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January 19, 2018

Board of Directors
Vevay-Switzerland County Foundation, Inc.
P.O. Box 193
Vevay, IN 47043

We have reviewed the report prepared by Vevay-Switzerland County Foundation, Inc. and opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Vevay-Switzerland County Foundation, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

**VEVAY-SWITZERLAND COUNTY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

CPAs / ADVISORS



VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Vevay-Switzerland County Foundation, Inc.
Vevay, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Vevay-Switzerland County Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2014 financial statements were reviewed by us, and our report thereon, dated October 29, 2015, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Blue & Co., LLC

Seymour, Indiana

November 11, 2016

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

ASSETS

| | <u>2015</u> | <u>2014</u> |
|----------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 47,168 | \$ 54,565 |
| Certificate of deposit | 75,987 | 75,987 |
| Accounts receivable | 56,553 | 55,434 |
| Investments | 1,374,130 | 1,427,065 |
| Net property and equipment | 77,199 | 85,548 |
| Real estate held for sale | <u>2,084,100</u> | <u>2,084,100</u> |
| | <u>\$ 3,715,137</u> | <u>\$ 3,782,699</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|------------------|----------|--------|
| Accrued expenses | \$ 1,394 | \$ 731 |
|------------------|----------|--------|

Unrestricted net assets

| | | |
|--|---------------------|---------------------|
| | <u>3,713,743</u> | <u>3,781,968</u> |
| | <u>\$ 3,715,137</u> | <u>\$ 3,782,699</u> |

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Support, revenues, gains and losses | | |
| Contributions | \$ 224,349 | \$ 212,604 |
| Investment return, net | (52,209) | 93,399 |
| Loss on sale of real estate | -0- | (22,884) |
| Gain on sale of property and equipment | 5,000 | -0- |
| Service and rental income | 7,324 | 1,831 |
| Other income | 1,073 | -0- |
| Total support, revenues, gains and losses | <u>185,537</u> | <u>284,950</u> |
| Expenses | | |
| Program grants | 123,177 | 94,276 |
| Staff salaries and wages | 51,551 | 58,313 |
| Payroll taxes | 7,269 | 6,113 |
| Advertising | 4,367 | 2,607 |
| Contributions | 1,629 | 1,184 |
| Travel | 1,023 | 56 |
| Depreciation | 8,349 | 8,431 |
| Repairs and maintenance | 32,306 | 35,094 |
| Utilities | 3,063 | 3,262 |
| Office supplies | 1,869 | 1,078 |
| Telephone | 4,765 | 4,645 |
| Dues and subscriptions | 112 | 1,337 |
| Professional services | 6,485 | 9,976 |
| Insurance | 4,234 | 4,296 |
| Excise tax | 1,549 | 3,480 |
| Miscellaneous | 2,014 | 2,440 |
| Total expenses | <u>253,762</u> | <u>236,588</u> |
| Change in net assets | (68,225) | 48,362 |
| Unrestricted net assets, beginning of year | <u>3,781,968</u> | <u>3,733,606</u> |
| Unrestricted net assets, end of year | <u>\$ 3,713,743</u> | <u>\$ 3,781,968</u> |

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

| | 2015 | 2014 |
|---|------------------|------------------|
| Operating activities | | |
| Change in net assets | \$ (68,225) | \$ 48,362 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 8,349 | 8,431 |
| Reinvested interest and dividends on investments | (28,883) | (25,430) |
| Realized and unrealized (gains) losses on investments | 68,209 | (80,746) |
| Gain on sale of property and equipment | (5,000) | -0- |
| Loss on sale of real estate | -0- | 22,884 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,119) | (14,423) |
| Accrued expenses | 663 | (2,124) |
| Grants payable | -0- | (7,500) |
| Net cash flows from operating activities | <u>(26,006)</u> | <u>(50,546)</u> |
| Investing activities | | |
| Proceeds from sale of property and equipment | 5,000 | -0- |
| Proceeds from sale of real estate | -0- | 42,016 |
| Purchase of investments | (662,645) | (548,641) |
| Proceeds from sale of investments | <u>676,254</u> | <u>562,372</u> |
| Net cash flows from investing activities | <u>18,609</u> | <u>55,747</u> |
| Net change in cash and cash equivalents | (7,397) | 5,201 |
| Cash and cash equivalents, beginning of year | <u>54,565</u> | <u>49,364</u> |
| Cash and cash equivalents, end of year | <u>\$ 47,168</u> | <u>\$ 54,565</u> |

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Vevay-Switzerland County Foundation, Inc. (the "Foundation") is a not-for-profit private foundation established in 1979 for the purpose of aiding in the continuing improvements of Vevay and Switzerland County for the betterment of its citizens and its citizens to come.

Management's Estimates

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, revenues, investment return, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The net assets of the Foundation are classified and reported as unrestricted net assets as they are not subject to donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers cash equivalents to include all unrestricted investments with an original maturity of ninety days or less, but excludes cash equivalents held by various fund managers included in investments.

Investments and Investment Return

The Foundation carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statements of Activities in the period in which such changes occur.

Property and Equipment

Items capitalized as part of property and equipment are valued at cost. Maintenance and repairs are expensed as incurred. The Foundation uses the straight line method of computing depreciation at rates adequate to depreciate the cost of the applicable assets over their useful lives ranging from 5 to 39 years.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

Real Estate Held for Sale

Real estate held for sale is carried at fair value and consists of land donated to the Foundation. The Foundation actively markets the remaining lots and parcels of the land.

Support, Revenues and Expense Recognition

Contributions are recognized as support in the period the contribution is made. Support and revenues are reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Internal Revenue Service has ruled that the Foundation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to income taxation under present income tax laws. However, the Internal Revenue Code imposes an excise tax on the Foundation's net investment income less allowable deductions, because it is classified as a private foundation under Section 509(a).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – PF – Return of Private Foundation Exempt from Income Tax which assesses the amount of any excise tax owed by the Foundation.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

Subsequent Events

The Foundation has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is November 11, 2016.

