

***NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION***

***REPORT ON AUDITED  
FINANCIAL STATEMENTS***

***YEARS ENDED  
DECEMBER 31, 2013 AND 2012***

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors**  
**Northern Chautauqua Community Foundation**  
**West Dunkirk, New York**

We have audited the accompanying financial statements of **Northern Chautauqua Community Foundation**, which comprise the statements of financial position as of December 31, 2013, and the related statements of activities 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 of 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 auditors' 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 **Northern Chautauqua Community Foundation** as of December 31, 2013, 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.

**Prior Year Financial Statements**

The financial statements of **Northern Chautauqua Community Foundation** as of December 31, 2012, were audited by other auditors whose report dated April 15, 2013, expressed an unmodified opinion on those financial statements.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York**  
**July 8, 2014**

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION**

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<i>As of December 31,</i>	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 87,356	\$ 92,124
<b>Investments</b>	22,640,525	19,257,789
<b>Cash surrender value of life insurance</b>	20,084	19,215
<b>Building, equipment and land, net</b>	68,643	69,802
	<b>\$ 22,816,608</b>	<b>\$ 19,438,930</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Grants and accounts payable	\$ 16,287	\$ 4,074
Gift annuities payable	40,903	47,413
Total current liabilities	57,190	51,487
<b>Funds held for agencies</b>	2,851,197	2,447,332
<b>Funds held for pass-through</b>	293,940	237,564
<b>Total liabilities</b>	<b>3,202,327</b>	<b>2,736,383</b>
<b>Unrestricted net assets</b>		
Operating	28,684	(10,873)
Unreserved - fixed assets	67,436	69,802
Community benefit funds	5,847,136	4,856,883
Designated funds	5,413,272	4,762,693
Donor advised funds	934,136	804,629
Brocton Scholarship funds	98,796	88,179
Dunkirk Scholarship funds	1,962,050	1,691,044
Fredonia Scholarship funds	685,106	587,171
Miscellaneous Scholarship funds	3,961,314	3,316,681
Westfield Scholarship funds	640,455	559,669
Gift annuities	(24,104)	(23,331)
<b>Total unrestricted net assets</b>	<b>19,614,281</b>	<b>16,702,547</b>
	<b>\$ 22,816,608</b>	<b>\$ 19,438,930</b>

*See accompanying independent auditor's report and notes to financial statements.*

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**STATEMENTS OF ACTIVITIES**

<b>Years ended December 31,</b>	<b>2013</b>	<b>2012</b>
<b>Unrestricted support and revenue</b>		
Contributions	\$ 591,031	\$ 552,690
Unrealized gains	1,161,966	1,080,449
Realized gains	1,252,195	215,754
Interest and dividends	425,980	349,047
Special fund - fundraising revenue	98,453	113,798
Patron dues and miscellaneous income	23,072	27,822
Change in value of charitable gift annuities	868	794
Change in cash surrender value of life insurance	(4,839)	(3,238)
<b>Total unrestricted support and revenue</b>	<b>3,548,726</b>	<b>2,337,116</b>
<b>Expenses</b>		
Grants to others	334,871	338,122
Management and general	247,935	247,813
Special fund - fundraising expenses	54,186	61,632
<b>Total expenses</b>	<b>636,992</b>	<b>647,567</b>
<b>Change in unrestricted net assets</b>	<b>2,911,734</b>	<b>1,689,549</b>
<b>Unrestricted net assets, at beginning of year</b>	<b>16,702,547</b>	<b>14,978,826</b>
Charitable fund transfers	-	34,172
<b>Unrestricted net assets, at end of year</b>	<b>\$ 19,614,281</b>	<b>\$ 16,702,547</b>

