

CAT CARE SOCIETY

Financial Statements

June 30, 2017

(Together with Independent Auditors' Report)



CAT CARE SOCIETY
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cat Care Society
Lakewood, Colorado

We have audited the accompanying financial statements of Cat Care Society which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

To the Board of Directors
Cat Care Society

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cat Care Society as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America

Report on Summarized Comparative Information

Cat Care Society's 2016 financial statements were audited by predecessor auditors, and they expressed an unmodified opinion on those audited financial statements in their report dated January 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bauerle and Company, P.C.
Denver, Colorado

December 11, 2017

CAT CARE SOCIETY

Statement of Financial Position

June 30, 2017

(With Summarized Financial Information as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>Assets</u>		
Cash and cash equivalents	\$ 297,817	\$ 442,275
Accounts receivable	3,804	577
Contributions receivable	77,896	77,787
Prepaid event costs	18,292	-
Inventory	15,990	20,561
Investments	188,056	176,265
Property and equipment, net	1,134,550	1,170,417
Beneficial interest in assets held by Community First Foundation	32,057	29,325
Total Assets	<u>\$ 1,768,462</u>	<u>\$ 1,917,207</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 10,727	\$ 24,438
Accrued payroll liabilities	23,983	14,161
Deferred event revenues	21,740	-
Total Liabilities	<u>56,450</u>	<u>38,599</u>
<u>Net Assets</u>		
Unrestricted:		
Operating	467,509	668,421
Net investment in fixed assets	1,134,550	1,170,417
Total Unrestricted	<u>1,602,059</u>	<u>1,838,838</u>
Temporarily restricted	77,896	10,445
Permanently restricted	32,057	29,325
Total Net Assets	<u>1,712,012</u>	<u>1,878,608</u>
Total Liabilities and Net Assets	<u>\$ 1,768,462</u>	<u>\$ 1,917,207</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statement of Activities Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Contributions and grants	\$ 378,349	\$ 77,896	\$ -	\$ 456,245	\$ 433,863
Bequests	83,287	-	-	83,287	417,536
Program service fees	264,131	-	-	264,131	221,435
Special event income, net of \$28,112 of direct expenses	-	-	-	-	109,408
Product sales, net of \$6,642 and \$6,058 of purchased goods, respectively	17,654	-	-	17,654	4,467
Investment income	10,795	-	3,316	14,111	582
Other	5,983	-	-	5,983	410
Net assets released from restrictions	11,029	(10,445)	(584)	-	-
Total Support and Revenue	<u>771,228</u>	<u>67,451</u>	<u>2,732</u>	<u>841,411</u>	<u>1,187,701</u>
Expenses					
Program Services:					
Shelter/adoption/education	371,596	-	-	371,596	357,556
Veterinary/clinic	389,162	-	-	389,162	268,277
Total Program Services	<u>760,758</u>	<u>-</u>	<u>-</u>	<u>760,758</u>	<u>625,833</u>
Supporting Services:					
Management and general	136,779	-	-	136,779	157,419
Fundraising	110,470	-	-	110,470	109,417
Total Supporting Services	<u>247,249</u>	<u>-</u>	<u>-</u>	<u>247,249</u>	<u>266,836</u>
Total Expenses	<u>1,008,007</u>	<u>-</u>	<u>-</u>	<u>1,008,007</u>	<u>892,669</u>
Change in Net Assets	(236,779)	67,451	2,732	(166,596)	295,032
NET ASSETS, Beginning of Year	<u>1,838,838</u>	<u>10,445</u>	<u>29,325</u>	<u>1,878,608</u>	<u>1,583,576</u>
NET ASSETS, End of Year	<u>\$ 1,602,059</u>	<u>\$ 77,896</u>	<u>\$ 32,057</u>	<u>\$ 1,712,012</u>	<u>\$ 1,878,608</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statement of Functional Expenses Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	Program Services			Supporting Services		Total Year Ended June 30, 2017	Total Year Ended June 30, 2016
	Shelter/ Adoption/ Education	Veterinary/ Clinic	Total Program	Management and General	Fund- Raising		
Salaries	\$ 256,584	\$ 189,650	\$ 446,234	\$ 89,247	\$ 22,312	\$ 557,793	\$ 471,554
Employee benefits	19,619	14,501	34,120	6,824	1,706	42,650	34,328
Payroll taxes	12,230	9,040	21,270	4,254	1,064	26,588	16,439
Total salaries and related expenses	288,433	213,191	501,624	100,325	25,082	627,031	522,321
Veterinary services and medication	33,576	64,326	97,902	-	-	97,902	67,162
Contract and professional fees	5,847	54,678	60,525	5,143	4,965	70,633	100,975
Fundraising expenses	-	-	-	-	27,164	27,164	20,397
Utilities	9,392	9,531	18,923	2,709	2,678	24,310	23,949
Supplies	8,128	11,260	19,388	1,379	565	21,332	20,373
Repairs and maintenance	4,760	7,512	12,272	2,756	792	15,820	18,612
Publications	-	-	-	-	15,755	15,755	16,101
Bank fees	1,572	6,492	8,064	97	2,950	11,111	8,140
Telephone and internet	2,382	2,382	4,764	2,381	2,294	9,439	8,397
Equipment and software	1,745	730	2,475	2,966	3,272	8,713	7,532
Dues and subscriptions	75	1,004	1,079	3,395	4,146	8,620	5,536
Insurance expense	1,590	1,590	3,180	1,590	1,590	6,360	6,308
Advertising	743	2,965	3,708	639	1,686	6,033	4,322
Postage	486	688	1,174	526	1,160	2,860	3,501
Miscellaneous	-	-	-	33	2,500	2,533	1,681
Conferences	-	-	-	-	1,031	1,031	699
Volunteer	177	177	354	177	177	708	6,058
Education and training	159	159	318	159	159	636	1,459
Taxes and license fees	54	-	54	27	27	108	2,890
	359,119	376,685	735,804	124,302	97,993	958,099	846,413
Depreciation	12,477	12,477	24,954	12,477	12,477	49,908	46,256
Total Expenses	<u>\$ 371,596</u>	<u>\$ 389,162</u>	<u>\$ 760,758</u>	<u>\$ 136,779</u>	<u>\$ 110,470</u>	<u>\$ 1,008,007</u>	<u>\$ 892,669</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statement of Cash Flows Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017	2016
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (166,596)	\$ 295,032
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	49,908	46,256
Gain on property insurance settlement	(5,373)	-
Investment income	(10,795)	(1,234)
Net (increase) decrease in value of beneficial interest in assets held by Community First Foundation	(3,316)	652
(Increase) decrease in:		
Accounts receivable	(3,227)	1,773
Contributions receivable	(109)	(77,787)
Prepaid event costs	(18,292)	-
Inventory	4,571	(6,565)
Increase (decrease) in:		
Accounts payable	(13,711)	5,867
Accrued payroll liabilities	9,822	(16,463)
Deferred event revenues	21,740	-
Net Cash Provided by (Used in) Operating Activities	(135,378)	247,531
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(31,444)	(19,438)
Proceeds from property insurance settlement	22,776	-
Purchase of investments	(996)	(97,557)
Distributions from Community First Foundation	584	600
Net Cash Provided by (Used in) Investing Activities	(9,080)	(116,395)
<u>Net Change in Cash and Cash Equivalents</u>	(144,458)	131,136
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	442,275	311,139
<u>CASH AND CASH EQUIVALENTS, end of year</u>	\$ 297,817	\$ 442,275

