

**Summit Area Public Foundation  
Financial Statements  
Year Ended December 31, 2017**

**Summit Area Public Foundation  
Table of Contents  
Year Ended December 31, 2017**

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Assets & Net Assets - Modified Cash Basis	3
Statement of Income & Expenses - Modified Cash Basis	4
Statement of Cash Flows - Modified Cash Basis	5
Notes to Financial Statements	6

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Summit Area Public Foundation

### **Report on Financial Statements**

I have audited the accompanying statement of assets & net assets - modified cash basis of the Summit Area Public Foundation (the Foundation) as of December 31, 2017 and the related statements of income & expenses - modified cash basis and of cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Summit Area Public Foundation as of December 31, 2017, and its income, expenses, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

**Basis of Accounting**

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

May 2, 2018  
Hillsborough, NJ

**Summit Area Public Foundation**  
**Statement of Assets & Net Assets -**  
**Modified Cash Basis**  
**December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Assets</b>				
Cash & cash equivalents				
Checking - Haven Savings Bank	\$ 45,909	\$ 99,655	\$ -	\$ 145,564
Money market - Glenmede Trust	158,891	270,553	-	429,444
	<u>204,800</u>	<u>370,208</u>	<u>-</u>	<u>575,008</u>
Investment securities - Glenmede Trust	6,187,771	6,395,182	4,141,059	16,724,012
Accrued interest receivable	13,579	23,121	-	36,700
	<u>\$ 6,406,150</u>	<u>\$ 6,788,511</u>	<u>\$ 4,141,059</u>	<u>\$ 17,335,720</u>
<b>Net Assets</b>				
Unrestricted	\$ 6,406,150	\$ -	\$ -	\$ 6,406,150
Temporarily restricted	-	6,788,511	-	6,788,511
Permanently restricted	<u>-</u>	<u>-</u>	<u>4,141,059</u>	<u>4,141,059</u>
	<u>\$ 6,406,150</u>	<u>\$ 6,788,511</u>	<u>\$ 4,141,059</u>	<u>\$ 17,335,720</u>

See accompanying notes to financial statements.

**Summit Area Public Foundation**  
**Statement of Income & Expenses -**  
**Modified Cash Basis**  
**Year ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Income</b>				
Contributions	\$ 67,584	\$ 263,470	\$ -	\$ 331,054
Investment income				
Interest	54,281	94,039	-	148,320
Dividends	112,371	193,484	-	305,855
Realized gains	1,227,772	2,107,113	-	3,334,885
Unrealized losses	(579,103)	(986,371)	-	(1,565,474)
	<u>815,321</u>	<u>1,408,265</u>	<u>-</u>	<u>2,223,586</u>
 Total income	 882,905	 1,671,735	 -	 2,554,640
<b>Expenses</b>				
Grants & allocations	252,471	1,058,803	-	1,311,274
 Management & general				
Accounting	19,040	-	-	19,040
Bookkeeping	3,401	-	-	3,401
Bank fees	227	-	-	227
Insurance	2,171	-	-	2,171
Postage	129	-	-	129
Meetings	1,012	-	-	1,012
Registration	28	-	-	28
Investment management fees	78,469	-	-	78,469
Internal management fees	(105,163)	105,163	-	-
	<u>(686)</u>	<u>105,163</u>	<u>-</u>	<u>104,477</u>
 Fund raising				
Processing fees	621	-	-	621
Computer	3,310	-	-	3,310
Postage	132	-	-	132
Dues & subscriptions	1,037	-	-	1,037
Marketing	1,902	-	-	1,902
	<u>7,002</u>	<u>-</u>	<u>-</u>	<u>7,002</u>
 Total expenses	 <u>258,787</u>	 <u>1,163,966</u>	 <u>-</u>	 <u>1,422,753</u>
 Increase in net assets	 624,118	 507,769	 -	 1,131,887
 Net assets, beginning of year	 <u>5,782,032</u>	 <u>6,280,742</u>	 <u>4,141,059</u>	 <u>16,203,833</u>
 Net assets, end of year	 <u>\$ 6,406,150</u>	 <u>\$ 6,788,511</u>	 <u>\$ 4,141,059</u>	 <u>\$ 17,335,720</u>

See accompanying notes to financial statements.

**Summit Area Public Foundation**  
**Statement of Cash Flows -**  
**Modified Cash Basis**  
**Year ended December 31, 2017**

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 1,131,887
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Realized gains on sales of investment securities	(3,334,885)
Unrealized losses on investment securities	1,565,474
Contributions of investment securities	(78,010)
Increase in accrued interest receivable	<u>(15,815)</u>
Net cash used in operating activities	(731,349)
<b>Cash flows from investing activities</b>	
Proceeds from sale of investment securities	17,352,806
Acquisition of investment securities	<u>(16,574,171)</u>
Net cash provided by investing activities	<u>778,635</u>
Net increase in cash & cash equivalents	47,286
Cash & cash equivalents	
Beginning of year	<u>527,722</u>
End of year	\$ <u><u>575,008</u></u>

See accompanying notes to financial statements.

**Summit Area Public Foundation**  
**Notes to Financial Statements**  
**Year Ended December 31, 2017**

**(1) Nature of Organization**

The Summit Area Public Foundation (the Foundation) is a nonprofit corporation located in Summit, New Jersey. Its purpose is to encourage and promote well-being of mankind and to serve the public educational, charitable or benevolent needs of the inhabitants of the Summit area through the use of its net income. It seeks to invest funds prudently to ensure long-term growth, which supports the philanthropic activities. The mission is fulfilled by awarding grants, through a competitive process, to meet the needs of the community.

