

NEVADA COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 and 2017



HOULDSWORTH, RUSSO & COMPANY

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NEVADA COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS
JUNE 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Community Foundation, Inc. and
Supporting Organizations
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of Nevada Community Foundation, Inc. (a Nevada nonprofit corporation) and Supporting Organizations (collectively, "the Foundation"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nevada Community Foundation, Inc. and Supporting Organizations as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Holdsworth, Russo & Company, P.C.

Las Vegas, Nevada
October 5, 2018

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	\$ 807,732	\$ 396,997
Cash held by Greater Horizons	3,041,204	4,109,178
Investments	26,454,523	18,073,429
Investments held by Greater Horizons	119,149,116	114,203,380
Prepaid income taxes	76,533	210,139
Other current assets	196,711	207,510
	149,725,819	137,200,633
 Other assets		
Investments, long-term, held by Greater Horizons	756,565	756,565
Split-interest agreements	1,625,035	1,572,657
Furniture and equipment, net of accumulated depreciation of \$78,419 and \$68,158	19,272	16,596
Other assets	7,789	4,806,003
	2,408,661	7,151,821
	\$ 152,134,480	\$ 144,352,454

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 30,215	\$ 21,059
Grants payable, current portion	201,845	417,359
Accrued expenses	77,520	55,702
Agency obligations	2,603,196	2,501,637
Deferred tax liability	6,012,500	6,498,940
	8,925,276	9,494,697
 Long-term liabilities		
Grants payable, net of current portion and discount	122,058	64,509
Split-interest liability	42,373	39,092
	164,431	103,601
 Total liabilities	9,089,707	9,598,298
 Net assets		
Unrestricted		
Unrestricted, undesignated	118,833,069	111,324,332
Board designated	541,955	610,619
Temporarily restricted	22,913,184	22,062,640
Permanently restricted	756,565	756,565
Total net assets	143,044,773	134,754,156
	\$ 152,134,480	\$ 144,352,454

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Contributions	\$ 2,581,277	\$ 389,378	\$ -	\$ 2,970,655
Administrative fee revenue	80,138	-	-	80,138
Interest and dividends	5,393,236	478,750	-	5,871,986
Net realized/unrealized gains (losses) on investments	11,472,114	846,217	-	12,318,331
Other income	24,291	-	-	24,291
Change in value of split-interest agreements	-	34,413	-	34,413
Program services revenue	2,999	10,495	-	13,494
Net assets released from restrictions	908,709	(908,709)	-	-
Total revenues, gains, and other support	20,462,764	850,544	-	21,313,308
Expenses and losses:				
Program services	12,160,424	-	-	12,160,424
Supporting services:				
Development	290,641	-	-	290,641
Management and general	546,129	-	-	546,129
Income tax expense	25,497	-	-	25,497
Total expenses and losses	13,022,691	-	-	13,022,691
INCREASE IN NET ASSETS	7,440,073	850,544	-	8,290,617
NET ASSETS, BEGINNING OF YEAR	111,934,951	22,062,640	756,565	134,754,156
NET ASSETS, END OF YEAR	\$ 119,375,024	\$ 22,913,184	\$ 756,565	\$ 143,044,773

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Contributions	\$ 8,411,956	\$ 700,389	\$ -	\$ 9,112,345
Administrative fee revenue	36,841	-	-	36,841
Interest and dividends	4,694,196	401,339	-	5,095,535
Net realized/unrealized gains (losses) on investments	6,969,796	1,713,707	-	8,683,503
Other income	11,670	-	-	11,670
Change in value of split-interest agreements	-	130,685	-	130,685
Program services revenue	19,165	-	-	19,165
Net assets released from restrictions	961,789	(961,789)	-	-
Total revenues, gains, and other support	21,105,413	1,984,331	-	23,089,744
Expenses and losses:				
Program services	4,270,374	-	-	4,270,374
Supporting services:				
Development	284,897	-	-	284,897
Management and general	422,293	-	-	422,293
Income tax expense	819,211	-	-	819,211
Total expenses and losses	5,796,775	-	-	5,796,775
INCREASE IN NET ASSETS	15,308,638	1,984,331	-	17,292,969
NET ASSETS, BEGINNING OF YEAR	96,626,313	20,078,309	756,565	117,461,187
NET ASSETS, END OF YEAR	\$ 111,934,951	\$ 22,062,640	\$ 756,565	\$ 134,754,156

