

THE PARK CITY FOUNDATION
DBA PARK CITY COMMUNITY FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

September 24, 2018

Board of Directors of
The Park City Foundation
dba Park City Community Foundation
Park City, Utah

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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THE PARK CITY FOUNDATION
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STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---------------------------------------|---------------|--------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,994,011 | \$ 1,711,172 |
| Restricted cash for Pay for Success | 600,493 | 832,380 |
| Miscellaneous receivables | 81,479 | 19,180 |
| Promises to give, net | 1,674,401 | 90,366 |
| Investments | 10,004,682 | 6,991,819 |
| Property and equipment, net | 24,940 | 2,167 |
| Total Assets | \$ 14,380,006 | \$ 9,647,084 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ - | \$ 295 |
| Funds held in trust for others | 1,129,297 | 853,053 |
| Refundable advance | 600,493 | 832,380 |
| Total Liabilities | 1,729,790 | 1,685,728 |
| Net Assets | | |
| Unrestricted net assets: | 7,439,799 | 6,424,420 |
| Temporarily restricted net assets | 898,301 | 161,645 |
| Permanently restricted net assets | 4,312,116 | 1,375,291 |
| Total Net Assets | 12,650,216 | 7,961,356 |
| Total Liabilities and Net Assets | \$ 14,380,006 | \$ 9,647,084 |

See accompanying notes and auditor's report

THE PARK CITY FOUNDATION
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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | | | Total |
|--|---------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenues, Gains, and Other Support | | | | |
| Contributions | \$ 2,760,955 | \$ 639,851 | \$ 2,936,825 | \$ 6,337,631 |
| Net investment income | 743,204 | 198,284 | - | 941,488 |
| Fee revenue | 46,730 | - | - | 46,730 |
| Other revenue | 1,908 | - | - | 1,908 |
| Net assets released from restrictions | | | | |
| Satisfaction of time restrictions | 49,036 | (49,036) | - | - |
| Satisfaction of program restrictions | 52,443 | (52,443) | - | - |
| Total Revenues, Gains, and Other Support | <u>3,654,276</u> | <u>736,656</u> | <u>2,936,825</u> | <u>7,327,757</u> |
| Expenses | | | | |
| Program | 2,339,881 | - | - | 2,339,881 |
| Management and general | 79,547 | - | - | 79,547 |
| Fundraising | 219,469 | - | - | 219,469 |
| Total Expenses | <u>2,638,897</u> | <u>-</u> | <u>-</u> | <u>2,638,897</u> |
| Change in net assets | 1,015,379 | 736,656 | 2,936,825 | 4,688,860 |
| Net assets, beginning of year | 6,424,420 | 161,645 | 1,375,291 | 7,961,356 |
| Net assets, end of year | <u>\$ 7,439,799</u> | <u>\$ 898,301</u> | <u>\$ 4,312,116</u> | <u>\$ 12,650,216</u> |

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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(continued)

| | 2016 | | | Total Net Assets |
|--|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenues, Gains, and Other Support | | | | |
| Contributions | \$ 3,159,090 | \$ - | \$ 99,439 | \$ 3,258,529 |
| Net investment income | 360,324 | - | - | 360,324 |
| Fee revenue | 45,142 | - | - | 45,142 |
| Other revenue | 36,201 | - | - | 36,201 |
| Net assets released from restrictions | | | | |
| Satisfaction of time restrictions | 53,083 | (53,083) | - | - |
| Satisfaction of program restrictions | 51,049 | (51,049) | - | - |
| Total Revenues, Gains, and Other Support | <u>3,704,889</u> | <u>(104,132)</u> | <u>99,439</u> | <u>3,700,196</u> |
| Expenses | | | | |
| Program | 1,290,842 | - | - | 1,290,842 |
| Management and general | 83,880 | - | - | 83,880 |
| Fundraising | 168,489 | - | - | 168,489 |
| Total Expenses | <u>1,543,211</u> | <u>-</u> | <u>-</u> | <u>1,543,211</u> |
| Change in net assets | 2,161,678 | (104,132) | 99,439 | 2,156,985 |
| Net assets, beginning of year | 4,262,742 | 265,777 | 1,275,852 | 5,804,371 |
| Net assets, end of year | <u>\$ 6,424,420</u> | <u>\$ 161,645</u> | <u>\$ 1,375,291</u> | <u>\$ 7,961,356</u> |