**(2) Summary of Significant Accounting Policies**

*Basis of accounting*

The Foundation prepares its financial statements on the modified cash basis of accounting where contributions are recognized as revenue when collected, and expenditures are recognized as expenses when disbursed. Income and expenses, including interest earned, may be accrued depending on their nature and relationship to the overall financial statements. This method differs from accounting principles generally accepted in the United States of American which states that income should be recognized when earned, and expenses should be recognized when incurred.

*Financial statement presentation*

The Foundation reports its statement of assets & net assets - modified cash basis and its statement of income & expenses - modified cash basis according to three classes of net assets:

Unrestricted net assets - net assets not subject to donor-imposed restrictions, and therefore expendable for operating purposes.

Temporarily restricted net assets - net assets subject to donor-imposed restrictions that will be met by the expenditure of the underlying funds on the intended use.

Permanently restricted net assets - net assets subject to donor-imposed restrictions requiring they be maintained permanently by the Foundation. Investment income generated by the underlying assets may be expended on donor-specified purposes.

*Use of estimates*

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash & cash equivalents*

Demand deposits in financial institutions and money market funds are included in the cash & cash equivalents.

*Investment securities*

Investment securities are stated at fair value in the statements of assets & net assets - modified cash basis. Investment income is reported as unrestricted or temporarily restricted depending on the nature of donor-imposed restrictions.



**Summit Area Public Foundation  
Notes to Financial Statements  
Year Ended December 31, 2017**

*Contributions*

Contributions are recognized as income when received and are classified as unrestricted, temporarily restricted, or permanently restricted depending on the existence of donor-imposed restrictions.

*Income taxes*

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Management is not aware of any violation of tax status or exposure to uncertain tax positions that could cause a future tax assessment or which could affect its liquidity of future cash flows. The Foundation's exempt organization filings for the years ended December 31, 2014 through 2017 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the foundation's financial activities for income and unrelated business tax for those years.

**(3) Investment Securities**

As of December 31, 2017, investment securities consist of the following:

	<u>Cost</u>	Fair <u>Value</u>
Fixed income securities	\$4,972,730	\$ 4,873,703
Equity securities	9,754,819	10,155,228
Alternative investments		
Real estate funds	678,972	680,579
Absolute return funds	692,340	669,895
Commodity funds	<u>343,642</u>	<u>344,607</u>
	<u>\$16,442,503</u>	<u>\$16,724,012</u>

**Summit Area Public Foundation  
Notes to Financial Statements  
Year Ended December 31, 2017**

**(4) Fair Value Measurement**

Financial instruments, consisting of investment securities and money market funds, are carried at fair value which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is determined using three levels of inputs:

- Level 1 Valuations based on quoted prices in active markets for identical assets.
- Level 2 Valuations based on one or more quoted price for investments that are not exchange-traded but for which all significant inputs are observable.
- Level 3 Valuations based on inputs that are unobservable and insignificant to the overall fair value measurements.

The following valuation techniques are used for assets measured at fair value:

Money market funds are classified as Level 1 due to their short term nature.

Mutual and exchange-traded funds are measured at fair value using quoted market prices and are classified as Level 1.

Equity securities are measured at fair value using quoted market prices and are classified as Level 1.

Bonds, included in fixed income securities, are traded over-the-counter. Fair value is determined using market prices of comparable issues, and therefore is classified as Level 2.

Financial instruments measured at fair value on a recurring basis as of December 31, 2017 are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income securities	\$ 1,981,624	\$2,892,079	\$ 4,873,703
Equity securities	10,155,228	-	10,155,228
Alternative investments			
Real estate funds	680,579	-	680,579
Absolute return funds	669,895	-	669,895
Commodity funds	344,607	-	344,607
Money market funds	<u>429,444</u>	<u>-</u>	<u>429,444</u>
	<u>\$14,261,377</u>	<u>\$2,892,079</u>	<u>\$17,153,456</u>

**Summit Area Public Foundation  
Notes to Financial Statements  
Year Ended December 31, 2017**

**(5) Endowment Policy**

The Foundation's endowment consists of permanently and unrestricted funds included in its investment portfolio.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require standard care that is reasonable and prudent over its endowed funds. The Foundation currently classifies permanently restricted net assets at the original value of the gifts donated to the permanent endowment. The remaining portfolio of the endowment funds is classified as temporarily restricted net assets until those amounts are appropriate for expenditure under the Foundation's spending policy and unrestricted endowment funds.

The Foundation has an endowment spending policy which appropriates distribution each year of 4% of its endowment funds' fair value as of December 31 of the preceding year.

The Foundation has adopted investment policies that seek long-term capital growth, current income and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment.

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Foundation targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

Endowment net assets by fund are as follows as of December 31, 2017.

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$4,790,005	\$4,141,059	\$8,931,064
Unrestricted	<u>101,238</u>	<u>-</u>	<u>-</u>	<u>101,238</u>
	<u>\$ 101,238</u>	<u>\$4,790,005</u>	<u>\$4,141,059</u>	<u>\$9,032,302</u>

**(6) Subsequent Events**

Management has evaluated events for potential recognition and disclosure that occurred after December 31, 2017 but before May 2, 2018.