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
		Development	Management and General	
Grants awarded	\$ 10,377,480	\$ -	\$ -	\$ 10,377,480
Salaries	151,523	148,973	205,009	505,505
Payroll taxes	8,889	8,740	12,029	29,658
Employee benefits	21,473	21,115	29,062	71,650
Total salaries and related expenses	181,885	178,828	246,100	606,813
Consulting services	26,746	25,253	112,809	164,808
Income tax expense	-	-	25,497	25,497
Investment management fees	1,228,833	-	-	1,228,833
Direct program donations	291,856	3,099	3,163	298,118
Office	3,001	5,870	5,398	14,269
Media and public relations	-	27,223	-	27,223
Rent	11,686	11,686	11,685	35,057
Accounting and audit fees	-	-	49,448	49,448
Legal	-	-	40,736	40,736
Information technology	9,779	9,638	12,787	32,204
Depreciation and amortization	3,900	1,491	4,870	10,261
Insurance	2,581	2,538	3,494	8,613
Equipment rental and maintenance	2,373	907	2,963	6,243
Telephone	3,257	1,245	4,068	8,570
Community events	14,196	-	2,905	17,101
Special events and luncheons	-	18,084	-	18,084
Vehicle expense	987	526	587	2,100
Postage	1,864	292	572	2,728
Conferences and education	-	-	2,886	2,886
Other expenses	-	-	37,959	37,959
Donor meetings - recognition	-	3,611	-	3,611
Memberships	-	350	2,418	2,768
Printing	-	-	956	956
Publications and subscriptions	-	-	325	325
	<u>\$ 12,160,424</u>	<u>\$ 290,641</u>	<u>571,626</u>	<u>\$ 13,022,691</u>
Income tax expense			<u>(25,497)</u>	
Management and general expenses, net of income tax expense			<u>\$ 546,129</u>	

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
		Development	Management and General	
Grants awarded	\$ 2,526,182	\$ -	\$ -	\$ 2,526,182
Salaries	145,289	156,392	169,943	471,624
Payroll taxes	8,545	9,198	9,995	27,738
Employee benefits	17,349	18,675	20,294	56,318
Total salaries and related expenses	171,183	184,265	200,232	555,680
Consulting services	70,740	-	12,500	83,240
Income tax expense	-	-	819,211	819,211
Investment management fees	1,152,084	-	-	1,152,084
Direct program donations	242,599	5,696	5,696	253,991
Office	2,726	3,273	3,237	9,236
Media and public relations	-	3,859	-	3,859
Rent	10,508	10,606	10,606	31,720
Accounting and audit fees	-	-	41,557	41,557
Legal	1,382	932	41,488	43,802
Information technology	14,312	10,464	11,818	36,594
Depreciation and amortization	3,527	1,575	4,484	9,586
Insurance	3,375	3,633	3,948	10,956
Equipment rental and maintenance	2,392	1,068	3,043	6,503
Telephone	2,801	2,148	2,707	7,656
Community events	63,590	-	-	63,590
Special events and luncheons	-	51,811	-	51,811
Vehicle expense	871	563	875	2,309
Postage	966	439	786	2,191
Conferences and education	787	787	789	2,363
Other expenses	-	-	76,982	76,982
Donor meetings - recognition	-	3,079	-	3,079
Memberships	349	699	350	1,398
Printing	-	-	353	353
Meetings and travel	-	-	574	574
Publications and subscriptions	-	-	268	268
	<u>\$ 4,270,374</u>	<u>\$ 284,897</u>	<u>1,241,504</u>	<u>\$ 5,796,775</u>
Income tax expense			<u>(819,211)</u>	
Management and general expenses, net of income tax expense			<u>\$ 422,293</u>	

