

**FOUNDATION OF THE MONROE COUNTY BAR**

**ROCHESTER, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**

**(with Comparative Totals for 2017)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Foundation of the Monroe County Bar

We have audited the accompanying financial statements of the Foundation of the Monroe County Bar, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation of the Monroe County Bar as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Foundation of the Monroe County Bar's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
November 1, 2018

FOUNDATION OF THE MONROE COUNTY BAR

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018  
(with Comparative Totals for 2017)

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total June 30,</u>	
				<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>					
Cash	\$ 46,912	\$ 1,199	\$ -	\$ 48,111	\$ 23,336
Accounts receivable	5,000	-	-	5,000	-
Prepaid expenses	1,497	-	-	1,497	3,326
TOTAL CURRENT ASSETS	53,409	1,199	-	54,608	26,662
<u>OTHER ASSETS</u>					
Property and equipment, net	392,184	-	-	392,184	477,183
Investments	667,998	141,998	-	809,996	803,446
Beneficial interest in perpetual trust - Legacy Society	-	-	8,164	8,164	-
Restricted cash - Legacy Society	-	-	-	-	43,050
TOTAL ASSETS	\$ 1,113,591	\$ 143,197	\$ 8,164	\$ 1,264,952	\$ 1,350,341
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable and other liabilities	\$ 310	\$ -	\$ -	\$ 310	\$ 35
Due to Monroe County Bar Association	8,043	-	-	8,043	3,902
Deferred revenue	9,000	-	-	9,000	5,500
TOTAL CURRENT LIABILITIES	17,353	-	-	17,353	9,437
<u>DUE TO LEGACY SOCIETY PARTIES</u>	-	-	-	-	35,875
<u>NET ASSETS</u>	1,096,238	143,197	8,164	1,247,599	1,305,029
TOTAL LIABILITIES AND NET ASSETS	\$ 1,113,591	\$ 143,197	\$ 8,164	\$ 1,264,952	\$ 1,350,341

The accompanying notes are an integral part of the financial statements.

FOUNDATION OF THE MONROE COUNTY BAR

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018  
(with Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				Year ended June 30,	
				2018	2017
Revenue and other support:					
Grants and contributions	\$ 43,681	\$ -	\$ 1,158	\$ 44,839	\$ 43,765
Special/social events	43,149	-	-	43,149	42,261
Interest and dividends	19,251	605	-	19,856	16,796
Gain on investments, net	37,955	18	-	37,973	60,226
Change in value of beneficial interest in perpetual trust - Legacy Society	-	-	(169)	(169)	-
Other	-	-	-	-	8
	<u>144,036</u>	<u>623</u>	<u>989</u>	<u>145,648</u>	<u>163,056</u>
Net assets released from restrictions	<u>1,942</u>	<u>(1,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>145,978</u>	<u>(1,319)</u>	<u>989</u>	<u>145,648</u>	<u>163,056</u>
Expenses:					
Program services:					
Grants	51,500	-	-	51,500	45,520
Capital campaign	1,689	-	-	1,689	24,165
Management and general:					
Administrative	46,044	-	-	46,044	47,693
Depreciation	84,999	-	-	84,999	88,929
Fundraising	18,846	-	-	18,846	24,686
TOTAL EXPENSES	<u>203,078</u>	<u>-</u>	<u>-</u>	<u>203,078</u>	<u>230,993</u>
CHANGE IN NET ASSETS	(57,100)	(1,319)	989	(57,430)	(67,937)
Net assets at beginning of year	<u>1,153,338</u>	<u>144,516</u>	<u>7,175</u>	<u>1,305,029</u>	<u>1,372,966</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,096,238</u>	<u>\$ 143,197</u>	<u>\$ 8,164</u>	<u>\$ 1,247,599</u>	<u>\$ 1,305,029</u>

The accompanying notes are an integral part of the financial statements.