See accompanying notes and auditor's report

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Reconciliation of change in net assets to net cash (used in) provided by operating activities: | | |
| Total change in net assets | \$ 4,688,860 | \$ 2,156,985 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized gain on investments | (775,994) | (220,855) |
| Endowment contributions | (2,936,825) | (99,439) |
| Depreciation and amortization | 3,415 | 2,070 |
| Loss on asset disposal | 583 | - |
| Change in other assets and liabilities: | | |
| (Increase) decrease in promises to give | (1,584,035) | 63,299 |
| (Increase) decrease in miscellaneous receivables | (62,299) | 106,099 |
| (Decrease) increase in accounts payable | (295) | 295 |
| Increase (decrease) in agency endowment funds | 276,244 | (518,715) |
| Decrease in refundable advance | (231,887) | (250,142) |
| Net cash (used in) provided by operating activities | <u>(622,233)</u> | <u>1,239,597</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (26,771) | (1,284) |
| Proceeds from sale of investments | 1,748,550 | 1,317,657 |
| Purchase of investments | (3,985,419) | (1,932,462) |
| Net cash used in investing activities | <u>(2,263,640)</u> | <u>(616,089)</u> |
| Cash flows from financing activities: | | |
| Endowment contributions | 2,936,825 | 99,439 |
| Net cash provided by financing activities | <u>2,936,825</u> | <u>99,439</u> |
| Net increase in cash, cash equivalents and restricted cash | 50,952 | 722,947 |
| Cash, cash equivalents and restricted cash, beginning of period | 2,543,552 | 1,820,605 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 2,594,504</u> | <u>\$ 2,543,552</u> |
| Cash and cash equivalents | \$ 1,994,011 | \$ 1,711,172 |
| Restricted cash for Pay for Success | 600,493 | 832,380 |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | <u>\$ 2,594,504</u> | <u>\$ 2,543,552</u> |

See accompanying notes and auditor's report

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION

The Park City Foundation, dba Park City Community Foundation (hereinafter, the "Community Foundation") is greater Park City, Utah's community foundation, serving donors (families and businesses), nonprofits, and residents of Summit County, Utah. The Community Foundation's mission is to create an enduring philanthropic community for all the people of Park City. From inception in 2004 through 2017, the Community Foundation has invested over \$17 million in its community and beyond. The Community Foundation meets the highest standard for giving. The Community Foundation has been confirmed in compliance with the National Standards for U.S. Community Foundations, which establishes legal, ethical, effective practices for community foundations nationwide.

The Community Foundation has three strategic goals.

1. Endow the Community's Future – create an endowment to sustain and enhance the Community Foundation's ability to serve the community.
2. Support Nonprofits - promote the Park City nonprofit community by providing grant, education, and networking opportunities.
3. Achieve Long-term Community Gains – collaborate with partners and align resources to accomplish shared goals.

The Community Foundation's primary programs include the following:

Live PC Give PC – The Community Foundation leads an annual giving day event, livepcgivepc.org. The goals are to connect nonprofits to a new revenue stream and new donors and to raise awareness of local organizations. In 2017, Live PC Give PC had over 4,100 donors in a single 24-hour period and raised over \$2,026,000 for area organizations. There were almost 3,700 donors and over \$1,730,000 raised in 2016 for the same event.

Park City Women's Giving Fund – In 2014, the Community Foundation concluded a campaign to raise a \$1 million endowment by engaging more than 1,000 people to make a \$1,000 contribution. The endowment is for nonprofit organizations that serve the women and children of Summit County, Utah. The fund's 1,300+ members consist of those donors contributing to the fund. Annually, each member is given the opportunity to vote for a single grant recipient. The finalists are selected by a committee of members and approved by the Community Foundation's Board of Directors. The first grant was made in July 2015. Additionally, Women's Giving Fund members gather together and commit their time and resources to local causes. Specifically, the group formed a mentoring program for local girls which was implemented in 2015.

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Summit County Mental Wellness Alliance - In January 2017, the Community Foundation served as the startup convener to create, along with many community partners, the Summit County Mental Wellness Alliance, with the goal of increasing awareness, prevention, treatment, and other services aimed at mental health and substance use. A countywide strategic plan was created and is now guiding implementation of a range of programs and initiatives. The Community Foundation's Mental Wellness Fund has received over \$300,000 to help support these outcomes.

