

**CHISHOLM TRAIL COMMUNITIES FOUNDATION
AND ITS AFFILIATE**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2017 AND 2016

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CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
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DIANE W. FULMER
CPA, PC

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Chisholm Trail Communities Foundation and its Affiliate
Georgetown, TX

I have reviewed the accompanying financial statements of Chisholm Trail Communities Foundation and its affiliate (collectively, the Foundation) (a nonprofit organization), which comprise the consolidated statements of financial position as December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

My responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in United States of America.

Diane W. Fulmer, CPA
Round Rock, Texas
September 19, 2018

CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash	\$ 573,128	\$ 268,041
Total Cash and Cash Equivalents	573,128	268,041
Accounts Receivable		
Accounts Receivable	-	32
Total Accounts Receivable	-	32
Other Current Assets		
Investments	7,476,896	2,760,973
Total Other Current Assets	7,476,896	2,760,973
Total Current Assets	8,050,024	3,029,046
Fixed Assets		
Land	240,100	240,100
Buildings	450,010	445,900
Property and Equipment	55,971	54,885
Accumulated Depreciation	(137,418)	(123,476)
Total Fixed Assets	608,663	617,409
Total Assets	\$ 8,658,687	3,646,455
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued Expenses	\$ 2,243	1,960
Agency Obligations	1,010,867	747,549
Deferred Rent	3,165	9,650
Tenant Deposit	3,850	4,150
Total Current Liabilities	1,020,125	763,309
Net Assets		
Unrestricted		
Board Designated		
Various Endowments	655,449	541,449
Donor Advised Funds	4,918,897	616,571
Donor Designated Funds	1,352,274	1,010,165
Undesignated	616,341	615,739
Total Unrestricted Net Assets	7,542,961	2,783,924
Temporarily Restricted	95,601	99,222
Total Net Assets	7,638,562	2,883,146
Total Liabilities and Net Assets	\$ 8,658,687	3,646,455

See accompanying notes and independent accountant's review report.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and support			
Contributions	\$ 5,784,112	\$ 8,360	\$ 5,792,472
In-kind contributions	143,473	-	143,473
Rental income	67,330	-	67,330
Net realized and unrealized gain on investments	393,300	11,524	404,824
Fund administration fees	<u>57,982</u>	<u>-</u>	<u>57,982</u>
 TOTAL REVENUE, GAINS AND SUPPORT	 6,446,197	 19,884	 6,466,081
 Net assets released from temporary restrictions			
Satisfaction of donor restrictions	23,505	(23,505)	-
 Expenses and Other Deductions			
Grants to Others and Program Services	1,575,897	-	1,575,897
General and Administrative	<u>134,769</u>	<u>-</u>	<u>134,769</u>
 TOTAL EXPENSES AND OTHER DEDUCTIONS	 <u>1,710,666</u>	 <u>-</u>	 <u>1,710,666</u>
 CHANGE IN NET ASSETS	 4,759,037	 (3,621)	 4,755,415
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,783,924</u>	 <u>99,222</u>	 <u>2,883,146</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 7,542,961</u>	 <u>\$ 95,601</u>	 <u>\$ 7,638,561</u>

See accompanying notes and independent accountant's review report.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and support			
Contributions	\$ 1,154,835	\$ 24,610	\$ 1,179,445
In-kind contributions	36,671	-	36,671
Rental income	62,852	-	62,852
Net realized and unrealized gain on investments	167,018	7,312	174,330
Fund administration fees	<u>53,056</u>	<u>-</u>	<u>53,056</u>
 TOTAL REVENUE, GAINS AND SUPPORT	 1,474,432	 31,922	 1,506,354
 Net assets released from temporary restrictions			
Satisfaction of donor restrictions	20,027	(20,027)	-
 Expenses and Other Deductions			
Grants to Others and Program Services	1,376,160	-	1,376,160
General and Administrative	<u>130,626</u>	<u>-</u>	<u>130,626</u>
 TOTAL EXPENSES AND OTHER DEDUCTIONS	 <u>1,506,786</u>	 <u>-</u>	 <u>1,506,786</u>
 CHANGE IN NET ASSETS	 (12,327)	 11,895	 (432)
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,796,251</u>	 <u>87,327</u>	 <u>2,883,578</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,783,924</u>	 <u>\$ 99,222</u>	 <u>\$ 2,883,146</u>

