

**THE PORTLAND FOUNDATION
AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

**For the Years Ended December 31, 2018
and December 31, 2017**

THE PORTLAND FOUNDATION AND AFFILIATE

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Board of Trustees
The Portland Foundation
Portland, Indiana 47371

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined financial statements of The Portland Foundation (a non-profit organization organized as a trust) and The Portland Foundation, Inc. (affiliate), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Portland Foundation and affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, in 2018 The Portland Foundation and affiliate adopted Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Bollenbacher & Associates, LLC

Portland, Indiana
August 15, 2019

The Portland Foundation and Affiliate
Combined Statements of Financial Position
December 31, 2018 and December 31, 2017

	<u>Assets</u>	
	<u>12/31/2018</u>	<u>12/31/2017</u>
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 122,898	\$ 265,731
Cash and cash equivalents - With donor restrictions	<u>42,553</u>	<u>42,553</u>
	165,451	308,284
Income tax receivable	26	26
Investments; at market - Assets held for others	166,912	363,084
Investments; at market - With donor restrictions	<u>2,854,561</u>	<u>6,198,949</u>
 Total current assets	 <u>3,186,950</u>	 <u>6,870,343</u>
<u>Property and Equipment; at cost</u>		
Computer hardware	13,340	14,129
Computer software	2,370	2,370
Leasehold improvements	351,385	412,143
Office furniture and fixtures	<u>3,504</u>	<u>12,165</u>
	370,599	440,807
<u>Less: Accumulated depreciation</u>	<u>(234,087)</u>	<u>(276,628)</u>
	136,512	164,179
Land - Freedom Park	<u>220,423</u>	<u>220,423</u>
 Total property and equipment	 <u>356,935</u>	 <u>384,602</u>
<u>Noncurrent Assets:</u>		
Investments; at market - Assets held for others	1,345,409	1,344,976
Investments; at market - With donor restrictions	29,177,921	28,641,887
Paintings - With donor restrictions	<u>3,471</u>	<u>3,471</u>
 Total noncurrent assets	 <u>30,526,801</u>	 <u>29,990,334</u>
 Total assets	 <u>\$34,070,686</u>	 <u>\$37,245,279</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate
Combined Statements of Financial Position
December 31, 2018 and December 31, 2017

<u>Liabilities and Net Assets</u>		
	<u>12/31/2018</u>	<u>12/31/2017</u>
<u>Current Liabilities:</u>		
Accrued liabilities	\$ -	\$ 145
Current portion of non-current liability	<u>45,188</u>	<u>39,040</u>
Total current liabilities	<u>45,188</u>	<u>39,185</u>
<u>Non-Current Liabilities:</u>		
Liabilities for assets held for others	1,512,321	1,708,060
<u>Less:</u> Amount to be disbursed within one year	<u>(45,188)</u>	<u>(39,040)</u>
Total non-current liabilities	<u>1,467,133</u>	<u>1,669,020</u>
Total liabilities	<u>1,512,321</u>	<u>1,708,205</u>
<u>Net Assets:</u>		
Without donor restrictions	479,859	650,214
With donor restrictions:		
Time-restricted for future periods	2,897,114	6,241,502
Perpetual in nature	<u>29,181,392</u>	<u>28,645,358</u>
Total with donor restrictions	<u>32,078,506</u>	<u>34,886,860</u>
Total net assets	<u>32,558,365</u>	<u>35,537,074</u>
Total liabilities and net assets	<u>\$34,070,686</u>	<u>\$37,245,279</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statement of ActivitiesFor the Year Ended December 31, 2018