FOUNDATION OF THE MONROE COUNTY BAR

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018  
(with Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (57,430)	\$ (67,937)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Gain on investments, net	(37,973)	(60,226)
Net loss on interest in perpetual trust - Legacy Society	169	-
Depreciation	84,999	88,929
Contributions restricted for endowment	(1,158)	(7,175)
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(5,000)	-
Pledges receivable	-	400
Prepaid expenses	1,829	3,367
Restricted cash - Legacy Society	43,050	(43,050)
Accounts payable and other liabilities	275	(3,040)
Due to Legacy Society parties	(35,875)	35,875
Due to Monroe County Bar Association	4,141	(2,547)
Deferred revenue	3,500	1,000
	<u>527</u>	<u>(54,404)</u>
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES		
	527	(54,404)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	-	(4,450)
Beneficial interest in perpetual trust - Legacy Society	(8,333)	-
Purchases of investments	(345,549)	(228,957)
Proceeds from sale of investments	376,972	278,178
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>23,090</u>	<u>44,771</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Proceeds from contributions restricted for endowment	1,158	7,175
NET CASH PROVIDED FROM FINANCING ACTIVITIES	<u>1,158</u>	<u>7,175</u>
NET INCREASE (DECREASE) IN CASH	24,775	(2,458)
Cash at beginning of year	23,336	25,794
CASH AT END OF YEAR	<u>\$ 48,111</u>	<u>\$ 23,336</u>

The accompanying notes are an integral part of the financial statements.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

The Foundation of the Monroe County Bar (the “Foundation”) is a not-for-profit organization organized to support the charitable and educational programs of the Monroe County Bar Association (the “Bar”), with the stated purpose of financing and supporting significant projects which advance and improve the administration of justice. Funds are primarily received by the Foundation through dividends and interest from its investment portfolio, contributions in the memory of deceased attorneys and judges, and special fundraising events. These funds are used to provide grants to the Bar and the Monroe County Bar Association Center for Education (“Center for Education”) for appropriate exempt purposes and other organizations whose missions fit within the purposes of the Foundation to advance and improve the administration of justice.

Financial statement presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets:* Consist of operating net assets, which are not subject to donor imposed stipulations, and are generally available for support of the Foundation’s operations.

*Temporarily restricted:* Consists of all resources currently available for use as specified, but limited by donor imposed restrictions that expire by the passage of time or can be fulfilled or otherwise removed by actions of the Foundation. The Foundation had \$143,197 and \$144,516 of temporarily restricted net assets at June 30, 2018 and 2017, respectively.

*Permanently restricted:* Consists of net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation had \$8,164 and \$7,175 of permanently restricted net assets at June 30, 2018 and 2017, respectively.

Contributions

All contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are recorded as temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributed Services

Volunteers have contributed significant amounts of time in support of the Foundation’s activities. However, the value of these services is not reflected in the accompanying financial statements as they do not meet the criteria for recognition as set forth under GAAP.



FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash

Cash is maintained at financial institutions located in New York State and is insured by the FDIC up to \$250,000 per depositor at each financial institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance account. Outstanding balances are reviewed on a periodic basis by management. There is no balance in the allowance account at June 30, 2018 as management believes all amounts are fully collectible.

Beneficial interest in perpetual trust – Legacy Society

Under the terms of a perpetual trust agreement, the Foundation established and funded a perpetual trust administered by the Rochester Area Community Foundation (RACF), on behalf of the Legacy Society. The Legacy Society is further detailed in Note C. Under the terms of the trust, the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Any distributions from the trust are subject to approval of the Legacy Society Cabinet in the absence of an approved spending policy. Each of the six participating organizations have a 1/6<sup>th</sup> beneficial interest in the trust established for the Legacy Society. Changes in fair value of the beneficial interest in the trust assets are reflected as “Change in value of the beneficial interest in perpetual trust – Legacy Society” in the permanently restricted net asset class in the Statement of Activities and Changes in Net Assets. Trust assets are invested in a variety of assets as part of the RACF pooled investment portfolio.

Restricted cash – Legacy Society

Restricted cash – Legacy Society represents cash held by the Foundation on behalf of the Legacy Society. At June 30, 2017, the Foundation’s interest in the Legacy Society funds was \$7,175, with the remaining \$35,875 due to the other five organizations. Effective November 2017, the Foundation and Legacy Society Cabinet engaged RACF to manage these assets and the amounts held by the Foundation were transferred to the RACF at that time.

