CAT CARE SOCIETY

Financial Statements

June 30, 2018

(Together with Independent Auditors' Report)

WIPFLi LLP
CPAs and Consultants

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WIPFLi LLP

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, 2018, 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; 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. 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 Cat Care Society as of June 30, 2018, 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.

Report on Summarized Comparative Information

Cat Care Society's June 30, 2017 financial statements were audited by Bauerle and Company, P.C, who merged with Wipfli LLP as of February 1, 2018, and whose report dated December 11, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

October 15, 2018

CAT CARE SOCIETY

Statements of Financial Position
June 30, 2018
(With Summarized Financial Information as of June 30, 2017)

ASSETS

	2018	2017
Assets		
Cash and cash equivalents	$ 513,339	$ 297,817
Accounts receivable	593	3,804
Contributions receivable	66,473	77,896
Prepaid event costs	-	18,292
Inventory	17,921	15,990
Investments	465,675	188,056
Property and equipment, net	1,180,006	1,134,550
Beneficial interest in assets held by Community First Foundation	33,118	32,057
Total Assets	$ 2,277,125	$ 1,768,462

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities		
Accounts payable	$ 13,287	$ 10,727
Accrued payroll liabilities	24,213	23,983
Deferred event revenues	-	21,740
Total Liabilities	37,500	56,450
Net Assets		
Unrestricted:		
Operating	960,028	467,509
Net investment in fixed assets	1,180,006	1,134,550
Total Unrestricted	2,140,034	1,602,059
Temporarily restricted	69,591	79,953
Permanently restricted	30,000	30,000
Total Net Assets	2,239,625	1,712,012
Total Liabilities and Net Assets	$ 2,277,125	$ 1,768,462

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

CAT CARE SOCIETY

Statements of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017
Support and Revenue					
Contributions and grants	$ 403,485	$ 11,269	$ -	$ 414,754	$ 456,245
Bequests	781,502	-	-	781,502	83,287
Program service fees	195,776	-	-	195,776	264,131
Special event income, net of $46,051 of direct expenses	96,146	-	-	96,146	-
Product sales, net of $6,150 and $6,642 of purchased goods, respectively	11,973	-	-	11,973	17,654
Property insurance settlement	58,710	-	-	58,710	5,373
Investment income	7,504	1,649	-	9,153	14,111
Other	1,230	-	-	1,230	610
Net assets released from restrictions	23,280	(23,280)	-	-	-
Total Support and Revenue	1,579,606	(10,362)	-	1,569,244	841,411
Expenses					
Program Services:					
Shelter/adoption/education	424,874	-	-	424,874	371,596
Veterinary/clinic	399,196	-	-	399,196	389,162
Total Program Services	824,070	-	-	824,070	760,758
Supporting Services:					
Management and general	115,036	-	-	115,036	136,779
Fundraising	102,525	-	-	102,525	110,470
Total Supporting Services	217,561	-	-	217,561	247,249
Total Expenses	1,041,631	-	-	1,041,631	1,008,007
Change in Net Assets	537,975	(10,362)	-	527,613	(166,596)
NET ASSETS, Beginning of Year	1,602,059	79,953	30,000	1,712,012	1,878,608
NET ASSETS, End of Year	$ 2,140,034	$ 69,591	$ 30,000	$ 2,239,625	$ 1,712,012