2. CERTIFICATE OF DEPOSIT

The certificate of deposit consists of the following at December 31, 2015 and 2014:

| 2015 | | | 2014 | | |
|-----------|-----------|---------------|-----------|-----------|---------------|
| Amount | Maturity | Interest Rate | Amount | Maturity | Interest Rate |
| \$ 75,987 | 12/6/2016 | 2.25% | \$ 75,987 | 12/6/2016 | 2.25% |

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

3. INVESTMENTS

Investments at December 31, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|-----------------------------|---------------------|---------------------|
| Cash and money market funds | \$ 45,679 | \$ 26,788 |
| Common stocks | | |
| Basic materials | 89,448 | 112,882 |
| Industrial goods | 82,583 | 67,681 |
| Healthcare | 124,157 | 147,820 |
| Services | 132,401 | 217,100 |
| Technology | 204,659 | 235,164 |
| Consumer goods | 94,555 | 63,044 |
| Financial | 210,027 | 194,371 |
| Utilities | 99,122 | 100,820 |
| Other | 7,579 | 1,550 |
| Corporate bonds | | |
| Financial | -0- | 14,109 |
| Other | -0- | 7,122 |
| Fixed income mutual funds | | |
| Intermediate bond | 40,576 | 43,660 |
| Non-traditional | 25,596 | 24,164 |
| Short-term | 40,290 | -0- |
| Long-term | 26,482 | 26,984 |
| High yield | 37,030 | -0- |
| Equity mutual funds | | |
| Non-diversified | 78,757 | 76,288 |
| World allocation | 23,268 | 20,846 |
| U.S. government securities | | |
| Treasury notes | -0- | 33,395 |
| Mortgage backed securities | | |
| Financial | -0- | 3,546 |
| Exchange traded funds | | |
| Non-diversified | 11,921 | 9,731 |
| | <u>\$ 1,374,130</u> | <u>\$ 1,427,065</u> |

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2015 and 2014:

| | 2015 | 2014 |
|--|--------------------|------------------|
| Interest and dividend income | \$ 28,883 | \$ 25,430 |
| Realized and unrealized gains (losses) | (68,209) | 80,746 |
| Investment fees | <u>(12,883)</u> | <u>(12,777)</u> |
| | <u>\$ (52,209)</u> | <u>\$ 93,399</u> |

4. RISKS AND UNCERTAINTIES

The Foundation holds investments (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The Foundation's policy is to recognize transfers, if any, between levels as of the actual date of the event or change in circumstances. The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

- *Common stocks:* Level 1 investments are valued at the closing price reported on the active market on which the individual securities are traded. Investments that are not in an actively traded market have been included as Level 2.
- *Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the funds. Mutual funds and exchange traded funds held by the Foundation are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Foundation are deemed to be actively traded.
- *U.S. government securities and mortgage backed securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

The following table sets forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

| | 2015 | | |
|----------------------------|--------------|--------------|-----------|
| | Fair Value | Level 1 | Level 2 |
| Investments | | | |
| Common stocks | \$ 1,044,531 | \$ 950,230 | \$ 94,301 |
| Mutual funds | 271,999 | 271,999 | -0- |
| Exchange traded funds | 11,921 | 11,921 | -0- |
| | | | |
| | 2014 | | |
| | Fair Value | Level 1 | Level 2 |
| Investments | | | |
| Common stocks | \$ 1,140,432 | \$ 1,049,609 | \$ 90,823 |
| Corporate bonds | 21,231 | -0- | 21,231 |
| Mutual funds | 191,942 | 191,942 | -0- |
| U.S. government securities | 33,395 | -0- | 33,395 |
| Mortgage backed securities | 3,546 | -0- | 3,546 |
| Exchange traded funds | 9,731 | 9,731 | -0- |

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

There were no transfers between levels in the current year.

Assets measured at fair value on a non-recurring basis comprise the following:

| | 2015 | | |
|---------------------------|--------------|---------|--------------|
| | Fair Value | Level 1 | Level 2 |
| Real estate held for sale | \$ 2,084,100 | \$ -0- | \$ 2,084,100 |

| | 2014 | | |
|---------------------------|--------------|---------|--------------|
| | Fair Value | Level 1 | Level 2 |
| Real estate held for sale | \$ 2,084,100 | \$ -0- | \$ 2,084,100 |

The fair value of real estate held for sale is determined by periodic third-party appraisals based upon market prices and information for similar real estate.

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|-------------------------------|------------------|------------------|
| Property and equipment | \$ 275,548 | \$ 297,343 |
| Less accumulated depreciation | <u>(198,349)</u> | <u>(211,795)</u> |
| | <u>\$ 77,199</u> | <u>\$ 85,548</u> |

7. FUNCTIONAL EXPENSES

The Foundation serves to aid the continuing improvements of Vevay and Switzerland County. Expenses related to providing these improvements for the years ended December 31, 2015 and 2014 are classified as follows:

| | 2015 | 2014 |
|-------------------------------------|-------------------|-------------------|
| Program expenses | \$ 207,530 | \$ 187,546 |
| General and administrative expenses | <u>46,232</u> | <u>49,042</u> |
| | <u>\$ 253,762</u> | <u>\$ 236,588</u> |

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 (AUDITED) AND 2014 (UNAUDITED)

8. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash and cash equivalents in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents. Investments are maintained with one investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to \$500,000.

During 2015 and 2014, the Foundation received 100 percent of total contributions from Switzerland County Council through a revenue sharing agreement the County has with Belterra Casino.