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of the Organization

Cat Care Society (the "Organization") is located in Lakewood, Colorado, and was incorporated in 1981 as a nonprofit corporation under the laws of the State of Colorado. The Organization was established in order to improve the quality of life for homeless, injured and abused cats in the Denver metropolitan area. The Organization operates a cage-free shelter, sponsors educational programs to promote public awareness, and actively seeks qualified homes for the cats it receives.

The Organization also operates a full-service Cat Clinic that provides routine medical examinations, diagnostics, dentistry, vaccinations, spay/neuter services, and general surgery.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted Net Assets - Accounts for all unrestricted resources over which the Board of Directors has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws. The principal sources of unrestricted resources are contributions and grants, program-related revenues, and investment income. Decreases in unrestricted resources generally result from expenses incurred for program and supporting services conducted by the Organization.

Temporarily Restricted Net Assets - Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. Items which increase this net asset category are contributions and grants or other similar sources for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets - Accounts for those resources subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contributions to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes*, which requires the Organization to determine whether a tax position (and related tax benefit) is more-likely-than-not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements and related disclosures.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, receivables, accounts payable, and accrued liabilities. The carrying value of cash and cash equivalents, receivables, accounts payable, and accrued liabilities are considered to be representative of their fair market value, due to the short maturity of these instruments.