Investments

The Foundation invests in various types of investment securities, which are stated at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

New Accounting Pronouncement

In May 2015, the FASB issued Accounting Standards Update 2015-07, "Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value ("NAV") per share (or its equivalent) practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 is effective for nonpublic business entities in fiscal years beginning after December 15, 2016. The Foundation has applied the amendments in this update retrospectively to all periods presented. As the Foundation measures certain investments using the NAV practicable expedient, upon adoption of ASU 2015-07, the fair value of these investments have been removed from the fair value hierarchy in all periods presented in the Foundation's financial statements. The Foundation will continue to disclose information on these investments for which fair value is measured at NAV as a practical expedient.

Property and equipment

Property and equipment is stated at cost, if purchased, or fair value at the date of donation. The Foundation capitalizes all additions of property and equipment in excess of \$500 with an estimated useful life in excess of one year. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives, which range from three to fifteen years. Expenditures for repairs and maintenance are charged to expense as incurred, while major improvements and betterments are capitalized. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is recognized in activities.

Spending Policy

The Foundation has adopted a spending policy for grant-making, which states that total annual grants for the subsequent fiscal year are limited to 5% of the Foundation's average unrestricted net assets for the trailing 20 quarters at the end of the current fiscal year, as defined, plus 25% of the Foundation's net revenue from the annual fundraising. Based on this calculation, grants for the year ending June 30, 2019 are limited to \$47,938.

Income taxes

The Foundation is a non-profit corporation exempt from income taxes as a corporation qualified under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

The Foundation has filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The Foundation files Form 990 tax returns in the U.S. federal jurisdiction and in New York State. With few exceptions, as of June 30, 2015, the Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to June 30, 2015. The tax returns for years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS and taxing authorities in New York State. Management of the Foundation believes they have no material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE FOUNDATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparative information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended June 30, 2017, from which the summarized information was obtained.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Foundation has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through November 1, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes:

	June 30,	
	<u>2018</u>	<u>2017</u>
Capital campaign funds to be used for the benefit of the Co-Location Partners.	\$ 118,527	\$ 119,593
Health and well-being program funds to be used for the facilitation of mental health services to attorneys.	17,985	17,985
Legacy Society funds to be used for the benefit of the Legacy Society parties.	6,685	6,938
	<u>\$ 143,197</u>	<u>\$ 144,516</u>

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE B: TEMPORARILY RESTRICTED NET ASSETS, Cont'd

The Foundation released temporarily restricted net assets from donor restrictions by incurring costs satisfying the restricted purposes as follows:

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Capital campaign funds to be used for the benefit of the Co-Location Partners.	\$ 1,689	\$ 26,320
Legacy Society funds to be used for the benefit of the Legacy Society parties.	<u>253</u>	<u>6,017</u>
	<u>\$ 1,942</u>	<u>\$ 32,337</u>

NOTE C: ENDOWMENTS

The Foundation's endowment consists of a 1/6<sup>th</sup> interest in the perpetual trust established for the Legacy Society. The Legacy Society is an agreement between Foundation of the Monroe County Bar, Empire Justice Center, Legal Assistance of Western New York, Inc., Legal Aid Society of Rochester, New York, Inc., Volunteer Legal Services Project of Monroe County, Inc. and Monroe County Bar Center for Education (a related party) to solicit deferred gifts to support the activities of all of the parties. Each of the six parties is entitled to a 1/6<sup>th</sup> interest in the funds raised. The intent of the Legacy Society is to function as an endowment to provide unrestricted support to each of the organizations in perpetuity. For the year ended June 30, 2017, the Foundation was the custodian of all donations received under this agreement. During the year ended June 30, 2017, the Foundation received a total of \$43,050 related to the Legacy Society with \$35,875 payable to the other organizations listed. During the year ended June 30, 2018, additional contributions of \$6,950 were received for the Legacy Society. Effective November 2017, the Foundation and Legacy Society Cabinet engaged RACF to manage these assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE C: ENDOWMENTS, Cont'd

Interpretation of relevant law

Effective September 17, 2010, the New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted to replace and update the Uniform Management of Institutional Funds Act (UMIFA), which was adopted in New York in 1978. The Board of Directors of the Foundation has interpreted NYPMIFA 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 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 by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Foundation considers the following factors:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (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
- (7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Foundation; and
- (8) The investment policies of the Foundation

In accordance with NYPMIFA, the Foundation may determine, after consideration of the eight objectives described above, it would be prudent to appropriate funds below the historical dollar value of the permanent endowment.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE C: ENDOWMENTS, Cont'd

Funds with Deficiencies

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. Typically, these deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Directors. In accordance with accounting principles generally accepted in the United States of America, a deficiency of this nature exists in a donor-restricted endowment fund, which has an original gift value of \$8,333, a current fair value of \$8,164, and a deficiency of \$169 as of June 30, 2018.