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 8,290,617	\$ 17,292,969
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,261	9,586
Realized/unrealized (gains) losses on investments	(12,318,331)	(8,683,503)
Change in the value of split interest agreements	(49,097)	(143,003)
Contributions of securities	(265,813)	(1,624,519)
Contribution (transfer) of land	4,800,000	(4,800,000)
Deferred tax liability	(486,440)	212,478
Changes in operating assets and liabilities		
Other assets	9,013	(28,600)
Prepaid income taxes	133,606	60,246
Accounts payable	9,156	(1,342)
Grants payable	(157,965)	(1,600,894)
Accrued expenses	21,818	5,080
Agency obligations	101,559	720,801
Net cash provided by operating activities	98,384	1,419,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(35,608,484)	(62,796,396)
Proceeds from sale of investments	34,865,798	62,060,040
Purchases of property and equipment	(12,937)	(9,721)
Net cash used in investing activities	(755,623)	(746,077)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(657,239)	673,222
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,506,175	3,832,953
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,848,936	\$ 4,506,175
Cash and cash equivalents held by Nevada Community Foundation	\$ 807,732	\$ 396,997
Cash held by Greater Horizons	3,041,204	4,109,178
	\$ 3,848,936	\$ 4,506,175
Supplemental disclosures of cash flow information:		
Cash payments for taxes on unrelated business income	\$ 365,174	\$ 751,695

See notes to financial statements

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Nevada Community Foundation, Inc. (the Foundation) is a not-for-profit corporation established on September 15, 1988. Its function is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. The Foundation’s mission is to match donors’ philanthropic interests with the myriad needs of the community. The Foundation primarily receives its revenue from donors in the Southern Nevada region. Additionally, fees are charged to administer the various donor funds, which are presented net of related expenses.

Donors may choose among various types of funds, including:

Unrestricted funds: The donors do not restrict the use of their gifts which allows the Foundation’s staff to direct where funds are needed most.

Donor advised funds (DAFs)/community supported funds: The donors have ongoing involvement in the use of their gifts.

Field of interest funds: The donor identifies target interest areas and the Foundation awards grants to community organizations and programs that are making a difference in the area selected by the donor.

Scholarship funds: The donors determine the eligibility criteria students must meet, and the Foundation provides the expertise, guidance and personal service for the scholarship’s administration.

Designated funds: Donors can direct gifts to a specific non-profit organization or purpose they are passionate about.

As disclosed in Note 8, donations to certain above funds are included in temporarily restricted net assets.

The primary program expense of the Foundation consists of its direct financial support of other charities and charitable causes. Other substantial activities classified as program expenditures include the convening of charities to examine different community issues, the creation and publication of educational and resource materials, technical and organizational consulting assistance to charities, and public education efforts designed to raise the level of charitable giving for the broad benefit of all non-profits in Nevada.

Principles of Consolidation – The financial statements of the Foundation include the related supporting organizations established to support the Foundation, including Ritter Charitable Trust and Schettler Family Foundation and two limited liability companies in which the Foundation is the sole member. The supporting organizations are established under section 509(a)(3) of the Internal Revenue Code. These supporting organizations are operated in connection with the Foundation and are commonly known as Type 1 supporting organizations. As such, these organizations are consolidated in accordance with generally accepted accounting principles, but they each hold a separate Internal Revenue Service (IRS) exempt determination letter and are required to be reported separately for federal compliance requirements. All intercompany transactions have been eliminated in consolidation. The Schettler Family Foundation was dissolved as of June 13, 2018.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued) – In September 2016, the Foundation was assigned 100% membership interest in Kenna IV, LLC, a Nevada limited liability company. Kenna IV, LLC is considered a disregarded entity and holds land in Indio, California. This land was valued at \$4,800,000 and is included in other assets in the consolidated statements of financial position as of June 30, 2017. As of November 30, 2017, the Foundation transferred all of its membership interest in Kenna IV, LLC to an unrelated non-profit organization. The land transfer of \$4,800,000 is included in grant expenses in the consolidated statements of activities for the year ending June 30, 2018.

Frontier Philanthropy, LLC, a Nevada limited liability company was established on June 19, 2017. The Foundation is the sole member of this organization. Frontier Philanthropy, LLC, was established exclusively to further the charitable purposes of the Foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates. Certain expenses are allocated to functional expense categories based on estimates by management. Significant estimates include the fair value of contributed stock, valuation of investments and amounts related to taxable income, including prepaid income taxes, deferred tax liability and income tax expense.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under these standards, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets that are subject to donor-imposed stipulations that require passage of time or the occurrence of a specific event. When conditions of the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