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

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<b>Years ended December 31,</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,911,734	\$ 1,689,549
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gains on investments	(1,161,966)	(1,080,449)
Realized gains on investments	(1,252,195)	(215,754)
Change in value of split-interest agreement	4,839	3,238
Change in cash surrender value of life insurance	(868)	(794)
Depreciation expense	2,040	3,760
Charitable fund transfers	--	34,172
Change in operating assets and liabilities:		
Grants and accounts payable	12,213	3,724
Gift annuity payable	(6,510)	(22,687)
Funds held for agencies	403,865	353,103
Funds held for pass-through	56,376	72,361
<b>Net cash flows provided by operating activities</b>	<b>969,528</b>	<b>840,223</b>
<b>Cash flows from investing activities</b>		
Fixed asset purchases	(882)	--
Sale of investments	13,168,088	3,600,783
Purchase of investments	(14,141,502)	(4,452,371)
<b>Net cash used in investing activities</b>	<b>(974,296)</b>	<b>(851,588)</b>
<b>Net change in cash</b>	<b>(4,768)</b>	<b>(11,365)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>92,124</b>	<b>103,489</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 87,356</b>	<b>\$ 92,124</b>

*See accompanying independent auditor's report and notes to financial statements.*

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

**Nature of Operations**

**Northern Chautauqua Community Foundation** (NCCF) is a publicly supported not-for-profit corporation created in 1986 who serves as a catalyst for the establishment of endowments to benefit the community both now and in the future, promotes local philanthropy, and provides leadership and resources to address local challenges and opportunities. The administration of the Foundation's operations and the approval of its grants are the responsibility of a board of directors. The directors are elected by a plurality of votes cast at the annual meeting of the membership. The Foundation operates solely in the Northern Chautauqua region and receives and invests gifts from individuals, corporations, foundations, and other not-for-profit organizations. These funds are invested and the income generated thereon is used for the community's charitable needs.

**Basis of Accounting**

The financial statements of **Northern Chautauqua Community Foundation** have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Topic 958, *Not-for-Profit Entities*. Under this topic, the Foundation is required to report 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. The Foundation does not have any assets that would be considered temporarily and permanently restricted.

**Variance Power**

Generally accepted accounting principles provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The bylaws of the Foundation include a variance power provision giving the Board of Directors the power to vary the use of funds if the stated purpose of a contribution becomes no longer applicable and therefore, incapable of fulfillment. Based on this provision, all contributions received by the Foundation, except for contributions to Agency Funds as described in Note 2, are reported as unrestricted revenues. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants.

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**  
**(CONTINUED)**

**Fund Accounting**

In order to account for assets, liabilities, revenues, and expenditures directly related to certain activities, separate funds are used by the Foundation.

**Contributions**

Gifts of cash and other assets received are reported as unrestricted revenue and net assets, unless subject to time restrictions. All contributions are recorded at fair value when the Foundation becomes aware of them. It is the Foundation's policy to liquidate gifts of stocks and securities as soon as possible. Any gain or loss on liquidation is allocated to the fund that received the donation.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenues and net assets. They are reported at estimated fair value and capitalized, with depreciation being taken over their estimated useful lives.

**Donated Services**

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board Topic 958-605, *Not-for-Profit Entities – Revenue Recognition – Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation does not recognize any donated services, but many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

**Grants**

Grants are recorded as expenses of unrestricted net assets when approved by the Board of Directors.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to the current presentation.

**Use of Estimates**

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 revenues and expenses.

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Foundation maintains its cash balances at more than one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times during the years, the balance in these accounts exceeded the Federal Deposit Insurance Corporation limit.

For purposes of the statement of cash flows, the Foundation considers highly liquid debt instruments purchased with a maturity of three months or less to be a cash equivalent. At December 31, 2013, cash and cash equivalents classified as investments totaled \$4,371,106 invested with Lake Shore Savings Bank, TD Ameritrade and Charles Schwab. At December 31, 2012, cash and cash equivalents classified as investments totaled \$1,483,802 invested with Lake Shore Savings Bank, TD Ameritrade and Charles Schwab.

**Net Assets**

Net assets of the Foundation are segregated based on the type of fund the donor agrees to and are defined below as:

*Endowed Fund* – An endowed fund is expected to last in perpetuity. The foundation requires an initial deposit of \$5,000 and the fund must have a balance of at least \$5,000 to issue grants.