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

CAT CARE SOCIETY

Statements of Functional Expenses
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Program Services			Supporting Services		Total	Total
	Shelter/ Adoption/ Education	Veterinary/ Clinic	Total Program	Management and General	Fund-Raising	Year Ended June 30, 2018	Year Ended June 30, 2017
Salaries	$ 292,156	$ 212,316	$ 504,472	$ 72,229	$ 28,842	$ 605,543	$ 557,793
Employee benefits	14,069	10,225	24,294	3,478	1,389	29,161	26,588
Payroll taxes	21,987	15,980	37,967	5,436	2,171	45,574	42,650
Total salaries and related expenses	328,212	238,521	566,733	81,143	32,402	680,278	627,031
Veterinary services and medication	38,846	61,224	100,070	-	-	100,070	97,902
Contract and professional fees	6,522	38,625	45,147	6,419	5,349	56,915	70,633
Utilities	10,479	10,479	20,958	2,212	2,212	25,382	24,310
Supplies	11,513	11,076	22,589	1,335	676	24,600	21,332
Repairs and maintenance	5,932	7,858	13,790	3,306	1,735	18,831	15,820
Bank fees	1,753	7,404	9,157	220	4,259	13,636	11,111
Fundraising expenses	-	-	-	-	13,173	13,173	27,164
Publications	-	-	-	-	12,156	12,156	15,755
Dues and subscriptions	75	4,038	4,113	275	4,765	9,153	8,620
Equipment and software	3,121	1,303	4,424	1,364	3,306	9,094	8,713
Telephone and internet	2,383	2,143	4,526	2,115	2,115	8,756	9,439
Insurance expense	1,643	1,643	3,286	1,644	1,644	6,574	6,360
Miscellaneous	-	339	339	1,365	2,000	3,704	2,533
Advertising	500	600	1,100	117	1,260	2,477	6,033
Postage	318	666	984	311	793	2,088	2,860
Volunteer	510	510	1,020	510	510	2,040	708
Conferences	-	-	-	-	1,470	1,470	1,031
Education and training	157	157	314	156	156	626	636
Taxes and license fees	387	87	474	21	21	516	108
	412,351	386,673	799,024	102,513	90,002	991,539	958,099
Depreciation	12,523	12,523	25,046	12,523	12,523	50,092	49,908
Total Expenses	$ 424,874	$ 399,196	$ 824,070	$ 115,036	$ 102,525	$ 1,041,631	$ 1,008,007

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

CAT CARE SOCIETY

Statements of Cash Flows
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	$ 527,613	$ (166,596)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	50,092	49,908
Property insurance settlement	(58,710)	(5,373)
Investment income	(7,504)	(10,795)
Net (increase) in value of beneficial interest in assets held by Community First Foundation	(1,649)	(3,316)
(Increase) decrease in:		
Accounts receivable	3,211	(3,227)
Contributions receivable	11,423	(109)
Prepaid event costs	18,292	(18,292)
Inventory	(1,931)	4,571
Increase (decrease) in:		
Accounts payable	2,560	(13,711)
Accrued payroll liabilities	230	9,822
Deferred event revenues	(21,740)	21,740
Net Cash Provided by (Used in) Operating Activities	521,887	(135,378)
Cash Flows From Investing Activities		
Purchase of property and equipment	(95,548)	(31,444)
Proceeds from property insurance settlement	58,710	22,776
Purchase of investments	(276,065)	(996)
Proceeds from sale of investments	5,950	-
Distributions from Community First Foundation	588	584
Net Cash (Used in) Investing Activities	(306,365)	(9,080)
Net Change in Cash and Cash Equivalents	215,522	(144,458)
CASH AND CASH EQUIVALENTS, beginning of year	297,817	442,275
CASH AND CASH EQUIVALENTS, end of year	$ 513,339	$ 297,817

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 and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements include statements 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 statements 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 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 statements 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 75% and 60% of its revenues from public support during the years ended June 30, 2018 and 2017, respectively. 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 statements 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 statements of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements 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, 2018 and 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, litter 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 statements 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 $332 and $305, for the years ended June 30, 2018 and 2017, respectively, and have been included with the investment income figure appearing in the accompanying Statements of Activities.

Advertising and Promotion
Advertising and promotion costs totaled $2,477 and $6,033, for the years ended June 30, 2018 and 2017, respectively. Advertising and promotion costs are expensed as incurred.

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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, 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 October 15, 2018, and this is the date through which subsequent events were evaluated.

New Accounting Pronouncements

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.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its 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:

Year Ended June 30,	Estate Receivable	Other Donors	Total
2019	$ 10,037	$ 11,270	$ 21,307
2020	10,037	-	10,037
2021	10,037	-	10,037
2022	10,037	-	10,037
2023	10,037	-	10,037
Thereafter	5,018	-	5,018
Total – June 30, 2018	$ 55,203	$ 11,270	$ 66,473
Total – June 30, 2017	$ 65,240	$ 12,656	$ 77,896

3. Inventory

At June 30, 2018 and 2017, inventory held for sale to the public consists of the following:

	2018	2017
Clinic medication	$ 9,454	$ 8,161
Meow Mart merchandise	5,937	5,950
Clinic food	1,957	1,436
Clinic supplies	573	443
Total	$ 17,921	$ 15,990

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 June 30, 2018 and 2017, the fair value of the assets held by the Foundation totaled $33,118 and $32,057, respectively.