Permanently restricted net assets: Net assets that are subject to donor-imposed restrictions that require the principal balance to be kept in perpetuity while permitting the Foundation to use or expend part or all of the income derived from the assets. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Contributions received are measured at their fair values and are reported as an increase in net assets.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued) – The Foundation has adopted FASB ASC Subtopic 958-205, *Endowments of Non-Profit Organizations: Net Asset Classification of Funds*. The Foundation has interpreted the State of Nevada enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following in making a determination to the appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Cash and Cash Equivalents – In May 2009, the Foundation entered into an agreement with Greater Kansas City Community Foundation/Greater Horizons (Greater Horizons) to provide accounting and related services. During the year ended June 30, 2011, the Foundation entered into an agreement with Greater Horizons to provide investment accounting services. At June 30, 2018 and 2017, cash totaling \$3,041,204 and \$4,109,178, respectively, was held by Greater Horizons for the benefit of the Foundation.

The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2018 and 2017, cash balances of \$321,151 and \$0, respectively, were maintained by the Foundation in excess of the FDIC insurance limit.

Additionally, the Foundation maintains cash balances in money market accounts at investment institutions and cash balances held by Greater Horizons. These amounts may exceed FDIC insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less that are not held for reinvestment to be cash equivalents.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments – Pursuant to FASB ASC Subtopic 958-320, *Investments – Debt and Equity Securities for Not-for-Profit Organizations*, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Foreign investments, investments in corporate, municipal government and government agency securities are stated at current market value by closing market price or closing market bid quotations as referenced in published sources of current market quotations. Foreign investments are translated into United States dollars at year-end rates of exchange. Privately held stock is valued based on discounted cash flow models.

Realized and unrealized gains and losses on investments are recorded in the accompanying consolidated statement of activities. The amounts the Foundation will ultimately realize could differ materially from the recorded amounts, and significant fluctuations in fair values could occur from year to year. Purchases and sales of investments are recorded on a trade-date basis. The Foundation uses the specific identification method for investment sales. Changes in the value of foreign investments resulting from changes in the exchange rate are reported as part of the unrealized gains on the related investments.

Market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. Management evaluates the investment portfolio on an ongoing basis. The Foundation maintains master investment accounts for its donor-restricted and Board designated funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. Investments in real estate consist of property recorded at cost or the fair market value at the date of the donation.

Furniture and Equipment – The Foundation capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method from three to ten years.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Revenue Recognition – As required under FASB ASC Subtopic 958-605, *Revenue Recognition for Non-Profit Entities*, all contributions are recognized as support in the consolidated statement of activities in the period received, including bequests and unconditional promises to give, at their estimated net realizable value. Bequests are recognized at the time the Foundation's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued) – The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets whether or not the restrictions are met in the same reporting period. Investment income earned on the temporarily restricted support is also presented as temporarily restricted support.

Basis of Accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Administrative Fee Revenue – The Foundation charges an administrative fee for managing the funds of the Foundation. Some funds are charged a monthly fee based on the market value of the fund. Some funds are charged a negotiated quarterly fee. The revenue from these fees is credited to the Foundation's operating fund when earned.

Donated Services – Donated services are recognized as contributions in accordance with FASB ASC if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Functional Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status – The Foundation and the related supporting organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The related supporting organizations are exempt from federal income tax under Section 509(a)(3) of the Internal Revenue Code. Income which is not related to the Foundation's exempt purposes, less applicable deductions, is subject to state and federal income taxes.

The Foundation follows accounting standards for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued) – Management evaluated the Foundation’s tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state and local tax authority for years before 2015.

Subsequent Events – Subsequent events have been evaluated through October 5, 2018, which is the date the financial statements were available to be issued.

NOTE 2. INVESTMENTS

In accordance with the Financial Accounting Standards Board Accounting Standards Codification the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

Investments in marketable securities and investments under management are based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

Investments in government and agency securities are based on market prices as well as activity for identical or similar assets or liabilities when there is no active market. Government and agency securities which are valued based on quoted market prices are categorized as Level 1 of the fair value hierarchy. Government and agency securities which are valued based on activity for identical or similar assets or liabilities are categorized as Level 2 on the fair value hierarchy.