Return Objectives and Risk Parameters

For the year ending June 30, 2017, the Foundation and Legacy Society Cabinet were reviewing an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2017, the policy had not been formally adopted. Effective November 2017, the Foundation and Legacy Society Cabinet engaged RACF to manage these assets. As of June 30, 2018, the perpetual trust established for the Legacy Society is governed by the RACF's investment policies.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation recognizes that asset allocation is keyed to investment growth and that diversification across and within asset classes moderate risks. The Foundation utilizes the investment strategies of the RACF which invests to an allocation of 70% equities, 20% fixed income and 10% alternative funds.

Spending policy

For the years ending June 30, 2018 and 2017, the Foundation and Legacy Society Cabinet were in the process of reviewing a spending policy for endowment assets. As of June 30, 2018, a policy had not been formally adopted. In the absence of an approved spending policy, any disbursements from the endowment assets must be approved by the Legacy Society Cabinet.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE C: ENDOWMENTS, Cont'd

For the years ended June 30, 2018 and 2017, the Foundation had the following endowment-related activities:

	Permanently restricted
Endowment Net Assets, July 1, 2016	\$ -
Contributions	<u>7,175</u>
Endowment Net Assets, June 30, 2017	7,175
Contributions	1,158
Net investment loss	(86)
Amounts appropriated for expenditure	<u>(83)</u>
Endowment Net Assets, June 30, 2018	<u>\$ 8,164</u>

NOTE D: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following:

	June 30,	
	<u>2018</u>	<u>2017</u>
Money market funds	\$ 125,425	\$ 13,365
Certificate of deposit	-	113,982
Mutual funds	103,958	100,295
Exchange traded funds	<u>580,613</u>	<u>575,804</u>
	<u>\$ 809,996</u>	<u>\$ 803,446</u>

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE D: INVESTMENTS AND FAIR VALUE MEASUREMENTS, Cont'd

GAAP establishes a 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 GAAP are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

*Money market funds, mutual funds and exchange traded funds:* Valued at the closing price reported on the active market on which the individual stocks and funds are traded.

*Certificate of deposit:* Valued by third-party brokers based on terms and conditions using trades, bid price or spread, two sided markets, quotes, benchmark curves, discount rates, TRACE trade reports, financial statements and trustee reports.

*Beneficial interest in perpetual trust – Legacy Society:* Valued at the net asset value of shares held by the Foundation in funds held and managed by RACF at year end.



FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE D: INVESTMENTS AND FAIR VALUE MEASUREMENTS, Cont'd

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 presents the financial instruments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
<u>June 30, 2018</u>				
Money market funds	\$ 125,425	\$ -	\$ -	\$ 125,425
Mutual funds:				
Equity	65,449	-	-	65,449
Fixed income	18,998	-	-	18,998
Other	<u>19,511</u>	<u>-</u>	<u>-</u>	<u>19,511</u>
Total mutual funds	103,958	-	-	103,958
Exchange traded funds:				
Equity	348,353	-	-	348,353
Fixed income	217,586	-	-	217,586
Real estate	<u>14,674</u>	<u>-</u>	<u>-</u>	<u>14,674</u>
Total exchange traded funds	580,613	-	-	580,613
Beneficial interest in perpetual trust - Legacy Society	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,164</u>
Total assets at fair value	<u>\$ 809,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 818,160</u>
<u>June 30, 2017</u>				
Money market funds	\$ 13,365	\$ -	\$ -	\$ 13,365
Certificate of deposit	-	113,982	-	113,982
Mutual funds:				
Equity	62,619	-	-	62,619
Fixed income	<u>37,676</u>	<u>-</u>	<u>-</u>	<u>37,676</u>
Total mutual funds	100,295	-	-	100,295
Exchange traded funds:				
Equity	361,704	-	-	361,704
Fixed income	201,815	-	-	201,815
Real estate	<u>12,285</u>	<u>-</u>	<u>-</u>	<u>12,285</u>
Total exchange traded funds	<u>575,804</u>	<u>-</u>	<u>-</u>	<u>575,804</u>
Total assets at fair value	<u>\$ 689,464</u>	<u>\$ 113,982</u>	<u>\$ -</u>	<u>\$ 803,446</u>

