenue from Contracts with Customers*. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for periods beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the combined financial statements of the Organization.

In March of 2016, the FASB issued ASU 2016-02, *Leases*, which requires all leases that have a term of more than 12 months to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2019. Management is evaluating the impact of the standard on the Organization’s financial reporting and determining the appropriate time to implement this pronouncement.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

In August of 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The standard establishes the new financial reporting framework for not-for-profit organizations. The update will result in changes to the presentation of the statements of financial position, activities, and cash flows. The new guidance reduces the classification of net assets to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions. It also changes the classification and accounting for underwater endowments. The standard requires enhanced net asset disclosures which include information about the timing, nature of restrictions, and composition of the net assets with donor restrictions. Enhanced disclosures are also required for board designated net assets, which are classified as net assets without donor restrictions.

To improve the transparency and utility of liquidity information provided in not-for-profit financial statements, the standard requires disclosure of quantitative and qualitative liquidity information, including how an entity manages liquidity risk and disclosures about availability of assets to meet cash needs within one year of the balance sheet date.

Changes to the statement of activities includes a requirement to report the total change in net assets and the changes in each of the two new classes of nets assets described above. All nonprofits will be required to present an analysis of expenses by function and by natural classification. This can be done on the face of the statement of activities, in a separate statement, or in the notes to the combined financial statements. The statement of cash flows may continue to be presented using the direct or indirect method. If the direct method is adopted, an organization is no longer required to include the indirect method reconciliation.

The standard is effective for the fiscal years beginning after December 15, 2017. Early adoption is permitted. Management plans to implement the new standard for the 2018 calendar year.

In June of 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of this update is to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The update further clarifies how a not-for-profit organization determines if it is participating in an exchange transaction. The improved guidance could result in more grants and contracts being accounted for as contributions than in current practice. The update is effective for fiscal years beginning after December 15, 2018, with an effective date of fiscal years beginning after June 15, 2018, for an organization that has issued or is a bond obligor for securities that are traded, listed or quoted on an exchange or over-the-counter market. Management is evaluating the impact of the update on the Organization's financial reporting and determining the appropriate time to implement this pronouncement.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

2. INVESTMENTS

Investments consist of the following at December 31, 2017 and 2016:

	2017	2016
Stocks	\$ 1,916,580	\$ 1,691,988
Money market funds	2,825,000	3,671,239
Mutual funds	22,950,592	16,595,186
Bonds	1,609,915	117,821
Other investments	7,997	235,908
Total investments	\$ 29,310,084	\$ 22,312,142

Investment returns consist of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 783,242	\$ 444,010
Net unrealized gains (losses)	1,559,879	(298,276)
Net realized gains	601,713	642,038
Management fees	(118,662)	(86,106)
Total investment income	\$ 2,826,172	\$ 701,666

3. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about the Organization's investment assets measured at fair value on a recurring basis as of December 31, 2017 and 2016. See Note 1 for a discussion of the Organization's policies regarding this fair value hierarchy.

Investment assets measured at fair value on a recurring basis as of December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 1,916,580	\$ -	\$ -	\$ 1,916,580
Money market funds	2,825,000	-	-	2,825,000
Mutual funds	22,950,592	-	-	22,950,592
Bonds	1,609,915	-	-	1,609,915
Other investments	7,997	-	-	7,997
Total	\$ 29,310,084	\$ -	\$ -	\$ 29,310,084

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

3. FAIR VALUE MEASUREMENTS (Continued)

Investment assets measured at fair value on a recurring basis as of December 31, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 1,691,988	\$ -	\$ -	\$ 1,691,988
Money market funds	3,671,239	-	-	3,671,239
Mutual funds	16,595,186	-	-	16,595,186
Bonds	117,821	-	-	117,821
Other investments	235,908	-	-	235,908
Total	<u>\$ 22,312,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,312,142</u>

4. FINANCIAL ASSETS CARRIED AT COST

The Organization manages amounts as directed by certain donors which are invested in alternative investments. These investments do not have a quoted price in an active market, nor do they have readily determinable fair values and are measured at their original cost. Management performed an evaluation on each alternative investment as of December 31, 2017 and 2016, and did not identify any events, changes in circumstances, or objective evidence which indicates that the financial asset is impaired.

The Organization received donations of membership units and common stock from unrelated partnerships and third parties that are accounted for using the cost method.