Limited partnerships are investments in limited partnerships that invest primarily in other limited partnerships for the purpose of making investments in international private equity investments, equity securities, warrants or other options that are generally not actively traded at the time of the investment. Generally, the partnership may not transfer or withdraw its investment in limited partnerships prior to their termination. Since the investments are valued using unobservable inputs and do not permit redemption at the measurement date, such investments are classified as Level 3 of the fair value hierarchy.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 2. INVESTMENTS (CONTINUED)

For the fiscal years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2018 and 2017 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2018</u>
Corporate bonds	\$ 900,770	\$ -	-	\$ 900,770
Marketable securities	11,066,623	-	-	11,066,623
Domestic equity				
mutual funds	39,339,797	-	-	39,339,797
Foreign equity mutual funds	24,222,670	-	-	24,222,670
Alternative investment				
mutual funds	5,522,369	-	-	5,522,369
Domestic fixed income	32,220,044	-	-	32,220,044
Foreign fixed income	473,845	-	-	473,845
Government and agency securities	36,948	-	-	36,948
Cash surrender value of life insurance policies	-	851,269	-	851,269
Limited partnerships	-	-	247,253	247,253
Stock, privately held	-	-	25,131,505	25,131,505
Certificates of deposit	299,990	-	-	299,990
Split-interest agreements	-	-	1,625,035	1,625,035
Cash held for reinvestment	<u>6,047,121</u>	<u>-</u>	<u>-</u>	<u>6,047,121</u>
	<u>\$ 120,130,177</u>	<u>\$ 851,269</u>	<u>\$ 27,003,793</u>	<u>\$ 147,985,239</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2017</u>
Corporate bonds	\$ 33,557	\$ -	-	\$ 33,557
Marketable securities	10,049,365	-	-	10,049,365
Domestic equity				
mutual funds	39,250,025	-	-	39,250,025
Foreign equity mutual funds	21,888,945	-	-	21,888,945
Alternative investment				
mutual funds	3,692,096	-	-	3,692,096
Domestic fixed income	33,193,078	-	-	33,193,078
Foreign fixed income	453,655	-	-	453,655
Government and agency securities	12,890	-	-	12,890
Cash surrender value of life insurance policies	-	936,277	-	936,277
Limited partnerships	-	-	286,275	286,275
Stock, privately held	-	-	17,080,000	17,080,000
Certificates of deposit	500,844	-	-	500,844
Split-interest agreements	-	-	1,572,657	1,572,657

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 2. INVESTMENTS (CONTINUED)

Cash held for reinvestment	<u>5,656,367</u>	<u>-</u>	<u>-</u>	<u>5,656,367</u>
	<u>\$ 114,730,822</u>	<u>\$ 936,277</u>	<u>\$ 18,938,932</u>	<u>\$ 134,606,031</u>

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30:

	<u>Stock Privately Held</u>	<u>Limited Partnerships</u>	<u>Split-interest Agreements Held by Third Parties</u>	<u>Total</u>
Balance, June 30, 2016	\$ 17,080,000	\$ 335,049	\$ 1,425,133	\$ 18,840,182
Net unrealized losses on investments	<u>-</u>	<u>(48,774)</u>	<u>147,524</u>	<u>98,750</u>
Balance, June 30, 2017	17,080,000	286,275	1,572,657	18,938,932
Additions	131,505			131,505
Net unrealized gains (losses) on investments	<u>7,920,000</u>	<u>(39,022)</u>	<u>52,378</u>	<u>7,933,356</u>
Balance, June 30, 2018	<u>\$ 25,131,505</u>	<u>\$ 247,253</u>	<u>\$ 1,625,035</u>	<u>\$ 27,003,793</u>

NOTE 3. SPLIT-INTEREST AGREEMENTS

In December 1991, the Foundation became the trustee of a donor established charitable remainder unitrust, naming the Foundation as the remainder beneficiary. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiary's death. Until the death of the lead beneficiary, the Foundation's assets related to this contribution are restricted for the use of making payments to the lead beneficiary under the terms of the agreement. The related assets are valued at fair market value based on stated market values. The associated liability is valued using the techniques outlined in Publication 1458 of the IRS. The initial gross contribution was recorded as a temporarily restricted contribution for which corresponding assets and a liability was recorded. The asset value of the agreement held as investments was \$76,365 and \$68,067 at June 30, 2018 and 2017, respectively. The change in the asset value of the split-interest agreement was a gain of \$8,298 and a gain of \$9,473 during the years ended June 30, 2018 and 2017, respectively. The liability value related to the agreement was \$42,373 and \$39,092 at June 30, 2018 and 2017, respectively. The changes in the liability value of the split-interest agreement were due to the distribution to the beneficiary in the amount of \$6,387 and \$2,845, and the recalculation of the present value that resulted in an increase of \$9,668 and \$7,365 during the years ended June 30, 2018 and 2017, respectively.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