Solomon Fund - In April 2017, the Community Foundation launched an initiative to facilitate access to sports and recreational opportunities for Latino children in Park City. The goal is to facilitate access to these opportunities to create a more inclusive, integrated, and complete community. This initiative aims to address several barriers that currently hinder participation for these families. Key barriers include communication and outreach, transportation, and scholarships and gear. Each year, the Solomon Fund awards grants to local organizations looking to increase Latino participation.

Community Fund – Annually, the Community Foundation grants to local nonprofit organizations in the areas of children and families, arts and culture, conservation and environment, health and human services, sports and recreation, and more. The organizations are well governed and have excellent programs. They meet Park City’s pressing needs and/or keep the community unique and vibrant. Since inception, the program has granted \$1,161,675 to Park City's nonprofit organizations.

Nonprofit Education – Annually, the Community Foundation provides affordable, accessible, high quality continuing education to area nonprofit professionals. The result is more effective and efficient nonprofits. Quarterly, the Community Foundation facilitates Executive Director Roundtables to help foster collaboration and share best practices. The Community Foundation also hosts topical seminars. Past topics include fiscal sustainability, boards and governance, major gift fundraising and more.

Other Programming – The Community Foundation also offers philanthropic advisory services to business and families, including donor-advised and other funds. The Community Foundation has implemented a climate change initiative that resulted in the website, parkcitygreen.org. The Community Foundation is an active leader in Promise Park City, a collaboration among school, government, and nonprofits to help all children achieve their potential. Through the Giving Together program, the Community Foundation invites donors to help co-fund Community Fund and other grants to local nonprofits for high-impact community programs.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Community Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Community Foundation presents its financial statements in accordance with U.S. generally accepted accounting principles (GAAP) and the standards in the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC).

Cash and Cash Equivalents

The Community Foundation considers money market funds and investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held as a portion of the Community Foundation's endowment portfolio are classified as investments.

Investments

Investments include common stock, equity index funds, fixed income securities consisting primarily of bond mutual funds and corporate bonds, and cash equivalents considered to be part of the Community Foundation's investment portfolio. These investments and cash equivalents are recorded in the accompanying financial statements at their fair value as of December 31st.

The change in unrealized appreciation or depreciation of investments is included in investment income in the accompanying statements of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment income in the accompanying statements of activities.

Fair Value Measurements

In accordance with generally accepted accounting principles (GAAP), the Community Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Community Foundation has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. This classification is applied to investments for which there is no established trading market.

As of December 31, 2017 and 2016, the only assets and liabilities of the Community Foundation which were measured at fair value on a recurring basis were the Community Foundation's investments, as described in Note 6 of these financial statements.

Promises to Give

Unconditional promises to give are recorded as received. Unconditional promises to give that are due after December 31, 2017 are classified as temporarily restricted net assets. The Community Foundation uses the allowance method to determine uncollectible unconditional promises to give based on management's analysis of specific promises made. At December 31, 2017 and 2016, no allowance was deemed necessary.

Furniture, Equipment, Depreciation and Amortization

Purchased furniture and equipment are carried at cost. Donated equipment is recorded at its estimated fair market value on the date of contribution. Depreciation and amortization of property and equipment is provided over the estimated useful lives of 3 to 7 years for the respective assets on a straight-line basis. The Community Foundation's capitalization policy is to capitalize any fixed asset expenditures costing more than \$500.

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There are no restrictions or limitations on the use of the Community Foundation's capitalized furniture and equipment.

Funds Held In Trust For Others

Funds received and managed by the Community Foundation that are provided by organizations which specify themselves or their affiliates as the funds' beneficiaries (funds held in trust for others) are classified as liabilities, even if the organizations explicitly granted the Community Foundation variance power. Funds disbursed to the organizations reduce these liabilities.

Classification of Net Assets

Net assets and changes therein are classified according to the existence or absence of time or donor-imposed restrictions. Net assets of the Community Foundation are reported as follows:

Unrestricted net assets represent funds that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and that are available for the support of the Community Foundation's operations.

Temporarily restricted net assets are contributions of assets whose use by the Community Foundation is specifically restricted by donor stipulations for various programs or future periods.

Permanently restricted net assets represent endowment funds of the Community Foundation created by contributions of assets with donor stipulations that require the contributions to be held in perpetuity and permit only the income to be spent for the purpose stipulated by the donor.