	<u>With Donor Restrictions</u>				<u>Total</u>
	<u>Without Donor Restriction</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total With Donor Restrictions</u>	
<u>Revenues, Gains, and Other Support:</u>					
Contributions	\$ 451	\$ 522,693	\$ 469,833	\$ 992,526	\$ 992,977
Interest and dividends	-	685,054	-	685,054	685,054
Realized and unrealized gains and (losses) from investments, net	-	(3,062,722)	-	(3,062,722)	(3,062,722)
Other income	7,300	-	-	-	7,300
Loss on disposal of fixed assets	(4,759)	-	-	-	(4,759)
Partnership investment income (loss)	(37)	-	-	-	(37)
	<u>2,955</u>	<u>(1,854,975)</u>	<u>469,833</u>	<u>(1,385,142)</u>	<u>(1,382,187)</u>
Less: Contributions to assets held for others	-	-	(432)	(432)	(432)
Plus: Investment income from assets held for others	-	<u>133,557</u>	-	<u>133,557</u>	<u>133,557</u>
	<u>2,955</u>	<u>(1,721,418)</u>	<u>469,401</u>	<u>(1,252,017)</u>	<u>(1,249,062)</u>
Net assets released from restrictions	<u>1,556,337</u>	<u>(1,622,970)</u>	<u>66,633</u>	<u>(1,556,337)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,559,292</u>	<u>(3,344,388)</u>	<u>536,034</u>	<u>(2,808,354)</u>	<u>(1,249,062)</u>
<u>Grants, Scholarships, and Other Expenses:</u>					
Grants	994,031	-	-	-	994,031
Scholarships	312,781	-	-	-	312,781
Investment management fees	41,135	-	-	-	41,135
Trustee fees	138,398	-	-	-	138,398
Functional expenses - Per attached schedule	<u>305,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,916</u>
	<u>1,792,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,792,261</u>
Less: Disbursements from assets held for others	<u>(62,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,614)</u>
Total distributions and other expenses	<u>1,729,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,729,647</u>
<u>Change in Net Assets</u>	<u>(170,355)</u>	<u>(3,344,388)</u>	<u>536,034</u>	<u>(2,808,354)</u>	<u>(2,978,709)</u>
<u>Net Assets - Beginning</u>	<u>650,214</u>	<u>6,241,502</u>	<u>28,645,358</u>	<u>34,886,860</u>	<u>35,537,074</u>
<u>Net Assets - Ending</u>	<u>\$ 479,859</u>	<u>\$ 2,897,114</u>	<u>\$ 29,181,392</u>	<u>\$ 32,078,506</u>	<u>\$ 32,558,365</u>

The Portland Foundation and Affiliate

Combined Statement of Activities

For the Year Ended December 31, 2017

	<u>With Donor Restrictions</u>				<u>Total</u>
	<u>Without Donor Restriction</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total With Donor Restrictions</u>	
<u>Revenues, Gains, and Other Support:</u>					
Contributions	\$ 1,051	\$ 37,143	\$ 3,872,671	\$ 3,909,814	\$ 3,910,865
Interest and dividends	-	579,715	-	579,715	579,715
Realized and unrealized gains and (losses) from investments, net	263	3,883,494	-	3,883,494	3,883,757
Other income	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-
Partnership investment income (loss)	(714)	-	-	-	(714)
	600	4,500,352	3,872,671	8,373,023	8,373,623
Less: Contributions to assets held for others	-	-	(594,088)	(594,088)	(594,088)
Less: Investment income from assets held for others	-	(150,903)	-	(150,903)	(150,903)
	600	4,349,449	3,278,583	7,628,032	7,628,632
Net assets released from restrictions	<u>1,476,326</u>	<u>(1,484,390)</u>	<u>8,064</u>	<u>(1,476,326)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,476,926</u>	<u>2,865,059</u>	<u>3,286,647</u>	<u>6,151,706</u>	<u>7,628,632</u>
<u>Grants, Scholarships, and Other Expenses:</u>					
Grants	925,396	-	-	-	925,396
Scholarships	272,649	-	-	-	272,649
Investment management fees	38,103	-	-	-	38,103
Trustee fees	132,894	-	-	-	132,894
Functional expenses - Per attached schedule	265,109	-	-	-	265,109
	1,634,151	-	-	-	1,634,151
Less: Disbursements from assets held for other	(27,973)	-	-	-	(27,973)
Total distributions and other expenses	<u>1,606,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,606,178</u>
<u>Change in Net Assets</u>	<u>(129,252)</u>	<u>2,865,059</u>	<u>3,286,647</u>	<u>6,151,706</u>	<u>6,022,454</u>
<u>Net Assets - Beginning</u>	<u>779,466</u>	<u>3,376,443</u>	<u>25,358,711</u>	<u>28,735,154</u>	<u>29,514,620</u>
<u>Net Assets - Ending</u>	<u>\$ 650,214</u>	<u>\$ 6,241,502</u>	<u>\$ 28,645,358</u>	<u>\$ 34,886,860</u>	<u>\$ 35,537,074</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2018