The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Organization's cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the entities from which the amounts are due.

The Organization received over 60% of its revenues from public support during the year ended June 30, 2017. A significant reduction in the level of such support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization's investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities.

Accounts Receivable and Allowance for Bad Debts

Accounts receivable consist primarily of amounts due from individuals for clinic services.

Management expects to collect all outstanding accounts receivable. Accordingly, no allowance for bad debts is required. If accounts become uncollectible, they are charged to operations when that determination is made.

Contributions Receivable

The Organization records as contributions receivable unconditional promises to give. These unconditional promises represent written or oral agreements to contribute cash or other assets to the Organization. At June 30, 2017, management has deemed all contributions receivable to be fully collectible; accordingly, no allowance has been recorded.

Inventory

Inventory consists of items held for resale in the shelter and medications, food, and supplies used in the clinic to treat cats. Items for sale include toys, beds, clothing, furniture, liter and other similar items used for cat care. Inventory is stated at the lower of cost or net realizable market value.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-40 years
Furniture and equipment	5-7 years
Clinic equipment	5-7 years
Website	5 years

All assets with a useful life of more than 1 year and a cost of more than \$500 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

1. Organization and Summary of Significant Accounting Policies (continued)

Deferred Event Revenues

Deferred event revenues primarily represent fundraising event income collected before the end of the current fiscal year for the following fiscal year.

Program Service Fees

The Organization receives revenues from adoptions, shelter and clinic services, and product sales. Revenues are recognized when the services are performed or at the point of sale.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Revenues and support that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted revenues and support are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

Donated goods are reflected as contributions in the financial statements at their estimated fair values at the date of donation. Contributions of services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Many individuals volunteer their time and perform a variety of tasks for the Organization. No amounts have been reflected in the financial statements for these donated services because they do not meet the criteria for recognition.

Investment Expenses

Investment expenses relating to funds held by Community First Foundation amounted to \$305 for the year ended June 30, 2017, and have been included with the investment income figure appearing in the accompanying Statement of Activities.

Advertising and Promotion

Advertising and promotion costs totaled \$6,033 for the year ended June 30, 2017. Advertising and promotion costs are expensed as incurred.

Reclassification

Certain amounts in the 2016 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2017 financial statements. These reclassifications had no effect on the change in net assets previously reported.

1. Organization and Summary of Significant Accounting Policies (continued)

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on December 11, 2017, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncement

In August 2016, the FASB issue ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

2. Contributions Receivable

The Organization has received a multi-year commitment from an estate. Management believes present value calculations are immaterial to the financial statements. Total contributions receivable are to be received as follows:

<u>Year Ended June 30,</u>	<u>Estate Receivable</u>	<u>Other Donors</u>	<u>Total</u>
2018	\$ 10,037	\$ 12,656	\$ 22,693
2019	10,037	-	10,037
2020	10,037	-	10,037
2021	10,037	-	10,037
2022	10,037	-	10,037
Thereafter	<u>15,055</u>	<u>-</u>	<u>15,055</u>
Total	<u>\$ 65,240</u>	<u>\$ 12,656</u>	<u>\$ 77,896</u>

CAT CARE SOCIETY
Notes to Financial Statements
June 30, 2017

3. Inventory

At June 30, 2017, inventory held for sale to the public consist of the following:

	<u>Amount</u>
Clinic medication	\$ 8,161
Meow Mart merchandise	5,950
Clinic food	1,436
Clinic supplies	<u>443</u>
Total	<u>\$ 15,990</u>

4. Beneficial Interest in Assets held by Community First Foundation

The Organization has entered into an endowment fund agreement with Community First Foundation (Note 9). The Foundation commingles these funds with the funds of other entities for investment in order to achieve beneficial economies of scale and provide cost-effective access to professional investment management. As of December 31, 2016, the fair value of the assets held by the Foundation totaled \$32,057.