Revenue Recognition

The Community Foundation is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed-restrictions. With the exception of permanently restricted endowments and pledges to be received in future years, most of the Community Foundation's gift instruments explicitly grant the Community Foundation variance power to redirect the use of assets. As a result, most contributions are recorded as unrestricted. Net assets are internally designated by type of fund and managed according to the Community Foundation's respective administrative and investment policies.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net

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assets released from restrictions. Contributions with donor-imposed restrictions that are met in the current period are recorded as unrestricted contributions. Likewise, the Community Foundation chooses to show restricted gains and investment income whose restrictions are met in the same reporting period as unrestricted support. The Community Foundation's temporarily restricted net assets are discussed in Note 9. The Community Foundation's permanently restricted net assets are discussed in Notes 10 and 11.

Contributions, which may include non-cash assets, unconditional promises to give and beneficial interests in irrevocable trusts or other legally-binding agreements, are recognized as revenue at fair value in the period pledged or received. Contributions receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, 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.

Contributions and bequests may include donor-imposed restrictions or require the fulfillment of certain conditions as set forth in the gift instrument. Failure to fulfill these conditions could require the return of funds to donors. As the Community Foundation only accepts those gifts for which it agrees to the terms and conditions contained in the gift instrument, the Community Foundation believes this contingency is remote.

The Community Foundation has been named in several estate documents. The gifts are dependent on unknown future events which affect timing and valuation and accordingly are not recorded as contributions until the estate is through probate.

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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 Community Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Community Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) of the Code.

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The Community Foundation did not incur any income tax during the years ended December 2017 and 2016 and did not recognize any tax-related interest and penalties on the statement of activities and statement of financial position for those years. The Community Foundation has no unrecognized tax benefits and no uncertain tax positions for the years ended December 31, 2017 and 2016. Tax years that remain open to examination by the Internal Revenue Service are years 2014 through 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent 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.

NOTE 3 - FINANCIAL INSTRUMENTS

The Community Foundation maintains its cash balances at two financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2017 and 2016, the Community Foundation's cash balances were \$3,018,561 and \$2,610,398 in excess of the insured limits, respectively. The calculation of the amounts in excess of the insured limits includes cash in the "Restricted cash for Pay For Success" account and the cash component of investments, as presented in the statements of financial position.

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give at December 31, are as follows:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|-------------------------|
| Receivable in less than one year | \$ 505,985 | \$ 53,910 |
| Receivable in one to five years | 1,264,916 | 40,000 |
| Total unconditional pledges receivable | <u>1,770,901</u> | <u>93,910</u> |
| Less discounts to net present value | (96,500) | (3,544) |
| Net unconditional promises to give | <u><u>\$ 1,674,401</u></u> | <u><u>\$ 90,366</u></u> |

For the year ended December 31, 2017 pledges receivable in more than one year were discounted between 1.89% and 2.37% according to the pledge payment schedule. Pledges receivable in more than one year were discounted at 3% for the year ended December 31, 2016. Four donors represented approximately 70% of promises to give; no other donor represented more than 10% of promises to give

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at December 31, 2017. One donor represented approximately 85% of promises to give and no other donor represented more than 10% of promises to give at December 31, 2016.

NOTE 5 - PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

A summary of property and equipment and accumulated depreciation and amortization at December 31 follows:

| | 2017 | 2016 |
|---|-----------|-----------|
| Web creation | \$ 27,665 | \$ 27,665 |
| Database software | 15,639 | 15,639 |
| Furniture and fixtures | 24,259 | 4,065 |
| Equipment | 20,414 | 24,492 |
| Total property and equipment | 87,977 | 71,861 |
| Accumulated depreciation and amortization | (63,037) | (69,694) |
| Fixed assets, net | \$ 24,940 | \$ 2,167 |

Depreciation and amortization expense for the years ended December 31, 2017 and 2016, totaled \$3,415 and \$2,070, respectively.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes the Community Foundation's investments at fair value as of December 31, 2017:

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|------------|--|---|---|
| Cash equivalents | \$ 730,415 | \$ 730,415 | \$ - | \$ - |
| Common stock: | | | | |
| Consumer discretionary | 50,212 | 50,212 | - | - |
| EAFE (Europe, Australasia and Far East) index fund | 2,355,948 | 2,355,948 | - | - |