See accompanying notes and independent accountant's review report.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

	2017	2016
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 4,755,415	(432)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:		
Depreciation	13,942	14,328
In-kind Contributions	(143,473)	(36,671)
Fund Administration Fees	(57,982)	(53,056)
Net Realized and Unrealized Gain on Investments	(404,824)	(174,330)
(Increase) decrease in Accounts Receivable	32	(32)
Increase (decrease) in Accrued Expenses	282	67
Increase (decrease) in Agency Obligations	263,318	(214,416)
Increase (decrease) in Deferred Rent	(6,485)	8,600
Increase (decrease) in Tenant Deposit	(300)	150
Total Adjustments	(335,490)	(455,360)
Net Cash Provided by Operating Activities	4,419,925	(455,792)
Cash Flows From Financing Activities:		
Purchase of Fixed Assets	(5,196)	-
Net Cash Used in Investing Activities	(5,196)	-
Cash Flows From Investing Activities:		
Proceeds from sale of investments	241,241	562,931
Purchase of Investments	(4,350,883)	(110,387)
Net Cash Used in Investing Activities	(4,109,642)	452,544
Net Increase in Cash	305,087	(3,248)
Cash at Beginning of Year	268,041	271,289
Cash at End of Year	\$ 573,128	268,041
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	-
Income Taxes	-	-

Disclosure of accounting policy:

For purposes of the statement of cash flows, the company considers all highly liquid investments with a maturity date of three months or less to be cash equivalents.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Summary of Programs and Activities

The Chisholm Trail Communities Foundation (CTCF) and its affiliate (collectively, the Foundation) are publicly supported philanthropic institutions governed by a board of private citizens selected to be representative of the public interest and for their knowledge of the community. The Foundation administers individual funds contributed or bequeathed to it by individuals, other agencies, corporations, and other sources. The Foundation serves three publics: donors, the nonprofit sector, and the community as a whole. The Foundation awards grants which benefit arts and humanities, education, health, social services, and general community service in Williamson County. During the year ended December 31, 2008, CTCF established an affiliate, Future Trails Fund (FTF) (a nonprofit organization), for the purpose of managing rental property donated to the Foundation.

NOTE 1: Summary of Significant Accounting Policies

The Foundation's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). CTCF follows Statement of Financial Accounting Standards (FASC ASC 958), Financial Statements for Not-for-Profit Organization. Under FASC ASC 958, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets:

Net assets are not subject to donor-imposed stipulations which consist of the following:

Donor advised – funds in which the donor will advise the Foundation of organizations they prefer to receive grants. Although grant recommendations are accepted from the donors of these funds, the ultimate discretion of the use of the funds lies with the Board of Directors of the Foundation.

Donor designated – the preferred recipient of the grants from these funds is stated in the original gift agreement. Although the donor states a preferred recipient of the funds, the ultimate discretion of the use of the funds lies with the Board of Directors of the Foundation.

Field of interest – original gift agreements name a general type of organization as a preferred grant recipient. The Board of Directors of the Foundation has the ultimate discretion of the use of the funds.

Undesignated – funds which have no donor recommendation, designation or preference.

Board designated – funds designated by the Board of Directors for a specific purpose.

Temporarily Restricted Net Assets:

Net assets subject to donor imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets:

Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. There are not any permanently restricted net assets as of December 31, 2017 or December 31, 2016.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: Summary of Significant Accounting Policies (continued)

The financial statements are consolidated according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidations*, and include the accounts of CTCF and its' affiliate FTF. All material intercompany transactions have been eliminated in consolidation.