5. Investments

At June 30, 2017, investments consist of the following:

	<u>Amount</u>
Money market accounts	\$ 32
Mutual funds	107,983
Certificates of deposit	75,697
Equities	<u>4,344</u>
Total Investments	<u>\$ 188,056</u>

Unrestricted investment income consists of the following for the year ended June 30, 2017:

Interest and dividends	\$ 625
Realized and unrealized gains on investments, net	11,531
Management fees	<u>(1,361)</u>
Total Investment Income	<u>\$ 10,795</u>

CAT CARE SOCIETY
Notes to Financial Statements
June 30, 2017

6. Property and Equipment

Property and equipment consist of the following at June 30, 2017:

<u>Description</u>	<u>Amount</u>
Land	\$ 100,000
Buildings and improvements	1,561,815
Furniture and equipment	75,904
Clinic equipment	67,046
Website	<u>5,800</u>
	1,810,565
Less accumulated depreciation	<u>(676,015)</u>
Net property and equipment	<u>\$ 1,134,550</u>

7. Line-of-Credit

The Organization has a \$150,000 line-of-credit established at Bank of the West with an interest rate of prime plus 0.25% (4.25% at June 30, 2017). No amounts are outstanding on the line-of-credit at June 30, 2017. The line-of-credit renews annually. The Organization is required to hold a certificate of deposit as collateral for this line-of-credit. As of June 30, 2017, the balance of the certificate of deposit is \$75,697.

The Organization also has overdraft protection of \$10,000 with an annual percentage rate of 15.25%. No amounts are outstanding on the overdraft line at June 30, 2017.

8. Net Assets

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2017:

	<u>Amount</u>
Contributions receivable	\$ <u>77,896</u>
Total Temporarily Restricted Net Assets	<u>\$ 77,896</u>

Net assets totaling \$11,029 were released from restrictions for the year ending June 30, 2017, as a result of the Organization incurring expenditures satisfying the related restricted purpose.

9. Endowments

The Organization endowment consists of funds held by Community First Foundation (CFF). The fund was established for the general operating needs of the Organization.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Colorado’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) to allow, subject to the specific intent of a donor expressed in the gift instrument, for the appropriation or accumulation of so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment is “under water” (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and the Organization is not required to utilize other Organization resources to bring the value of the endowment fund up to HDV.

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

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

The following are the changes in the endowment net assets for the year ended June 30, 2017:

	Permanently <u>Restricted</u>
Balance, June 30, 2016	\$ 29,325
Investment income	3,621
Investment management fees	(305)
Appropriation of endowment assets for expenditures	<u>(584)</u>
Balance, June 30, 2017	<u>\$ 32,057</u>

9. Endowments (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2017, there was no such deficiency.

Spending Policy

Disbursements from the endowment are determined by a spending policy established by the Board of Trustees. The spending policy will be reviewed at least annually by the Board. The current spending policy calls for disbursements of up to 2% of the average market value of the fund calculated over the three preceding fiscal years.

Investment Return Objectives

The Organization follows the investment and spending policies adopted by Community First Foundation 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on the Community First Foundation's investment policies and strategies.

10. Fair Value Measurements

The Organization has adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC, which among other things, requires enhanced disclosures about investments that are reported at fair value. The standard establishes a hierarchal framework that prioritizes the inputs used in measuring assets and liabilities at fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

10. Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and equities: Fair value based on quoted price in an active market.

Beneficial interest in assets held by Community First Foundation: Valued as reported by the organization holding the funds.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position at fair value on a recurring basis and the level within the FASB ASC fair value hierarchy in which the fair value measurements fall at June 30, 2017. There have been no changes in the methodologies used at June 30, 2017.

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community First Foundation	\$ -	\$ -	\$ 32,057	\$ 32,057
Mutual funds	107,983	-	-	107,983
Certificate of deposit	75,697	-	-	75,697
Equities	4,344	-	-	4,344
Money market accounts	<u>32</u>	<u>-</u>	<u>-</u>	<u>32</u>
	<u>\$ 188,056</u>	<u>\$ -</u>	<u>\$ 32,057</u>	<u>\$ 220,113</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the year ended June 30, 2017:

	Community First Foundation
Balance as of June 30, 2016	\$ 29,325
Investment income	3,621
Investment management fees	(305)
Disbursements	<u>(584)</u>
Balance as of June 30, 2017	<u>\$ 32,057</u>

11. Operating Lease

The Organization leases office equipment under an operating lease expiring in September 2021. Future minimum lease payments under this operating lease are as follows:

Year Ending June 31:		
2018	\$	2,750
2019		2,750
2020		2,750
2021		<u>690</u>
Total	\$	<u>8,940</u>

Rent expense under all operating leases totaled approximately \$2,800 for the year ended June 30, 2017.