A summary of the financial assets carried at cost is as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Membership units and common stock	\$ 1,724,137	\$ 1,729,182
Alternative investments	<u>1,664,197</u>	<u>1,169,326</u>
Total financial assets carried at cost	<u>\$ 3,388,334</u>	<u>\$ 2,898,508</u>

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

5. NOTES RECEIVABLE

As discussed in Note 1, the Organization exchanged a split-interest agreement for a note receivable. The note bears interest at an annual rate of .34 of 1% and accrues daily on the outstanding principal balance. The balance will be paid in three equal annual installments of principal along with accrued interest on October 15th of each year. The entire unpaid principal balance, together with accrued interest and any other unpaid charges or fees, was due and payable on the maturity date of October 15, 2017. The balance of this note was **\$0** and \$945,123 as of December 31, 2017 and 2016, respectively.

In 2015, the Organization made a loan to an unrelated party in the amount of \$40,000. The note receivable bears interest at a rate of 0% per annum and requires monthly payments in the amount of \$702. The note matures on August 31, 2020. As of December 31, 2017 and 2016, the balance on this note was **\$21,755** and \$30,878, respectively.

In 2017, the Organization made a loan to an unrelated party in the amount of \$50,000. The note receivable bears interest at a rate of 0% per annum and requires monthly payments in the amount of \$1,042. The note matures on February 6, 2022. As of December 31, 2017, the balance on this note was **\$50,000**.

In 2017, the Organization made a loan to an unrelated party in the amount of \$8,866,666 in exchange for 33 1/3 percent of the class D shares of an unrelated LLC. The note receivable bears interest at a rate of 2.58% per annum and requires annual payments in the amount of \$485,661. The note matures on September 1, 2042. The note is secured by the class D shares noted above. As of December 31, 2017, the balance on this note was **\$8,866,666**.

In 2017, the Organization entered into a promissory note agreement with an unrelated party in the amount of \$1,280,000. The note receivable bears interest at a rate of 3.00% per annum and is collateralized by real property mentioned in the agreement. The agreement specifies that each time one of the properties mentioned is sold, \$80,000 is to be paid to the Organization. The note matures on October 19, 2019. As of December 31, 2017, the balance on this note was **\$1,280,000**.

As of December 31, 2017, future maturities of the notes receivable are as follows:

For the years ended December 31,	
2018	\$ 1,556,780
2019	284,450
2020	287,741
2021	289,803
2022	285,499
Thereafter	<u>7,514,148</u>
Total	<u>\$ 10,218,421</u>

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

6. VARIABLE LIFE POLICY AND OTHER ASSETS

The Organization has been named as a beneficiary of a variable life insurance policy. The policy includes a death benefit in the amount of \$1,250,000 with a non-guaranteed 8% annual return on the death benefit. The future death benefit represents an economic benefit that the Organization does not control, and accordingly, this amount has not been recorded in the accompanying financial statements. The death benefit will remain in force until the death of the donor at which time the Organization will receive the proceeds from the policy. The policy also has a cash surrender accumulated value of **\$264,058** and \$232,215 as of December 31, 2017 and 2016, respectively, which is included in other assets in the accompanying statements of financial position.

7. AGENCY FUNDS HELD BY THE ORGANIZATION

At December 31, 2017 and 2016, the Organization held investment balances of **\$258,079** and \$234,251, respectively, for 17 nonprofit entities; and held **\$7,787** and \$10,007,670 in funds, transferred to the Organization by donors, which are designated for other nonprofit entities.

The assets held for nonprofits are invested in funds that are managed by the Organization on an agency relationship basis. The following summarizes the activity in these funds for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Agency funds		
Nonprofit funds, beginning of the year	\$ 234,251	\$ 222,723
Dividend and interest income, net of fees	4,486	5,101
Realized and unrealized investment returns	<u>19,342</u>	<u>6,427</u>
Nonprofit funds, end of year	258,079	234,251
Contributions designated for other organizations	<u>7,787</u>	<u>10,007,670</u>
Total agency funds	<u>\$ 265,866</u>	<u>\$ 10,241,921</u>

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

8. UNRESTRICTED BOARD DESIGNATED NET ASSETS

A majority of the unrestricted net assets as of December 31, 2017 and 2016 have been designated by the Organization's Board of Directors to be used for specific programs as follows:

	2017	2016
Board-designated net assets		
Donor advised funds	\$ 49,099,818	\$ 35,022,309
Field of interest funds	989,641	1,272,410
Unrestricted endowment	125,174	114,420
Scholarship funds	132,637	213,046
Fiscal sponsorship funds	439,638	311,006
Corporate advised funds	51,472	55,885
Emergency assistance funds	5,793	14,456
Designated funds	554,204	400,870
Total	\$ 51,398,377	\$ 37,404,402

9. BOARD DESIGNATED ENDOWMENT

The Organization is required to provide information about net assets which are designated as an endowment by the Board. The changes in endowment net assets are as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Endowment net assets, January 1	\$ 114,420	\$ 88,650
Contributions	8,303	27,251
Program expense	(2)	(6,832)
Investment income, net of investment fees	3,335	1,998
Unrealized gains on investments	9,027	3,353
Total endowment net assets, December 31	\$ 135,083	\$ 114,420

10. EMPLOYEE BENEFIT PLANS

The Organization sponsors a 403(b)(7) Plan (the "Plan") for eligible employees. All full-time employees of the Organization are eligible to participate in the Plan. The Organization contributes to the Plan up to 3% of compensation. Participants are immediately vested in both their elective deferral, plus actual earnings thereon, and the Organization matching contributions. The Organization has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. The Organization's total 403(b)(7) contributions for the years ended December 31, 2017 and 2016 were **\$7,506** and \$8,181, respectively.

COMMUNITY FOUNDATION OF UTAH AND COMMUNITY TRUST OF UTAH

Notes to the Combined Financial Statements
For the Years Ended December 31, 2017 and 2016

11. COMMITMENTS

Beginning September 15, 2015, the Organization entered into a lease agreement for office space. The lease expires October 1, 2020. Rent expense was **\$31,231** and \$30,322 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments are as follows:

For the years ending December 31,		
2018	\$	32,088
2019		33,051
2020		28,228
Thereafter		-
Total	\$	93,367

12. RELATED PARTY TRANSACTIONS

The members of the Organization's Board of Directors are active in the oversight of fundraising events, activities and providing monetary support. Contributions received from the Board of Directors or from companies with which the Board members are affiliated were approximately **\$1,100** and \$8,400, respectively, for the years ended December 31, 2017 and 2016. Members of the Board also contributed approximately **\$25,525** and \$58,000, respectively, to related donor advised funds for the years ended December 31, 2017 and 2016.

SLCO PFS 1, Inc. (the "SPV") is a Utah-based nonprofit organization operated exclusively for Salt Lake County's Pay for Success program. The SPV received approval to operate as a 501(c)(3) entity on January 22, 2016.

The Organization provides office space and administrative support for the SPV. During the years ended December 31, 2017 and 2016, the SPV paid the Organization a total of **\$40,600** and \$32,214, respectively, for rent and administrative support. As of December 31, 2017 and 2016, there were no amounts due to or due from the SPV.

13. SUBSEQUENT EVENTS

Subsequent events have been considered through the date of the independent auditor's report, which is the date the combined financial statements were available to be issued. No events have occurred subsequent to December 31, 2017, which would have a material effect on the financial condition of the Organization.

SUPPLEMENTAL INFORMATION

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Supplemental Schedule I
Statement of Financial Position by Department
As of December 31, 2017

<u>ASSETS</u>	<u>Community Foundation Administration</u>	<u>Community Foundation Donors</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 782,138	\$ 8,107,393	\$ 8,889,531
Accrued interest on notes receivable	-	84,360	84,360
Promises to give	-	529,359	529,359
Current portion of notes receivable	-	1,556,780	1,556,780
Total current assets	<u>782,138</u>	<u>10,277,892</u>	<u>11,060,030</u>
Noncurrent assets			
Investments	1,114	29,308,970	29,310,084
Financial assets carried at cost	-	3,388,334	3,388,334
Notes receivables, net of current portion	-	8,661,641	8,661,641
Interest in variable life policy	-	264,058	264,058
Total noncurrent assets	<u>1,114</u>	<u>41,623,003</u>	<u>41,624,117</u>
Total assets	<u>\$ 783,252</u>	<u>\$ 51,900,895</u>	<u>\$ 52,684,147</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 15,435	\$ 63,308	\$ 78,743
Income taxes payable	-	60,396	60,396
Agency funds	22,135	243,731	265,866
Total current liabilities	<u>37,570</u>	<u>367,435</u>	<u>405,005</u>
Net assets			
Unrestricted:			
Board designated net assets	-	51,398,377	51,398,377
Board designated as endowment	-	135,083	135,083
Undesignated net assets	745,682	-	745,682
Total net assets	<u>745,682</u>	<u>51,533,460</u>	<u>52,279,142</u>
Total liabilities and net assets	<u>\$ 783,252</u>	<u>\$ 51,900,895</u>	<u>\$ 52,684,147</u>