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| | | | | |
|---------------------------------|---------------------|--------------------|--------------------|-------------|
| S&P index fund | 3,535,744 | 3,535,744 | - | - |
| Bond mutual funds | 579,074 | 579,074 | - | - |
| Corporate bonds | 2,579,059 | - | 2,579,059 | - |
| International bonds | 119,188 | - | 119,188 | - |
| Mortgage and asset backed bonds | 55,042 | - | 55,042 | - |
| Total Investments | <u>\$10,004,682</u> | <u>\$7,251,393</u> | <u>\$2,753,289</u> | <u>\$ -</u> |

The following table summarizes the Community Foundation's investments at fair value as of December 31, 2016:

| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|---|---------------------|--|---|---|
| Cash equivalents | \$ 514,873 | \$ 514,873 | \$ - | \$ - |
| S&P index fund | 2,535,288 | 2,535,288 | - | - |
| EAFE (Europe, Australasia and Far East) index fund | 1,596,696 | 1,596,696 | - | - |
| Bond mutual funds | 354,821 | 354,821 | - | - |
| Corporate bonds | 1,886,021 | - | 1,886,021 | - |
| International bonds | 48,720 | - | 48,720 | - |
| Mortgage and asset backed bonds | 55,400 | - | 55,400 | - |
| Total Investments | <u>\$ 6,991,819</u> | <u>\$5,001,678</u> | <u>\$1,990,141</u> | <u>\$ -</u> |

The common stock, equity index funds and bond mutual funds held by the Community Foundation as of December 31, 2017 and 2016 all have openly published trading values and are considered to be actively traded and therefore classified within Level 1 of the fair value hierarchy. These securities were valued at the daily reported closing price as of December 31st.

The corporate bonds, international bonds, and mortgage and asset backed bonds are valued using pricing models, quoted prices of similar securities or discounted cash flows and are classified within Level 2 of the fair value hierarchy.

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The Community Foundation holds all of its investments in the custody of one financial institution. The financial institution carries out investment and securities transactions through its broker affiliate. At December 31, 2017 and 2016, the Community Foundation's uninsured non-cash investments were \$8,770,766 and \$6,476,946, respectively.

The \$5,891,692 and \$4,131,984 of equity index funds was invested in two index funds at December 31, 2017 and 2016, respectively. Of the \$579,074 in bond mutual funds, \$472,547 is invested in one mutual fund at December 31, 2017. The \$354,821 of bond mutual funds at December 31, 2016 is invested in one mutual fund.

Investment returns are summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| Interest and dividends | \$ 178,282 | \$ 149,427 |
| Realized and unrealized gains | 775,994 | 220,855 |
| Total investment returns | <u>954,276</u> | <u>370,282</u> |
| Investment management and advisory fees | (12,788) | (9,958) |
| Net investment income | <u><u>\$ 941,488</u></u> | <u><u>\$ 360,324</u></u> |

NOTE 7 - PAY FOR SUCCESS

The Community Foundation entered into an agreement during the year ended December 31, 2013 in which the Community Foundation will hold cash funds on behalf of, and received from, another nonprofit organization. The cash funds are in a bank account separate from all other Community Foundation cash funds as required by the agreement. As the other nonprofit organization meets certain criteria in regards to its projects, the Community Foundation will distribute the cash funds to a third party. The agreement is long term and may last up to twelve years. Although the funds are in the Community Foundation's name, the Community Foundation is holding the funds as a nominee and is reliant upon third parties to indicate when a disbursement is to be made and to whom it shall be made. The Community Foundation receives annually a nominal fee for managing the fund. Any remaining funds when the agreement is terminated are to be returned to the other nonprofit organization. Funds received and relating to the agreement are classified in the statements of financial position as both an asset and liability titled "Restricted cash for Pay For Success" and "Refundable advance", respectively.

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NOTE 8 - LINE OF CREDIT

During the year ended December 31, 2017 the Community Foundation obtained a \$150,000 line of credit. Interest accrues at prime plus .95 points which equaled 5.45% at December 31, 2017. The line of credit has no maturity date and interest is due monthly on the outstanding principal. Collateral for the line of credit is \$316,000 of investments. The line of credit was not drawn upon during the year ended December 31, 2017.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Time restricted unconditional promises to give | \$ 479,198 | \$ 85,492 |
| Summit Community Power Works program | 22,838 | 59,480 |
| Park City Giving Guide | 871 | 2,345 |
| Morelli scholarships | 128,626 | - |
| Eileen Bailey and LaLa Martinez memorial | 10,098 | - |
| Girls Giving fund | 6,747 | - |
| Chance prevention and treatment fund | 6,656 | - |
| Sam Jackenthal winter athletic fund | 15,238 | - |
| Billy Poole ski education fund | 24,745 | - |
| Ski Utah learn to ski program | 5,000 | - |
| Long Term Strategic Planning | - | 14,328 |
| Unappropriated net endowment earnings - See Note 10 | 198,284 | - |
| Total temporarily restricted net assets | <u>\$ 898,301</u> | <u>\$ 161,645</u> |