Salaries and Related Expenses:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Director's salary	\$ 53,500	\$ 53,500	\$ -	\$ 107,000
Other salaries and wages	24,050	24,180	-	48,230
Payroll taxes	5,587	5,560	-	11,147
Employee benefits	8,569	9,818	-	18,387
Directors' and officers' insurance	-	1,070	-	1,070
Travel	-	706	-	706
	<u>91,706</u>	<u>94,834</u>	<u>-</u>	<u>186,540</u>
Total salaries and related expense	<u>91,706</u>	<u>94,834</u>	<u>-</u>	<u>186,540</u>

Other Expenses:

Advertising	-	-	-	-
Dues and subscriptions	-	1,508	-	1,508
Insurance	-	1,226	-	1,226
Internet	588	588	-	1,176
Legal and accounting	-	7,685	-	7,685
Lilly Community Scholarship	8,345	-	-	8,345
Miscellaneous	9,693	-	-	9,693
Office supplies	-	26,950	-	26,950
Postage	-	2,157	-	2,157
Printing and promotion	2,642	-	5,225	7,867
Rent	-	18,400	-	18,400
Repairs and maintenance	-	6,302	-	6,302
Telephone	-	2,711	-	2,711
Utilities	-	2,448	-	2,448
	<u>21,268</u>	<u>69,975</u>	<u>5,225</u>	<u>96,468</u>
Total other expenses	<u>21,268</u>	<u>69,975</u>	<u>5,225</u>	<u>96,468</u>
<u>Depreciation of property and equipment</u>	<u>-</u>	<u>22,908</u>	<u>-</u>	<u>22,908</u>
<u>Total expenses</u>	<u>\$ 112,974</u>	<u>\$ 187,717</u>	<u>\$ 5,225</u>	<u>\$ 305,916</u>

The Portland Foundation and Affiliate

Combined Statement of Functional Expenses

For the Year Ended December 31, 2017

Salaries and Related Expenses:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Director's salary	\$ 52,000	\$ 52,000	\$ -	\$ 104,000
Other salaries and wages	27,154	22,098	-	49,252
Payroll taxes	5,697	5,685	-	11,382
Employee benefits	6,638	7,143	-	13,781
Directors' and officers' insurance	-	1,070	-	1,070
Travel	-	1,747	-	1,747
	<u>91,489</u>	<u>89,743</u>	<u>-</u>	<u>181,232</u>
Total salaries and related expense				

Other Expenses:

Advertising	-	1,159	-	1,159
Dues and subscriptions	-	1,506	-	1,506
Insurance	-	1,200	-	1,200
Internet	746	746	-	1,492
Legal and accounting	-	7,485	-	7,485
Lilly Community Scholarship	4,738	-	-	4,738
Miscellaneous	5,911	-	-	5,911
Office supplies	-	2,811	-	2,811
Postage	-	1,443	-	1,443
Printing and promotion	1,975	-	5,770	7,745
Rent	-	8,400	-	8,400
Repairs and maintenance	-	11,134	-	11,134
Telephone	-	2,304	-	2,304
Utilities	-	2,944	-	2,944
	<u>13,370</u>	<u>41,132</u>	<u>5,770</u>	<u>60,272</u>
Total other expenses				
<u>Depreciation of property and equipment</u>	<u>-</u>	<u>23,605</u>	<u>-</u>	<u>23,605</u>
<u>Total expenses</u>	<u>\$ 104,859</u>	<u>\$ 154,480</u>	<u>\$ 5,770</u>	<u>\$ 265,109</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statements of Cash FlowsFor the Years Ended December 31, 2018 and December 31, 2017

	<u>12/31/2018</u>	<u>12/31/2017</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	<u>\$(2,978,709)</u>	<u>\$ 6,022,454</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	22,908	23,605
Realized and unrealized (gains) and losses from investments, net	3,062,722	(3,883,757)
Loss on disposal of fixed assets	4,759	-
Increase (decrease) in liabilities:		
Liability for assets held for others	(195,739)	717,019
Accrued liabilities	(145)	145
Contributions - With donor restrictions	(992,526)	(3,909,814)
Interest and dividends - With donor restrictions	<u>(685,054)</u>	<u>(579,715)</u>
Total adjustments	<u>1,216,925</u>	<u>(7,632,517)</u>
Net cash used by operating activities	<u>(1,761,784)</u>	<u>(1,610,063)</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds - Sale of investments	32,029,855	22,549,598
Payments - Purchase of investments	<u>(32,088,484)</u>	<u>(25,531,654)</u>
Net cash used by investing activities	<u>(58,629)</u>	<u>(2,982,056)</u>
<u>Cash Flows from Financing Activities:</u>		
Proceeds - Contributions - With donor restrictions	992,526	3,909,814
Proceeds - Interest and dividends - With donor restrictions	<u>685,054</u>	<u>579,715</u>
Net cash provided by financing activities	<u>1,677,580</u>	<u>4,489,529</u>