CTCF and FTF entered into an operating agreement effective January 1, 2009. The agreement acknowledged FTF as a type-one supporting organization as defined in the Internal Revenue Code section 509(a)(3). The agreement also authorized the board of FTF to be the governing body. The board of FTF is to be appointed by the board of CTCF and the Executive Director will serve as the ex-officio member of the FTF Board.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases and/or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporarily restricted net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give are recognized as revenues when they are received. Conditional promises to give are recognized when they become unconditional, that is when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

Realized and unrealized gains (losses) on investments of endowment and similar funds are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be included in the principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- As increases (decreases) in unrestricted net assets in all other cases.

Investments are stated at market value. The net realized and unrealized gains (losses) in market value of investments are reflected in the accompanying consolidated statement of activities. See Note 8 for fair value measurement of investments.

FASB ASC 958, *Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted endowment funds for a non-profit organization that is subject to an enacted version of the Uniform Prudent management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to the UPMIFA.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: Summary of Significant Accounting Policies (continued)

Property and equipment are capitalized at cost if they exceed \$1,000 capitalization threshold. Renewals and betterments which add significantly to the utility or useful life of the assets are capitalized. Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line basis. Categories of assets and their useful lives are as follows:

Buildings	39 years
Furniture and equipment	5 to 7 years

Chisholm Trail Communities Foundation and Future Trails Fund are exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related CTCT and FTF's tax-exempt purpose can be subject to taxation as unrelated business income. There is no federal income tax due for unrelated business income for years ending December 31, 2017 and 2016.

Management has evaluated the Foundation's tax positions and determined that the Organization had taken no uncertain tax positions. With few exceptions the Organization is no longer subject to income tax examinations by the U.S. Federal, State, or Local tax authorities for years before 2013.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could differ from those estimates.

NOTE 2: Cash and Cash Equivalents

Cash and Cash Equivalents as of December 31, 2017 consist of four checking accounts, one savings account, and two money market accounts. As of December 31, 2016 there were two checking accounts, three savings accounts, and two money market accounts.

NOTE 3: Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2017, the Organization had \$291,607 in uninsured balances. The Organization did not have any balances greater than the FDIC limit in 2016.

NOTE 4: Donations In-Kind

The Foundation received donations in kind of \$143,473 for the year ending December 31, 2017. In the year ending December 31, 2016, \$36,671 donations in-kind were received. These donations consisted of stock shares, advertising, contract labor, and gift cards.

No donated services were provided in the fiscal year 2017 or 2016.

NOTE 5: Advertising

The Foundation uses advertising to promote events. Advertising expenses are expensed as incurred. For the year ended December 31, 2017, advertising expense of \$1,060 was incurred. \$0 in advertising expense was incurred for the year ended December 31, 2016.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: Board Designated Net Assets

As of December 31, 2017 there were \$220,892 in board designated endowment funds and as of December 31, 2016, there was \$210,610 in board designated endowment funds. Additions made annually at discretion of the Board of Directors.

NOTE 7: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31,

	2017	2016
Dr. Roy B. Schilling Scholarship Fund	\$ 21,475	\$ 20,362
Clara Stearns Scarbrough Fund	34,381	31,727
Darrell Bishop Memorial Engineering Scholarship Fund	35,106	32,994
Phillip King Tennis Scholarship	4,540	5,539
Ned Snead Memorial Scholarship	100	8,600
Total temporarily restricted net assets	\$ 95,601	\$ 99,222

NOTE 8: Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, Fair Value measurements and Disclosures, provides the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 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;
 - and, 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.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 8: Fair Value Measurements (continued)

The asset or liability'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 used need to maximize the use of 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 December 31, 2016.

Mutual funds: Valued at the quoted net asset value of shares in active markets held by the Foundation at year end.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value as of December 31,

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
2017		
Mutual funds:		
Allocation	\$ -	\$ -
Blended	7,139,639	7,139,639
Stocks	-	-
Other fund types	337,257	337,257
	<hr/>	<hr/>
Total mutual funds	\$ 7,476,896	\$ 7,476,896
	<hr/> <hr/>	<hr/> <hr/>
2016		
Mutual funds:		
Allocation	\$ -	\$ -
Blended	2,478,730	2,478,730
Stocks	-	-
Other fund types	282,243	282,243
	<hr/>	<hr/>
Total mutual funds	\$ 2,760,973	\$ 2,760,973
	<hr/> <hr/>	<hr/> <hr/>

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 9: Agency Obligations

The Foundation currently administers agency funds for Faith in Action Caregivers, Williamson County Children’s Advocacy Center, The Caring Place Endowment, Friends of Georgetown Public Library, Boys and Girls Club of Georgetown, and Worship Place (the “Beneficiary Organizations”). The Beneficiary Organizations specified themselves as the beneficiary of the agency funds.