Of the \$479,198 of time restricted unconditional promises to give, \$190,000 are scheduled to be received and available for general operations during 2018. The remaining \$289,198 of time restricted unconditional promises to give are scheduled to be received evenly from 2019 through 2021.

Reconciliation to promises to give - See Note 4:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|------------------|
| Time restricted unconditional promises to give | \$ 479,198 | \$ 85,492 |
| Permanently restricted unconditional promises to give | 1,195,203 | 4,874 |
| Net unconditional promises to give | <u>\$ 1,674,401</u> | <u>\$ 90,366</u> |

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Reconciliation to unappropriated net endowment earnings (deficiency) - See Note 10:

| | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------------|-------------------|
| Beginning balance | \$ (9,519) | \$ (27,448) |
| Total investment return | 242,524 | 42,929 |
| Appropriations | (34,721) | (25,000) |
| Ending balance | <u>\$ 198,284</u> | <u>\$ (9,519)</u> |

Total investment return of \$242,524 and \$42,929 for the years ended December 31, 2017 and December 2016 is the sum of realized and unrealized gains, interest and dividends, administrative fees, and other investment and fund expenses as shown in Note 11.

NOTE 10 - ENDOWMENTS

The Community Foundation's endowments at December 31, 2017 and 2016 consist of the following funds:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| For The Love Of Park City | \$ 1,882,290 | \$ 35,000 |
| Solomon: Integration Through Recreation | 1,000,000 | - |
| Women's Giving Fund | 1,422,487 | 1,332,952 |
| Other | 7,339 | 7,339 |
| Total Permanently restricted net assets | <u>\$ 4,312,116</u> | <u>\$ 1,375,291</u> |

Investment return on the endowment is considered temporarily restricted as such return may be used only for the purposes stipulated by the donor.

Interpretation of Relevant Law

The Community Foundation has interpreted Utah state law and the Utah enacted version of the Uniform Management of Institutional Funds Act (UPMIFA) as requiring the Community Foundation to preserve, over the long term, the original value of contributions to the permanently restricted endowments. Accordingly, the original value of initial contributions and the original value of subsequent contributions to the permanent endowments are classified as permanently restricted net assets. Absent any specific donor stipulations, investment earnings are classified as temporarily restricted net assets until appropriated by the Community Foundation.

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The Community Foundation has also interpreted state law and UPMIFA as allowing the Community Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Community Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established as stipulated in the gift instrument.

Return Objectives and Risk Parameters

The long term financial objective of the funds is to provide the Community Foundation's ongoing programs with a relatively stable stream of spendable revenue that increases over time at least as fast as the general rate of inflation, as measured by the Consumer Price Index. If this objective is to be achieved over the long term, the value of the funds, net of withdrawals, must also increase at least as fast as the rate of inflation. Investments are made in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Strategies for Achieving Objectives

In order to achieve the aforementioned financial objective, the long term return objective for the funds is to attain inflation-adjusted total investment returns (net of investment management fees) at least equal to the contemplated spending rate which is expected to average 5% over time, within the agreed Community Foundation risk parameters. The Community Foundation uses a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). As investment returns are cyclical, the funds will have to exceed this objective substantially during some periods in order to compensate for shortfalls during other periods; hence evaluation of progress toward this objective is made with a long term perspective. It is recognized that this objective implies an investment portfolio with a material component of equity securities and consequent market price volatility. The Community Foundation targets a diversified asset allocation which is reviewed at least annually. The Community Foundation's target asset allocation is to hold 35% of funds in fixed income instruments, 5% of funds in cash equivalents and other investments, and 60% of the funds held in equities.