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 585,047	\$ 585,047
Office furniture and equipment	<u>251,277</u>	<u>251,277</u>
	836,324	836,324
Less accumulated depreciation	<u>444,140</u>	<u>359,141</u>
	<u>\$ 392,184</u>	<u>\$ 477,183</u>

NOTE F: LINE OF CREDIT

The Foundation has an annually renewable \$25,000 working capital line of credit with a bank. Amounts borrowed bear interest at the greater of the bank's prime rate plus 1% (effective rate of 6% at June 30, 2018) or 4% and are secured by substantially all of the Foundation's assets. The Foundation did not have any borrowings on the line of credit during the years ended June 30, 2018 and 2017.

NOTE G: RELATED-PARTY TRANSACTIONS

**Monroe County Bar Association**

The Foundation is a supporting organization of the Bar, which is a New York not-for-profit corporation exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. All nominees for membership on the Board of Directors of the Foundation must be approved by the Board of Trustees of the Bar prior to election.

The Foundation shares common office facilities with the Bar and certain employees of the Bar furnish services to the Foundation for a monthly fee. The Foundation recognized expense of \$35,000 during both of the years ended June 30, 2018 and 2017 related to these services.

The Foundation awarded and made grants to the Bar totaling \$1,500 and \$1,000 during the years ended June 30, 2018 and 2017, respectively.

**Monroe County Bar Association Center for Education**

The Center for Education was formed to operate exclusively for the purpose of supporting and conducting activities of the Bar. The Foundation awarded and made grants to the Center for Education totaling \$23,000 and \$19,500 during the years ended June 30, 2018 and 2017, respectively. In addition, during the year ended June 30, 2018, a \$10,000 contribution received by the Foundation was also granted to the Center for Education.

FOUNDATION OF THE MONROE COUNTY BAR

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE H: FUNCTIONAL EXPENSES

The Foundation's expenses on a functional basis were as follows:

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Program	\$ 53,189	\$ 69,685
Management and general	131,043	136,622
Fundraising	18,846	24,686
	<u>\$ 203,078</u>	<u>\$ 230,993</u>

**FOUNDATION OF THE MONROE COUNTY BAR**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Directors  
Foundation of the Monroe County Bar

We have audited the financial statements of the Foundation of the Monroe County Bar as of and for the year ended June 30, 2018, and have issued our report thereon dated November 1, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The following supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We have also audited the financial statements of the Foundation of the Monroe County Bar as of June 30, 2017 and our report dated October 26, 2017, expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The 2017 financial information hereinafter is presented for purposes of additional analysis and is not a required part of the 2017 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statements or to the 2017 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2017, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
November 1, 2018

FOUNDATION OF THE MONROE COUNTY BAR

SCHEDULE OF ADMINISTRATIVE EXPENSES

JUNE 30, 2018

(with Comparative Totals for 2017)

	Year ended June 30,	
	<u>2018</u>	<u>2017</u>
Administrative fee - Monroe County Bar Association	\$ 35,000	\$ 35,000
Investment management fees	4,294	4,117
Professional services	4,200	3,825
Dues and subscriptions	180	780
Professional meetings	1,713	2,770
Postage	149	330
Taxes and fees	275	275
Stationery and supplies	150	51
Other	<u>83</u>	<u>545</u>
	<u>\$ 46,044</u>	<u>\$ 47,693</u>

FOUNDATION OF THE MONROE COUNTY BAR

GRANT LIMITATION CALCULATION

YEAR ENDED JUNE 30, 2018

Average unrestricted net assets - trailing 20 quarters	\$ 663,717
	x <u>5%</u>
	33,186
Plus:	
25% of net annual fundraising revenue for the year ended June 30, 2018	<u>14,752</u>
Grant limitation for the year ending June 30, 2019	<u>\$ 47,938</u>