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July 9, 2020

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, 2018 to December 31, 2018. 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, 2018 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
Paul D. Joyce, CPA
State Examiner

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended December 31, 2018, 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 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 audits 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective January 1, 2018, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Seymour, Indiana

November 6, 2019

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017 As Restated
Cash and cash equivalents	\$ 82,195	\$ 120,448
Accounts receivable	55,723	53,618
Investments	1,639,801	1,807,170
Net property and equipment	54,394	61,023
Real estate held for sale	1,442,659	1,516,000
	<u>\$ 3,274,772</u>	<u>\$ 3,558,259</u>

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ 1,289	\$ 2,822
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Net assets without donor restrictions

	<u>3,273,483</u>	<u>3,555,437</u>
	<u>\$ 3,274,772</u>	<u>\$ 3,558,259</u>

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 As Restated
	<u>2018</u>	<u>As Restated</u>
Support, revenues, gains and losses		
Contributions	\$ 231,114	\$ 226,594
Investment return, net	(194,035)	224,720
Loss on sale of real estate	(17,766)	(166,942)
Change in value of real estate held for sale	-0-	153,335
Rental income	2,500	3,300
Other	439	439
Total support, revenues, gains and losses	<u>22,252</u>	<u>441,446</u>
Expenses		
Development	246,656	242,736
Management and general	57,550	59,323
Total expenses	<u>304,206</u>	<u>302,059</u>
Change in net assets	(281,954)	139,387
Net assets without donor restrictions, beginning of year	<u>3,555,437</u>	<u>3,416,050</u>
Net assets without donor restrictions, end of year	<u>\$ 3,273,483</u>	<u>\$ 3,555,437</u>

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Development	Management & General	Total
Program grants	\$ 184,200	\$ -0-	\$ 184,200
Staff salaries and wages	32,746	8,187	40,933
Payroll taxes	2,415	604	3,019
Advertising	-0-	5,755	5,755
Contributions	1,572	-0-	1,572
Travel	286	-0-	286
Depreciation	3,314	3,315	6,629
Repairs and maintenance	14,318	14,318	28,636
Utilities	586	2,344	2,930
Office supplies	1,544	386	1,930
Telephone	2,690	672	3,362
Dues and subscriptions	181	-0-	181
Printing	162	-0-	162
Professional services	-0-	15,699	15,699
Insurance	2,249	2,250	4,499
Income tax	-0-	3,627	3,627
Miscellaneous	393	393	786
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 246,656</u>	<u>\$ 57,550</u>	<u>\$ 304,206</u>

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ (281,954)	\$ 139,387
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,629	5,872
Reinvested interest and dividends on investments	(40,024)	(33,734)
Realized and unrealized losses (gains) on investments	220,197	(204,970)
Loss on sale of real estate	17,766	166,942
Change in value of real estate held for sale	-0-	(153,335)
Changes in assets and liabilities:		
Accounts receivable	(2,105)	2,806
Accrued expenses	(1,533)	2,060
Net cash flows from operating activities	(81,024)	(74,972)
Investing activities		
Proceeds from sale of real estate	55,575	226,221
Purchase of investments	(739,812)	(544,105)
Proceeds from sale of investments	727,008	459,622
Net cash flows from investing activities	42,771	141,738
Net change in net assets	(38,253)	66,766
Cash and cash equivalents, beginning of year	120,448	53,682
Cash and cash equivalents, end of year	\$ 82,195	\$ 120,448
Supplemental disclosure of cash flow information		
Taxes paid	\$ 3,627	\$ 2,506

See accompanying notes to financial statements.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, 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 net assets without donor restrictions 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 net assets without donor restrictions 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, 2018 and 2017.

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, 2018 AND 2017

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, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

All other revenue is recorded when earned.

Functional Allocation of Expenses

The costs of providing the various programs (development) and supporting services (management and general) have been summarized on a functional basis in the Statements of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of time, effort and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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.

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 6, 2019.

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Foundation has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7), and disclosures related to the functional allocation of expenses

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

were expanded (Note 1).

The impact of the adoption of ASU No. 2016-14 on the Foundation's net assets is as follows:

Statement of Financial Position

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Unrestricted net assets	\$ 3,555,437	\$ (3,555,437)	\$ -0-
Without donor restrictions	<u>-0-</u>	<u>3,555,437</u>	<u>3,555,437</u>
Total net assets	<u>\$ 3,555,437</u>	<u>\$ -0-</u>	<u>\$ 3,555,437</u>

Statement of Activities

	As previously stated, December 31, 2017	Adjustment	As restated December 31, 2017
Changes in unrestricted net assets	\$ 139,387	\$ (139,387)	\$ -0-
Changes in net assets without donor restrictions	<u>-0-</u>	<u>139,387</u>	<u>139,387</u>
Total changes in net assets	<u>\$ 139,387</u>	<u>\$ -0-</u>	<u>\$ 139,387</u>

There was no significant impact to the statement of cash flows as a result of adopting this ASU.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

3. INVESTMENTS

Investments at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 26,057	\$ 47,637
Common stocks		
Basic materials	106,371	146,360
Industrial goods	140,619	129,647
Healthcare	133,145	144,689
Services	63,782	97,413
Technology	248,663	275,032
Consumer goods	142,813	153,698
Financial	217,924	271,102
Utilities	136,982	124,939
Other	10,683	12,296
Fixed income mutual funds		
Intermediate bond	50,930	65,830
Short-term	83,875	49,470
Long-term	62,236	63,624
High yield	-0-	32,932
Non-diversified	121,858	132,367
Inflation-protected	34,441	31,227
Alternative managed futures	52,477	-0-
Other	-0-	15,569
Exchange traded funds		
Non-diversified	<u>6,945</u>	<u>13,338</u>
	<u>\$ 1,639,801</u>	<u>\$ 1,807,170</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.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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.

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, 2018 and 2017.

- *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.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018 and 2017:

	2018		
	Fair Value	Level 1	Level 2
Investments			
Common stocks	\$ 1,200,982	\$ 1,090,110	\$ 110,872
Mutual funds	405,817	405,817	-0-
Exchange traded funds	6,945	6,945	-0-

	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-

There were no transfers between levels in the current year.

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

	2018		
	Fair Value	Level 1	Level 2
Real estate held for sale	\$ 1,442,659	\$ -0-	\$ 1,442,659

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

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.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$ 271,543	\$ 271,543
Less accumulated depreciation	<u>(217,149)</u>	<u>(210,520)</u>
	<u>\$ 54,394</u>	<u>\$ 61,023</u>

7. LIQUIDITY AND AVAILABILITY

The Foundation has \$1,777,719 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of following:

Cash and cash equivalents	\$ 82,195
Accounts receivable	55,723
Investments	<u>1,639,801</u>
	<u>\$ 1,777,719</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The Foundation is substantially supported by a revenue sharing agreement Switzerland County has with Belterra Resort Indiana, LLC ("Belterra Casino") in which the Foundation receives up to \$237,000 annually.

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 2018 and 2017, the Foundation received 100 percent of contributions from Switzerland County Council through a revenue sharing agreement Switzerland County has with Belterra Casino.

VEVAY-SWITZERLAND COUNTY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 2018, the Foundation received \$231,114 from the Switzerland County government.

10. RECENTLY ISSUED ACCOUNTING STANDARDS

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow an NFP entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. The Foundation will be required to adopt this new standard in the year ending December 31, 2019.

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