5. Investments

At June 30, 2018 and 2017, investments consist of the following:

	2018	2017
Money market accounts	$ 4,205	$ 32
Mutual funds	379,215	107,983
Certificates of deposit	75,737	75,697
Equities	6,518	4,344
Total Investments	$ 465,675	$ 188,056

Unrestricted investment income consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	$ 511	$ 625
Realized and unrealized gains on investments, net	8,873	11,531
Management fees	(1,880)	(1,361)
Total Investment Income	$ 7,504	$ 10,795

6. Property and Equipment

Property and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 100,000	$ 100,000
Buildings and improvements	1,644,323	1,561,815
Furniture and equipment	76,489	75,904
Clinic equipment	79,502	67,046
Website	5,800	5,800
	1,906,114	1,810,565
Less accumulated depreciation	(726,108)	(676,015)
Net property and equipment	$ 1,180,006	$ 1,134,550

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% (5.25% at June 30, 2018). There were no amounts outstanding on the line-of-credit at June 30, 2018 and 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, 2018 and 2017, the balance of the certificate of deposit is $75,737 and $75,697, respectively.

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, 2018 and 2017.

8. Net Assets

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2018 and 2017:

	2018	2017
Contributions receivable	$ 66,473	$ 77,896
Accumulated endowment earnings	3,118	2,057
Total Temporarily Restricted Net Assets	$ 69,591	$ 79,953

Net assets totaling $23,280 and $10,445, were released from restrictions for the years ending June 30, 2018 and 2017, respectively, 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.

9. Endowments (continued)

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 years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Balance, June 30, 2016	$ (675)	$ -	$ 30,000
Investment income	675	2,946	-
Investment management fees	-	(305)	-
Appropriation of endowment assets for expenditures	-	(584)	-
Balance, June 30, 2017	-	2,057	30,000
Investment income	-	1,981	-
Investment management fees	-	(332)	-
Appropriation of endowment assets for expenditures	-	(588)	-
Balance, June 30, 2018	$ -	$ 3,118	$ 30,000

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, 2018 and 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.

9. Endowments (continued)

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.

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

Money market funds: Valued measured using $1 as the net asset value.

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

Certificates of deposit: Valued using quotes from published market data and other observable market information.

Beneficial interest in assets held by Community First Foundation: Valued as reported by the organization holding the funds, based on the fair value of the underlying assets consisting mainly of equities and fixed income securities which were based on quoted market prices.

The carrying amount reported in the Statements 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.

10. Fair Value Measurements (continued)

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 statements of financial position.

The following table presents the fair value measurements of assets recognized in the accompanying statements 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, 2018 and 2017.

June 30, 2018	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community First Foundation	$ -	$ -	$ 33,118	$ 33,118
Mutual funds	379,215	-	-	379,215
Certificate of deposit	-	75,737	-	75,737
Equities	6,518	-	-	6,518
Money market accounts	4,205	-	-	4,205
	$ 389,938	$ 75,737	$ 33,118	$ 498,793

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	32	-	-	32
	$ 112,359	$ 75,697	$ 32,057	$ 220,113

10. Fair Value Measurements (continued)

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the years ended June 30, 2018 and 2017:

	Community First Foundation
Balance as of June 30, 2016	$ 29,325
Investment income	3,621
Investment management fees	(305)
Disbursements	(584)
Balance as of June 30, 2017	32,057
Investment income	1,981
Investment management fees	(332)
Disbursements	(588)
Balance as of June 30, 2018	$ 33,118

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 30:	
2019	$ 2,750
2020	2,750
2021	690
Total	$ 6,190

Rent expense under all operating leases totaled approximately $2,800 and $2,800, for the years ended June 30, 2018 and 2017, respectively.