- See Accompanying Notes -

The Portland Foundation and AffiliateCombined Statements of Cash FlowsFor the Years Ended December 31, 2018 and December 31, 2017(Continued)

	<u>12/31/2018</u>	<u>12/31/2017</u>
Net change in cash and cash equivalents	(142,833)	(102,590)
Cash and cash equivalents - Beginning	<u>308,284</u>	<u>410,874</u>
Cash and cash equivalents - Ending	<u>\$ 165,451</u>	<u>\$ 308,284</u>

- See Accompanying Notes -

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) (the Foundation) receive gifts from individuals, foundations, and organizations and place them into individual funds that match the giving priorities of the donors. The majority of the gifts are endowment gifts which are preserved into perpetuity, the income of which is returned to the Jay County community through grants and scholarships.

BASIS OF ACCOUNTING - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION - The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CONTRIBUTIONS - Contributions, including grants, that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same period are reported as unrestricted support and increase net assets without donor restrictions.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRIBUTED SERVICES - A variety of people have contributed significant amounts of non-compensatory time to the activities of the Foundation. The financial statements do not reflect the value of these contributed services because, although substantial, no reliable basis exists for determining an appropriate amount.

ESTIMATES - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMBINED FINANCIAL STATEMENTS - The Portland Foundation, Inc. (affiliate) is under the common control of The Portland Foundation, and is reported as one economic entity with the Foundation. As such, inter-organizational revenue and expenses are eliminated in preparing the combined financial statements.

RECEIVABLES AND UNCOLLECTIBLES - Accounts and pledge receivables are recorded at cost at the time of their occurrence and adjusted to fair value through the allowance for doubtful accounts at year end by the Foundation determining the amount that may be uncollectible. The Foundation does not charge interest or finance charges for past due accounts. When an account is totally uncollectible, the Foundation writes off the receivable and reduces the allowance for doubtful accounts. The Foundation usually determines when an account or pledge is totally uncollectible by estimating whether any payments will ever be received on that account or pledge. As of December 31, 2018 and 2017, there were no pledge receivables, and accordingly, no allowance for doubtful accounts.

PROPERTY AND DEPRECIATION - Property and equipment owned by the Foundation are carried at cost or, in the case of donated property, at fair-market value determined at the date of gift less accumulated depreciation. Depreciation is recorded on the straight-line method over estimated useful lives of the assets.

Expenditures for maintenance and repairs and certain small elements of renewals are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss thereon is credited or charged to income. Depreciation expense totaled \$22,908 and \$23,605 for the years ended December 31, 2018 and 2017, respectively.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The money market funds within the brokerage accounts are not considered to be cash equivalents.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX STATUS - The Foundation and affiliate are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In the year ended December 31, 2018, the Foundation incurred an unrelated business loss of \$37. In the year ended December 31, 2017, the Foundation earned unrelated business loss of \$451. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2018, the Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

The Foundation's information returns are subject to examination, generally for three years after the filing date.

INVESTMENTS - The Foundation carries the majority of its investments at market value. Accordingly, unrealized gains and losses are recorded for the increase or decrease in the market value of assets from the beginning of the period to the end of the period. The Foundation does carry some investments at cost. These investments are investments for which there are no readily determinable fair-market values.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Program usage studies are conducted annually.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Internet	Program usage
Printing and promotion	Program usage

GRANTS AND SCHOLARSHIPS - Grants and scholarships are made from available income and principal in accordance with the designations by the donors and approved by the Board of Directors and are recorded at the date the grant or scholarship is approved.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS HELD FOR OTHERS - The Foundation has reported liabilities for assets held for others in conformity with FASB *Accounting Standards Codification 958, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Foundation is required to report as liabilities any amounts received from a donor that specifies itself or its affiliates as the beneficiary of the transferred assets, and any activity attributed to these amounts is recorded as an increase or decrease in the liabilities. Accordingly, the Foundation has reported \$1,512,321 and \$1,708,060 at December 31, 2018 and 2017, respectively, as liabilities for assets held for others on the statements of financial position.

