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May 20, 2019

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

We have reviewed the audit report of Vevay-Switzerland County Foundation, Inc. which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Vevay-Switzerland County Foundation, Inc. as of December 31, 2017 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 the audit report in accordance with 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, 2017 (AUDITED) AND 2016 (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

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, 2017, 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.

Accountant'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, 2017, 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 2016 financial statements were reviewed by us, and our report thereon, dated November 7, 2017, 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 5, 2018

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

ASSETS

	2017	2016 As Restated
Cash and cash equivalents	\$ 120,448	\$ 53,682
Accounts receivable	53,618	56,424
Investments	1,807,170	1,483,983
Net property and equipment	61,023	66,895
Real estate held for sale	<u>1,516,000</u>	<u>1,755,828</u>
	<u>\$ 3,558,259</u>	<u>\$ 3,416,812</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ 2,822	\$ 762
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Unrestricted net assets

	<u>3,555,437</u>	<u>3,416,050</u>
	<u>\$ 3,558,259</u>	<u>\$ 3,416,812</u>

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

	2017	2016 As Restated
Support, revenues, gains and losses		
Contributions	\$ 226,594	\$ 225,015
Investment return, net	224,720	119,526
Loss on sale of real estate	(166,942)	(7,271)
Change in value of real estate held for sale	153,335	-0-
Gain on sale of property and equipment	-0-	3,000
Service and rental income	3,300	1,793
Other income	439	655
Total support, revenues, gains and losses	441,446	342,718
Expenses		
Program grants	152,519	207,392
Staff salaries and wages	39,521	39,471
Payroll taxes	3,630	2,987
Advertising	3,473	4,759
Contributions	16,872	6,620
Travel	66	47
Depreciation	5,872	10,304
Repairs and maintenance	51,548	46,861
Utilities	3,452	2,918
Office supplies	1,328	1,000
Telephone	4,968	4,973
Dues and subscriptions	112	212
Professional services	7,837	12,190
Insurance	4,533	4,844
Excise tax	2,506	2,551
Miscellaneous	3,822	282
Total expenses	302,059	347,411
Change in net assets	\$ 139,387	\$ (4,693)
Unrestricted net assets, beginning of year		
As previously reported		\$ 3,713,743
Prior period adjustment related to the correct recognition of real estate held for sale		(293,000)
As restated	3,416,050	3,420,743
Change in net assets	139,387	(4,693)
Unrestricted net assets, end of year	\$ 3,555,437	\$ 3,416,050

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

	2017	2016
Operating activities		
Change in net assets	\$ 139,387	\$ (4,693)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	5,872	10,304
Reinvested interest and dividends on investments	(33,734)	(40,632)
Realized and unrealized gains on investments	(204,970)	(91,022)
Gain on sale of property and equipment	-0-	(3,000)
Loss on sale of real estate	166,942	7,271
Change in value of real estate held for sale	(153,335)	-0-
Changes in assets and liabilities:		
Accounts receivable	2,806	129
Accrued expenses	2,060	(632)
Net cash flows from operating activities	(74,972)	(122,275)
Investing activities		
Maturities of certificates of deposit	-0-	75,987
Proceeds from sale of property and equipment	-0-	3,000
Proceeds from sale of real estate	226,221	28,001
Purchase of investments	(544,105)	(503,726)
Proceeds from sale of investments	459,622	525,527
Net cash flows from investing activities	141,738	128,789
Net change in cash and cash equivalents	66,766	6,514
Cash and cash equivalents, beginning of year	53,682	47,168
Cash and cash equivalents, end of year	\$ 120,448	\$ 53,682

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of payment(s) to be received from Switzerland County towards the agreement that the Foundation has with the county to carry out its services.

Management estimates an allowance for doubtful receivables based on an evaluation of historical losses, current economic conditions, and other factors unique to the Foundation. No allowance for doubtful accounts was determined to be required at December 31, 2017 and 2016.

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.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

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.

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, 2017 and 2016, 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.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

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.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Foundation's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued.