During 2005, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 10% of the investment's value at December 31st each year until the lead beneficiary's death. At the time of the noncharitable lead beneficiary's death, the trust is to terminate, and the remaining trust assets are to be distributed to the Foundation. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiary's life expectancy. At June 30, 2018 and 2017, a payout rate of 9.79% and 9.88%, respectively, with a remainder factor of 0.42917 and 0.40791, respectively, was used to estimate the present value of future benefits expected to be received by the Foundation valued at \$94,800 and \$96,055, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split-interest agreement receivable. The change in the value of the split-interest agreement was a loss of \$1,255 and gain of \$1,302 during the years ended June 30, 2018 and 2017, respectively.

In December 2009, the Foundation was informed that a donor established a charitable remainder annuity trust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder annuity trust, the two noncharitable lead beneficiaries are to receive total quarterly payments of 7% of the initial fair market value of the trust until the earlier of the death of either beneficiaries or ten years after the death of the donor, which occurred in February 2009. For the years ended June 30, 2018 and 2017, a payout rate of 10.14% and 9.83%, respectively, and life factor of 0.4876 and 0.9823, respectively, was used to estimate the present value of future benefits to be received by the Foundation valued at \$1,299,683 and \$1,273,947, respectively. The initial gross contribution was recorded as a temporarily restricted contribution and a split-interest agreement receivable. The change in the value of the split interest agreement was a gain of \$25,736 and a gain of \$116,138 during the years ended June 30, 2018 and 2017, respectively.

In February 2012, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as one of the remainder beneficiaries. Under the terms of the charitable remainder unitrust agreement, the non-charitable lead beneficiaries are to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiaries' deaths. At the time of the noncharitable lead beneficiaries' deaths, the trust is to terminate, \$100,000 will be distributed to another organization, and the remaining trust assets are to be distributed among five organizations with the Foundation being one of them. Based on the noncharitable lead beneficiaries' life expectancies, the fair market value of the assets is evaluated at December 31st of each year. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiaries' life expectancies. At June 30, 2018 and 2017, a payout rate of 9.79% and 9.88%, respectively, with a remainder factor of 0.24720 and 0.24979, respectively, was used to estimate the present value of future benefits expected to be received, with the Foundation's share valued at \$154,187 and \$134,588, respectively. The change in the value of the split-interest agreement was a gain of \$19,600 and a gain of \$20,611 during the years ended June 30, 2018 and 2017, respectively.

The fair value of the assets and liabilities are categorized as Level 3 assets.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

The Foundation's split-interest agreement assets and liabilities are valued at fair value on a recurring basis as of June 30, 2018 as follows:

	<u>Level 3 Assets</u>	<u>Level 3 Liabilities</u>
Assets held by third party:		
January 2005 agreement	\$ 94,800	\$ -
December 2009 agreement	1,299,683	-
February 2012 agreement	<u>154,187</u>	<u>-</u>
	<u>1,548,670</u>	<u>-</u>
Assets and liabilities held by the Foundation:		
December 1991 agreement	<u>76,365</u>	<u>42,373</u>
	<u>\$ 1,625,035</u>	<u>\$ 42,373</u>

The Foundation's split-interest agreement assets and liabilities are valued at fair value on a recurring basis as of June 30, 2017 as follows:

	<u>Level 3 Assets</u>	<u>Level 3 Liabilities</u>
Assets held by third party:		
January 2005 agreement	\$ 96,055	\$ -
December 2009 agreement	1,273,947	-
February 2012 agreement	<u>134,588</u>	<u>-</u>
	<u>1,504,590</u>	<u>-</u>
Assets and liabilities held by the Foundation:		
December 1991 agreement	<u>68,067</u>	<u>39,092</u>
	<u>\$ 1,572,657</u>	<u>\$ 39,092</u>