The Beneficiary Organization may request principal distributions, within the terms of each agency’s fund agreement, to cover expenses associated with the designated purpose of the funds.

The following activity occurred during the years ended December 31,

	<u>2017</u>	<u>2016</u>
Faith in Action Caregivers		
Balance, January 1,	\$ 73,906	\$ 73,282
Contributions	-	-
Distributions	-	(5,000)
Allocation of gain on investment	10,271	6,346
Fees	(773)	(722)
Balance, December 31,	<u>83,404</u>	<u>73,906</u>
Williamson County Children's Advocacy Center		
Balance, January 1,	\$ 258,933	\$ 239,651
Contributions	-	-
Allocation of gain on investment	35,986	21,754
Fees	(2,709)	(2,472)
Balance, December 31,	<u>292,210</u>	<u>258,933</u>
The Georgetown Project Endowment		
Balance, January 1,	\$ -	\$ -
Contributions	45,792	-
Allocation of gain on investment	-	-
Fees	(450)	-
Balance, December 31,	<u>45,342</u>	<u>-</u>
Friends of Georgetown Public Library		
Balance, January 1,	\$ 54,217	\$ 42,231
Contributions	15,000	8,000
Allocation of gain on investment	7,914	4,503
Fees	(592)	(517)
Balance, December 31,	<u>76,539</u>	<u>54,217</u>

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Boys and Girls Club of Georgetown		
Balance, January 1,	\$ 250,183	\$ 231,554
Contributions	-	-
Allocation of gain on investment	34,770	21,019
Fees	(2,617)	(2,390)
Balance, December 31,	282,336	250,183
 Worship Place		
Balance, January 1,	\$ 110,310	\$ 102,096
Contributions	100,000	-
Allocation of gain on investment	22,388	9,268
Fees	(1,661)	(1,054)
Balance, December 31,	231,037	110,310
Total	\$ 1,010,868	\$ 747,549

Note 10: Endowment Funds

Under FASB ASC 958, *Not-for-Profit Entities*, net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as a permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Foundation's approved spending policy was created to protect the values of the endowments. Distribution of funds is determined by the Board of Directors. To achieve the objectives of the endowments, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, as needed, while growing the fund. Accordingly, the Foundation expects its endowment assets, over time, to produce an average rate of return in-line with the Foundation's investment policy. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investments assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**CHISHOLM TRAIL COMMUNITIES FOUNDATION AND ITS AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 10: Endowment Funds (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has determined that no donor-restricted endowment funds exist. Rather the endowment funds are voluntary board designated funds which are classified as unrestricted net assets on the financials.

Changes in endowment net assets are as follows for the years ended December 31,

	Unrestricted - Designated	Temporarily Restricted	Total
Endowment net assets, January 1, 2016	\$ 484,250	\$ -	\$ 484,250
Investment return:			
Net realized and unrealized gains	43,805	-	43,805
Investment fees	(5,957)	-	(5,957)
Grants to others	(4,000)	-	(4,000)
Contributions	23,351	-	23,351
Endowment net assets, December 31, 2016	<u>\$ 541,449</u>	<u>\$ -</u>	<u>\$ 541,449</u>
Endowment net assets, January 1, 2017	\$ 541,449	\$ -	\$ 541,449
Investment return:			
Net realized and unrealized gains	74,967	-	74,967
Investment fees	(6,530)	-	(6,530)
Grants to others	(8,000)	-	(8,000)
Contributions	53,563	-	53,563
Endowment net assets, December 31, 2017	<u>\$ 655,449</u>	<u>\$ -</u>	<u>\$ 655,449</u>

Note 11: Subsequent Events

The Foundation has evaluated events through September 19, 2018, the date which the consolidated financial statements were available to be issued.