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 5, 2018.

2. RESTATEMENT

The Foundation has restated its financial statements to correct the valuation of the real estate held for sale as of January 1, 2016, which resulted in a decrease in unrestricted net assets of \$293,000. The changes reflected in the financial statements as of and for the year ended December 31, 2016 are as follows:

	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
Statement of Financial Position:			
Real estate held for sale	\$ 2,048,828	\$ (293,000)	\$ 1,755,828
Unrestricted net assets	3,709,050	(293,000)	3,416,050
Statement of Activities:			
Unrestricted net assets, beginning of year	3,713,743	(293,000)	3,420,743
Unrestricted net assets, end of year	3,709,050	(293,000)	3,416,050

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

3. INVESTMENTS

Investments at December 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 47,637	\$ 42,997
Common stocks		
Basic materials	146,360	100,270
Industrial goods	129,647	82,469
Healthcare	144,689	98,426
Services	97,413	115,718
Technology	275,032	183,768
Consumer goods	153,698	79,151
Financial	271,102	214,068
Utilities	124,939	106,511
Other	12,296	3,294
Fixed income mutual funds		
Intermediate bond	65,830	50,233
Short-term	49,470	53,370
Long-term	63,624	54,064
High yield	32,932	66,037
Non-diversified	132,367	108,092
Inflation-protected	31,227	50,632
Other	15,569	25,652
Equity mutual funds		
Large	-0-	38,055
Exchange traded funds		
Non-diversified	<u>13,338</u>	<u>11,176</u>
	<u>\$ 1,807,170</u>	<u>\$ 1,483,983</u>

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 33,734	\$ 40,632
Realized and unrealized gains	204,970	91,022
Investment fees	<u>(13,984)</u>	<u>(12,128)</u>
	<u>\$ 224,720</u>	<u>\$ 119,526</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 MEASUREMENTS

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, 2017 (AUDITED) AND 2016 (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, 2017 and 2016.

- *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.
- *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 and closed-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.

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, 2017 and 2016:

	2017		
	Fair Value	Level 1	Level 2
Investments			
Common stocks	\$ 1,355,176	\$ 1,244,232	\$ 110,944
Mutual funds	391,019	391,019	-0-
Exchange traded funds	13,338	13,338	-0-
	2016		
	Fair Value	Level 1	Level 2
Investments			
Common stocks	\$ 983,675	\$ 881,638	\$ 102,037
Mutual funds	446,135	446,135	-0-
Exchange traded funds	11,176	11,176	-0-

There were no transfers between levels in the current year.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (UNAUDITED)

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

	2017		
	Fair Value	Level 1	Level 2
Real estate held for sale	\$ 1,516,000	\$ -0-	\$ 1,516,000

	2016 (As Restated)		
	Fair Value	Level 1	Level 2
Real estate held for sale	\$ 1,755,828	\$ -0-	\$ 1,755,828

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, 2017 and 2016 is as follows:

	2017	2016
Property and equipment	\$ 271,543	\$ 271,543
Less accumulated depreciation	<u>(210,520)</u>	<u>(204,648)</u>
	<u>\$ 61,023</u>	<u>\$ 66,895</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, 2017 and 2016 are classified as follows:

	2017	2016
Program expenses	\$ 249,443	\$ 294,121
General and administrative expenses	<u>52,616</u>	<u>53,290</u>
	<u>\$ 302,059</u>	<u>\$ 347,411</u>

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 (AUDITED) AND 2016 (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 2017 and 2016, the Foundation received 100 percent of total contributions from Switzerland County Council through a revenue sharing agreement the County has with Belterra Casino.

9. STATE, COUNTY AND LOCAL FUNDING

In compliance with the Indiana State Board of Account's Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, state, local, and county funding must be disclosed for the current year. During 2017, the Foundation received \$226,594 from the Switzerland County government.

10. RECENTLY ISSUED ACCOUNTING STANDARDS

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Foundation is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

The Foundation is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.