Additionally, the Foundation has reported on the statement of activities a reduction in contributions of \$432 and \$594,088, and a reduction in disbursements of \$62,615 and \$27,973 for the years ended December 31, 2018 and 2017, respectively, for the activity attributed to the assets held for others. Furthermore, the Foundation reported on the statement of activities an increase in investment income of \$133,557 and a decrease in investment income \$150,903 for the years ended December 31, 2018 and 2017, respectively.

NEW ACCOUNTING PRONOUNCEMENT - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - RETIREMENT PLAN

The Foundation set up a retirement plan during 2008 for employees. The contribution is determined annually by the Board. The expense of the retirement plan for the years ended December 31, 2018 and December 31, 2017, totaled \$12,376 and \$13,000, respectively.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>351,385</u>	<u>214,874</u>
Total land and leasehold improvements	<u>571,808</u>	<u>214,874</u>
Equipment:		
Computer hardware	13,340	13,340
Computer software	2,370	2,370
Office furniture and fixtures	<u>3,504</u>	<u>3,503</u>
Total equipment	<u>19,214</u>	<u>19,213</u>
Total property and equipment	<u>\$ 591,022</u>	<u>\$ 234,087</u>

Property and equipment consisted of the following at December 31, 2017:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land - Freedom Park	\$ 220,423	\$ -
Leasehold improvements	<u>412,143</u>	<u>253,422</u>
Total land and leasehold improvements	<u>632,566</u>	<u>253,422</u>
Equipment:		
Computer hardware	14,129	14,012
Computer software	2,370	2,370
Office furniture and fixtures	<u>12,165</u>	<u>6,824</u>
Total equipment	<u>28,664</u>	<u>23,206</u>
Total property and equipment	<u>\$ 661,230</u>	<u>\$ 276,628</u>

NOTE 4 - NONCURRENT ASSETS - PAINTINGS

The Foundation is the owner of paintings that have been donated to the Foundation. The donations are stated at the estimated fair-market value at the time of donation.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, equity, and other investments. The Foundation generally places its investments with financial institutions and attempts to limit its credit exposure to any one financial institution. Cash deposits at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the Foundation had \$0 and \$58,284, respectively, in uninsured cash deposits. At December 31, 2018, the Foundation had \$33,544,803 invested in three different brokerage accounts. At December 31, 2017, the Foundation had \$36,548,896 invested in three different brokerage accounts. The Foundation maintains a continually managed investment strategy to diversify the risk of these investments; however, they are subject to normal market risk. The Foundation does not require any collateral to support its financial instruments.

NOTE 6 - INVESTMENTS; AT MARKET

At December 31, 2018, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 3,061,412	\$ -	\$ 3,061,412
Corporate bonds & notes	-	-	-
Mutual funds	28,793,177	(951,385)	27,841,792
Common stock	-	-	-
Other investments	2,867,414	(225,815)	2,641,599
Total	<u>\$ 34,722,003</u>	<u>\$ (1,177,200)</u>	<u>\$ 33,544,803</u>

The above funds are included on the statement of financial position at market value, under the captions "Investments; at market - With donor restrictions and Investments; at market - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2018, consisted of the following:

Interest and dividends	\$ 685,054
Realized and unrealized gains (losses) on investments, net	<u>(3,062,722)</u>
Total	<u>\$ (2,377,668)</u>

The above income is included on the statement of activities.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 6 - INVESTMENTS; AT MARKET (continued)

At December 31, 2017, the Foundation maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Carrying Value (Market)</u>
Money market funds	\$ 2,682,302	\$ -	\$ 2,682,302
Corporate bonds & notes	79,912	(61,631)	18,281
Mutual funds	26,891,702	5,042,056	31,933,758
Common stock	263,225	565,147	828,372
Other investments	920,759	165,424	1,086,183
Total	<u>\$ 30,837,900</u>	<u>\$ 5,710,996</u>	<u>\$ 36,548,896</u>

The above funds are included on the statement of financial position at market value, under the captions "Investments; at market - With donor restrictions and Investments; at market - Assets held for others."