Spending Policy

The Community Foundation may appropriate up to 7% annually of the fair market value of permanently restricted endowments. The appropriations are calculated on the basis of quarterly market values averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made. In the event a permanently restricted endowment fund has been in existence fewer than three years, the fair market value of the endowment fund shall be calculated for the period of time the endowment fund has been in existence. Any return in excess of these

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appropriations is reinvested in the endowment and is shown in the statements of financial position as temporarily restricted net assets. The Community Foundation generally charges between .4% to 2.25% of the fair market value of a permanently restricted endowment calculated on a pro-rata monthly basis for administrative oversight and program management costs. Additional services provided by the Community Foundation may result in additional charges to those funds.

Appropriation decisions within the above policy parameters are recommended by the Investment and Finance Committee with final approval by the Board of Directors.

Funds With Deficiencies

In such years when a deficiency occurs (resulting from an appropriation that is larger than the available endowment investment return and thus reducing the investments that comprise the permanently restricted portion of the endowment), such deficiencies are offset against unrestricted net assets in the statements of financial position. Endowment investment return in subsequent years should eliminate the deficiency. There was no deficiency at December 31, 2017. The deficiency was \$9,519 at December 31, 2016.

NOTE 11 - ENDOWMENT RECONCILIATION

Donor restricted - fair market value at December 31, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Beginning balance | \$ (9,519) | \$ - | \$ 1,375,291 | \$ 1,365,772 |
| Contributions | - | - | 2,936,825 | 2,936,825 |
| Realized and unrealized gains | 44,240 | 177,522 | - | 221,762 |
| Interest and dividends | - | 60,195 | - | 60,195 |
| Administrative fees | - | (34,185) | - | (34,185) |
| Other investment and fund expense | - | (5,248) | - | (5,248) |
| Appropriated | (34,721) | - | - | (34,721) |
| Ending balance | <u>\$ -</u> | <u>\$ 198,284</u> | <u>\$ 4,312,116</u> | <u>\$ 4,510,400</u> |

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Donor restricted - fair market value at December 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Beginning balance | \$ (27,448) | \$ - | \$ 1,275,852 | \$ 1,248,404 |
| Contributions | - | - | 99,439 | 99,439 |
| Realized and unrealized gains | 39,770 | - | - | 39,770 |
| Interest and dividends | 3,159 | 29,080 | - | 32,239 |
| Administrative fees | - | (25,358) | - | (25,358) |
| Other investment and fund expense | - | (3,722) | - | (3,722) |
| Appropriated | (25,000) | - | - | (25,000) |
| Ending balance | <u>\$ (9,519)</u> | <u>\$ -</u> | <u>\$ 1,375,291</u> | <u>\$ 1,365,772</u> |

NOTE 12 - LEASES

Effective August 1, 2015 the Community Foundation entered into a two year lease agreement (with an additional two year lease option) for office space at market rates payable monthly in the amount of \$1,025 plus a proportionate share of common area expense. The Community Foundation moved to different office space within the same building resulting in a new lease effective April 1, 2017 with monthly payments of \$2,783 (including common area expenses) and a three year lease term with two three year extensions at the option of the Community Foundation. Monthly rents increase 3% each year. Per GAAP costs of operating leases should be recognized on a straight-line basis unless another method is more representative of the time pattern in which benefit is derived from the leased property. Under the straight-line basis increasing rents would result in a deferred rent amount. The Community Foundation recognized rent on the basis of cash payments as the rent amounts are immaterial. Lease expense was \$29,896 and \$18,949 for the year ended December 31, 2017 and 2016, respectively.

NOTE 13 - RELATED PARTIES

All board members and management are donors to the Community Foundation. Board members and management contributed \$1,683,674 and \$1,944,086 for the years ended December 31, 2017 and 2016, respectively. Current board members and management have 19 donor advised funds at the Community Foundation. The balance of current board and management donor advised funds were \$5,650,227 and \$2,407,502 at December 31, 2017 and 2016, respectively.

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NOTE 14 - SUBSEQUENT EVENTS

In order to clarify the application of variance power to certain gifts as described in Note 2 under Revenue Recognition, the Community Foundation intends to amend the articles of organization. The articles of organization currently state, "The Directors in their discretion shall distribute all, or part, of the principal and income of the Foundation as they deem appropriate to fulfill the purposes of this Foundation." The pending amendment will add wording in order to clarify that the Community Foundation cannot distribute the original value of initial contributions or the original value of subsequent contributions which are permanently endowed by the donor.

Management has evaluated subsequent events through September 24, 2018, the date when the financial statements were available to be issued, and with the exception of the disclosure of the intent to amend the articles of incorporation, no events were identified that were required to be recognized or disclosed in these financial statements.