NOTE 4. AGENCY OBLIGATIONS

Agency obligations are funds held in trust by the Foundation and can only be used for the following organizations. The donors control the use and distribution of these funds. The agencies' assets held in trust and corresponding obligations consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Vegas PBS Endowment Funds	\$ 2,182,231	\$ 2,003,501
Nevada Policy Research Fund	86,368	129,968
Gillis Foundation Fund	128,932	127,903
Keyser Education Endowment Fund	72,654	69,805
Nevada Blind Children Foundation Fund	62,211	59,720
Communities in Schools Fund	35,471	35,645
Red Mountain Music Fund	33,981	32,773
Nevada Wilderness Fund	-	32,046
Variety Day Home Fund	-	9,442
Helping Hands Surgical Care Fund	<u>1,348</u>	<u>834</u>
	<u>\$ 2,603,196</u>	<u>\$ 2,501,637</u>

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 5. COMMITMENTS AND CONTINGENCIES

Operating Leases – In February 2017, the Foundation entered into a lease for office facilities under an operating lease expiring in January 2019. The monthly lease amount is \$2,788. Rental expense for the office facilities for the years ending June 30, 2018 and 2017 totaled \$35,057 and \$31,720, respectively. Future minimum lease payments at June 30, 2018 are as follows:

2019	\$ <u>26,866</u>
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Concentrations – Of the total contributions received during the year ended June 30, 2017, the Foundation received significant donations from two donors totaling \$6,251,213, representing 69% of contributions and 27% of total revenue. There were no contribution concentrations during the year ended June 30, 2018.

Of the total grants paid out during the year ended June 30, 2018 to various organizations, the Foundation donated significant amounts over the course of the year to one organization totaling \$6,005,145, representing 58% of grants awarded and 47% of total expenses. Of the total grants paid out during the year ended June 30, 2017 to various organizations, the Foundation donated significant amounts over the course of the year to three organizations totaling \$1,080,750, representing 43% of grants awarded and 19% of total expenses.

NOTE 6. EMPLOYEE BENEFIT PLAN

The Foundation has a Simplified Individual Retirement Account (Simple IRA) plan covering all employees who have worked for the Foundation for one year and have earned at least \$5,000 in compensation during the year. The Foundation makes matching contributions to the plan each year of up to 3% of all participants' compensation. The total contributions and expenses associated with the plan for the years ending June 30, 2018 and 2017 were \$4,168 and \$10,801, respectively, which is included in employee benefits on the consolidated statement of functional expenses.

Effective January 1, 2018, the Foundation suspended its Simple IRA plan and entered into an agreement with Automatic Data Processing to establish a 401(k) plan. The Foundation makes matching contributions to the plan each year of 3% of all employees' compensation. The total contributions and expenses associated with the plan for the years ending June 30, 2018 and 2017 were \$7,360 and \$0, respectively.

The Executive Committee approved a Section 457 deferred compensation plan on July 28, 2014, effective July 1, 2014. There is only one participant in the deferred compensation plan. The Foundation will determine its contribution, if any, for the plan year and the participant may contribute salary reduction in excess of such Board contribution up to the maximum allowed by law. There were no contributions to the plan for the years ended June 30, 2018 and 2017.

NOTE 7. GRANTS PAYABLE

The main function of the Foundation is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. Grants payable to be paid after one year are discounted based on the year promised at rates ranging from 0.64% to 2.50%.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 7. GRANTS PAYABLE (CONTINUED)

Grants payable are summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Due in one year	\$ 201,845	\$ 417,359
Due in one to five years	<u>125,000</u>	<u>65,000</u>
	326,845	482,359
Current	<u>201,845</u>	<u>417,359</u>
Long-term	125,000	65,000
Less: discounts to present value	<u>(2,942)</u>	<u>(491)</u>
Long-term, net of current portion and discount	<u>\$ 122,058</u>	<u>\$ 64,509</u>

The Foundation pledges scholarship funds to individuals throughout the year. The scholarships are conditional based on the individual attending school for the pledged semester. As these pledges are conditional, these pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS

At June 30, 2018 and 2017, the Board of Directors (the “Board”) has designated \$541,955 and \$610,619 respectively, for the benefit of former boxers for financial and medical hardship, including funds for housing, basic living expenses, and payment of medical costs not covered by insurance.