Investment income earned on these investments during the year ended December 31, 2017, consisted of the following:

Interest and dividends	\$ 579,715
Realized and unrealized gains (losses) on investments, net	<u>3,883,494</u>
Total	<u>\$ 4,463,209</u>

The above income is included on the statement of activities.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2018</u>
Cash and cash equivalents	<u>\$ 122,898</u>
Total	<u>\$ 122,898</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 8 - CAFETERIA PLAN

As of January 1, 2017, the Foundation adopted a Section 125 cafeteria plan. This plan allows employees to elect to receive certain employee benefits with pre-tax dollars.

NOTE 9 - MAJOR FUNDING SOURCES

Significant amounts of income were recorded from the following sources during the year ended December 31, 2018:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Lilly Endowment, Inc.	\$ 500,000	50%
Estate of Linus Mescher	\$ 165,854	17%

Significant amounts of income were recorded from the following sources during the year ended December 31, 2017:

<u>Contributor</u>	<u>Amount</u>	<u>% of Total Contributions</u>
Estate of Dorothy Hamma	\$ 2,451,190	63%

NOTE 10 - PRINTING AND PROMOTIONAL AND ADVERTISING EXPENSES

For the years ended December 31, 2018 and December 31, 2017, printing and promotional expenses in the amount of \$7,867 and \$7,745, respectively, and advertising expenses in the amount of \$0 and \$1,159, respectively, were incurred by the Foundation to promote its programs among the Jay County community.

NOTE 11 - COMMITMENTS

In August 2018, the Foundation agreed to a five-year lease of office facilities at \$2,700 per month through June 2023. Rent expense for the years ended December 31, 2018 and December 31, 2017, were \$18,400 and \$8,400, respectively.

Future minimum lease payments are as follows:

2019	\$ 32,400
2020	32,400
2021	32,400
2022	32,400
2023	<u>16,200</u>
Total	<u>\$145,800</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 12 - NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time Restricted		
Restricted for future periods	\$ 2,897,114	\$ 6,241,502
Perpetual	29,181,392	28,645,358
Total	<u>\$ 32,078,506</u>	<u>\$ 34,886,860</u>

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	<u>\$ 479,859</u>	<u>\$ 650,214</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restrictions		
Restricted for future periods	\$ 1,622,970	\$ 1,484,390
Total	<u>\$ 1,622,970</u>	<u>\$ 1,484,390</u>

NOTE 13 - RELATED PARTIES

Several board members of the Foundation also serve as board members of other organizations that receive grants from the Foundation.

For the years ending December 31, 2018, a board member of the Foundation is also an employee of an organization that receives grants from the Foundation. The grants disbursed to this organization totaled \$8,868 and \$17,705 for the years ending December 31, 2018 and December 31, 2017.

In addition, for the years ending December 31, 2018 and December 31, 2017, the Executive Director of the Foundation served as a board member of an organization where a related party serves as the Executive Director. The Foundation disbursed grants totaling \$55,500 and \$74,802, respectively to this Organization for the years ending December 31, 2018 and December 31, 2017. The Foundation entered into a lease agreement for office facilities with

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 13 - RELATED PARTIES (continued)

this Organization. Rent expense for the year ending December 31, 2018 and December 31, 2017 totaled \$13,500 and \$0, respectively.

Furthermore, the Foundation maintained investments at a brokerage firm for which a related party worked as the financial advisor of the investments. The value of these investments totaled \$241,470 and \$275,638, respectively, at December 31, 2018 and December 31, 2017. Income earned on these investments during 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,177	\$ 3,423
Realized gains (losses) on sales of investments	45,418	17,819
Unrealized gains (losses) on investments	<u>(74,078)</u>	<u>25,118</u>
Total	<u>\$ (26,483)</u>	<u>\$ 46,360</u>

The above income is included on the statement of activities.

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quotes prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The estimated fair values of the Foundation's financial instruments at December 31, 2018, none of which are held for trading purposes, are as follows:

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 3,061,412	\$ -	\$ -	\$ 3,061,412
Corporate bonds & notes	-	-	-	-
Mutual funds	27,841,792	-	-	27,841,792
Common stock	-	-	-	-
Alternative investments	2,641,599	-	-	2,641,599
Total assets at fair value	<u>\$ 33,544,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,544,803</u>

The estimated fair values of the Foundation's financial instruments at December 31, 2017, none of which are held for trading purposes, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial Assets:</u>				
Money market funds	\$ 2,682,302	\$ -	\$ -	\$ 2,682,302
Corporate bonds & notes	18,281	-	-	18,281
Mutual funds	31,933,758	-	-	31,933,758
Common stock	828,372	-	-	828,372
Alternative investments	1,086,183	-	-	1,086,183
Total assets at fair value	<u>\$ 36,548,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,548,896</u>