See independent auditor's report

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Supplemental Schedule II
Statement of Financial Position by Department
As of December 31, 2016

<u>ASSETS</u>	<u>Community Foundation Administration</u>	<u>Community Foundation Donors</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 692,128	\$ 7,266,220	\$ 7,958,348
Restricted cash	-	10,000,000	10,000,000
Prepays	11,500	-	11,500
Promises to give	-	4,050,000	4,050,000
Current portion of notes receivable	-	953,544	953,544
Total current assets	703,628	22,269,764	22,973,392
Noncurrent assets			
Investments	26,574	22,285,568	22,312,142
Financial assets carried at cost	-	2,898,508	2,898,508
Notes receivables, net of current portion	-	22,456	22,456
Interest in variable life policy	-	232,215	232,215
Total noncurrent assets	26,574	25,438,747	25,465,321
Total assets	\$ 730,202	\$ 47,708,511	\$ 48,438,713
 <u>LIABILITIES AND NET ASSETS</u> 			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 11,538	\$ -	\$ 11,538
Income taxes payable	-	50,190	50,190
Agency funds	22,135	10,219,786	10,241,921
Total current liabilities	33,673	10,269,976	10,303,649
Net assets			
Unrestricted:			
Board designated net assets	-	37,404,402	37,404,402
Board designated as endowment	-	114,420	114,420
Undesignated net assets	696,529	(80,287)	616,242
Total net assets	696,529	37,438,535	38,135,064
Total liabilities and net assets	\$ 730,202	\$ 47,708,511	\$ 48,438,713

See independent auditor's report

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Supplemental Schedule III
Statement of Activities by Department
For the Year Ended December 31, 2017

	Community Foundation Administration	Community Foundation Donors	Total
Support and revenue			
Contributions	\$ 126,303	\$ 24,290,800	\$ 24,417,103
Return on investments, net of investment fees	(240)	2,826,412	2,826,172
Other income (expense)	461,690	(219,646)	242,044
Total support and revenue	<u>587,753</u>	<u>26,897,566</u>	<u>27,485,319</u>
Expenses			
Community grants awarded	8,906	12,583,176	12,592,082
Functional expenses			
Program services	255,002	130,907	385,909
Management general	203,664	77,563	281,227
Development	71,028	10,995	82,023
Total expenses	<u>538,600</u>	<u>12,802,641</u>	<u>13,341,241</u>
Change in unrestricted net assets	49,153	14,094,925	14,144,078
Net assets, beginning of year	<u>696,529</u>	<u>37,438,535</u>	<u>38,135,064</u>
Net assets, end of year	<u>\$ 745,682</u>	<u>\$ 51,533,460</u>	<u>\$ 52,279,142</u>

See independent auditor's report

**COMMUNITY FOUNDATION OF UTAH AND COMMUNITY
TRUST OF UTAH**

Supplemental Schedule IV
Statement of Activities by Department
For the Year Ended December 31, 2016

	Community Foundation Administration	Community Foundation Donors	Total
Support and revenue			
Contributions	\$ 154,304	\$ 12,810,967	\$ 12,965,271
Return on investments, net of investment fees	(53,304)	754,970	701,666
Other income (expense)	421,012	(298,973)	122,039
Total support and revenue	522,012	13,266,964	13,788,976
Expenses			
Community grants awarded	39,004	5,750,133	5,789,137
Functional expenses			
Program services	396,947	100,997	497,944
Management general	162,559	63,532	226,091
Development	82,677	11,885	94,562
Total expenses	681,187	5,926,547	6,607,734
Change in unrestricted net assets	(159,176)	7,340,418	7,181,242
Net assets, beginning of year	855,705	30,098,117	30,953,822
Net assets, end of year	\$ 696,529	\$ 37,438,535	\$ 38,135,064

See independent auditor's report