Temporarily restricted net assets are available as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Specified charities	\$ 11,788,148	\$ 11,385,864
Educational issues	3,971,676	3,893,731
Animal issues	3,205,232	3,140,911
Scholarships	2,140,050	2,037,935
Emergency relief	788,672	756,124
Time restricted funds	433,167	397,857
Children and youth issues	277,945	266,670
Community support	174,750	80,446
Senior citizen issues	104,694	103,102
Social innovation	<u>28,850</u>	<u>-</u>
	<u>\$ 22,913,184</u>	<u>\$ 22,062,640</u>

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Restricted assets, consisting of the following, are presented as temporarily restricted net assets as of June 30:

	<u>2018</u>	<u>2017</u>
Cash	\$ 770,908	\$ 695,695
Investments	20,559,614	19,833,380
Net assets related to split-interest agreements	<u>1,582,662</u>	<u>1,533,565</u>
	<u>\$ 22,913,184</u>	<u>\$ 22,062,640</u>

The Foundation's permanently restricted net assets include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments (collectively referred to as the endowment fund), are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment funds are the Foundation's only permanently restricted net assets and are available as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Medical research	\$ 503,000	\$ 503,000
Children and youth issues	<u>253,565</u>	<u>253,565</u>
	<u>\$ 756,565</u>	<u>\$ 756,565</u>

Endowment funds and permanently restricted net assets are held in the following assets as of June 30:

	<u>2018</u>	<u>2017</u>
Cash held for reinvestment	\$ -	\$ 7,764
Investments	<u>756,565</u>	<u>748,801</u>
	<u>\$ 756,565</u>	<u>\$ 756,565</u>

The endowment includes only donor-restricted endowment funds and earnings. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors of the Foundation has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in accordance with the donor's wishes. There are no Board designations of endowment funds.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

During the year ended June 30, 2018 the Foundation's endowment funds had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2017	\$ -	\$ 7,457	\$ 756,565	\$ 764,022
Interest and dividends, net of investment expenses	-	8,768	-	8,768
Amount appropriated for expenditure	-	(8,432)	-	(8,432)
Net unrealized gains (losses) on investments	-	7,703	-	7,703
Change in net assets	-	8,039	-	8,039
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 15,496</u>	<u>\$ 756,565</u>	<u>\$ 772,061</u>

During the year ended June 30, 2017 the Foundation's endowment funds had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2016	\$ (8,360)	\$ -	\$ 756,565	\$ 748,205
Repay loan from others	8,360	(8,360)	-	-
Interest and dividends, net of investment expenses	-	2,019	-	2,019
Amount appropriated for expenditure	-	(7,925)	-	(7,925)
Net unrealized gains (losses) on investments	-	21,723	-	21,723
Change in net assets	-	7,457	-	7,457
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 7,457</u>	<u>\$ 756,565</u>	<u>\$ 764,022</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature would be included in unrestricted net assets. There were no deficiencies at June 30, 2018 or 2017.

NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018 and 2017

NOTE 8. RESTRICTED NET ASSETS AND ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets, the primary emphasis of which is on capital growth. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten-year time frame. The Foundation expects its endowment funds, over time, to provide an average rate of return commensurate with other moderate risk investment portfolios.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a current policy of retaining the earnings within the endowment fund until such time that the Board has determined specific expenditures in which to use the earnings not restricted by the donor, with an expected annual distribution rate of 2.5%. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9. INCOME TAXES

In December 2013, the Foundation received a contribution of privately held stock. During the years ended June 30, 2018 and 2017, the Foundation had taxable activity proportionate to its ownership percentage related to the privately held stock, which is considered unrelated business income. As such, the Foundation recorded income tax expense of \$25,497, and \$819,211 during the years ended June 30, 2018 and 2017, respectively.

In addition, the Foundation recognizes a deferred income tax liability related to the privately held stock with an estimated fair market value of \$25,000,000 and an estimated tax basis of \$0. An estimated blended federal and state tax rate of 24.05% was used to determine the estimate deferred tax liability of \$6,012,500. There are no other components of the estimated deferred tax liability at June 30, 2018.

The estimated fair market value of the privately held stock at June 30, 2017 was \$17,080,000, and the estimated tax basis of the privately held stock was \$0, resulting in an estimated deferred tax liability of \$6,498,940.

Under the terms of the agreement with the donor, the company in which the Foundation owns the privately held stock will distribute to the Foundation an amount equal to the amount of tax due and payable by the Foundation under section 511(a)(1) of the Internal Revenue Code by reason of the Foundation's ownership in the shares. As a conditional promise to give, the contributions will be recorded when the conditions are met.