NOTE 15 - UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At December 31, 2018, the Foundation had 17 funds with original gift values of \$2,280,680, fair values of \$2,142,955, and deficiencies of \$137,725 reported in net assets with donor restrictions. At December 31, 2017, the Foundation had 4 funds with original gift values of \$121,773, fair values of \$116,142, and deficiencies of \$5,631 reported in net assets with donor restrictions. The deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain purposes was deemed prudent by the Board of Directors.

The Portland Foundation and Affiliate

Notes to the Financial Statements

December 31, 2018 and December 31, 2017

NOTE 16 - ENDOWMENT FUND

Change in endowment net assets for the year ended December 31, 2018:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Assets Held for Others</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 1,708,060	\$ 6,241,502	\$ 28,641,887	\$ 36,591,449
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	(133,557)	(2,377,668)	-	(2,511,225)
Contributions	432	522,693	536,034	1,059,159
Appropriation of endowment assets for expenditure	(62,614)	(1,489,413)	-	(1,552,027)
Endowment net assets, end of year	<u>\$ 1,512,321</u>	<u>\$ 2,897,114</u>	<u>\$ 29,177,921</u>	<u>\$ 33,587,356</u>

Change in endowment net assets for the year ended December 31, 2017:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Assets Held for Others</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 991,041	\$ 3,376,443	\$ 25,355,240	\$ 29,722,724
Investment return:				
Interest, dividends, capital gains (losses) (realized and unrealized)	150,903	4,312,306	-	4,463,209
Contributions	594,088	37,143	3,286,647	3,917,878
Appropriation of endowment assets for expenditure	(27,972)	(1,484,390)	-	(1,512,362)
Endowment net assets, end of year	<u>\$ 1,708,060</u>	<u>\$ 6,241,502</u>	<u>\$ 28,641,887</u>	<u>\$ 36,591,449</u>

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 16 - ENDOWMENT FUND (continued)

In 1996, the Foundation adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the funds are that required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

NOTE 17 - INVESTMENT AND SPENDING POLICIES

The Foundation has adopted investment and spending policies for endowment assets with an objective to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board, the endowment assets are invested in a manner intended to produce positive results while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy of appropriating for distribution each year a discretionary amount, of 4%, based on its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 18 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and such changes could materially affect amounts reported.

The Portland Foundation and AffiliateNotes to the Financial StatementsDecember 31, 2018 and December 31, 2017NOTE 19 - CHARITABLE GIFT ANNUITIES AND CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several charitable gift annuities and charitable remainder unitrusts. Currently, the owners of these annuities and unitrusts are receiving benefits. The amount the Foundation will receive is uncertain. Accordingly, these funds are not reported as assets to the Foundation.

The fair market value of these funds are as follows:

	<u>2018</u>	<u>2017</u>
Charitable gift annuities	\$ 475,244	\$ 541,881
Charitable remainder unitrusts	<u>832,190</u>	<u>909,050</u>
Total	<u>\$ 1,307,434</u>	<u>\$ 1,450,931</u>

NOTE 20 - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions that occurred between January 1, 2019 and August 15, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No subsequent events were noted by the Foundation.

August 15, 2019

To the Board of Trustees
The Portland Foundation

We have audited the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) for the year ended December 31, 2018, and have issued our report thereon dated August 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Portland Foundation and affiliate are described in Note 1 to the combined financial statements. As described in Note 1, the Organization changed accounting policies related to presentation of financial statements by adopting FASB Accounting Standards Update (ASU) No. 958, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combined financial statements in the proper period.

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the combined financial statements taken as a whole.

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Board of Trustees
The Portland Foundation
August 15, 2019
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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combined financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's combined financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Trustees and management of The Portland Foundation and affiliate and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bollenbacher & Associates, LLC

Bollenbacher & Associates, LLC
Certified Public Accountants

To the Board of Trustees
The Portland Foundation

In planning and performing our audit of the combined financial statements of The Portland Foundation (organized as a trust) and The Portland Foundation, Inc. (affiliate) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered The Portland Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's combined financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bollenbacher & Associates, LLC

Portland, Indiana
August 15, 2019