*Non-Endowed Fund* – A non-endowed fund is not expected to last in perpetuity and is created with the intent of distributing the entire balance in a short period of time.

*Operations/administration* – Unrestricted net assets for the operation/administration of the Foundation.

**NOTE 2 – FUNDS HELD FOR AGENCIES**

The Foundation adopted the Financial Accounting Standards Board Topic 958-605, *Not-for-Profit Entities – Revenue Recognition – Transfers of Assets to Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*. This Topic establishes standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both, to a not-for-profit organization that is specified by the donor. This Topic specifically requires that if the donor is a not-for-profit organization that established a fund at the Foundation using its own funds, and for its own benefit, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency funds.

**NOTE 2 – FUNDS HELD FOR AGENCIES (CONTINUED)**

The Foundation maintains variance power and legal ownership of agency funds and as such continues to report the funds as assets of the Foundation. However, in accordance the FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments to be made to the nonprofit organization.

All financial activity related to those agency funds is recorded as adjustments to the funds held for agencies liability on the statements of financial position and is omitted from the statements of activities.

As of December 31, 2013 and 2012, the Foundation was the owner of approximately twenty two agency funds with a combined value of \$2,851,197 and \$2,447,332, respectively. The Foundation also had approximately twenty two pass-through funds with a combined value of \$293,940 and \$237,564 as of December 31, 2013 and 2012, respectively.

The change in the funds held for agencies and pass-through funds consists of the following for the years ended December 31:

	2013	2012
Additions:		
Contributions	\$ 183,184	\$ 317,303
Special fund - fundraising revenues	-	20,658
Realized gains	196,859	33,262
Unrealized gains	181,838	162,340
Investment Income	66,891	53,690
Total additions	<u>628,772</u>	<u>587,253</u>
Deductions:		
Grants	132,573	94,029
Special fund - fundraising Expense	7,565	28,460
Administrative expenses	28,393	24,300
Total deductions	<u>168,531</u>	<u>146,789</u>
Change in balance	460,241	440,464
Balance at beginning of year	2,684,896	2,259,432
Charitable fund transfers	-	(15,000)
Balance end of year	<u>\$ 3,145,137</u>	<u>\$ 2,684,896</u>



**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 – BUILDING, EQUIPMENT AND LAND**

Building, equipment and land consisted of the following as of December 31:

	2013	2012
Office furniture and equipment	\$ 48,815	\$ 47,933
Building	60,798	60,798
Land	10,000	10,000
Subtotal – cost basis	119,613	118,731
Less: accumulated depreciation	(50,970)	(48,929)
Property and equipment, net	\$ 68,643	\$ 69,802

Office furniture and equipment is depreciated using the straight-line method over an estimated life of five years and depreciation totaled \$481 and \$2,201 for the years ended December 31, 2013 and 2012 respectively. The building is depreciated using the straight-line method over an estimated life of thirty-nine years and depreciation totaled \$1,559 for each of the years ended December 31, 2013 and 2012, respectively.

**NOTE 4 – INVESTMENTS**

Investments are presented in the financial statements in the aggregate at fair market value. They were invested as follows at December 31, 2013:

Investment Description	Cost	Market
Lakeshore Savings and Loan		
Cash & Cash Equivalents	\$ 780,430	\$ 780,430
TD Ameritrade- Courier Capital:		
Cash & Cash Equivalents	3,483,236	3,483,236
Exchange Traded Funds	1,200,429	1,195,462
Fixed Income	2,370,744	2,393,763
Charles Schwab- Manning & Napier:		
Cash & Cash Equivalents	407,780	407,780
Fixed Income	1,107,631	1,311,436
Equities	4,918,676	6,038,174
Vanguard Funds:		
500 Index Funds	1,025,422	1,605,885
Total International Stock Index Fund	1,415,799	1,482,692
Total Stock Market Index Fund	2,669,912	3,670,675
Emerging Markets Stock Index Fund	333,645	270,992
Total	\$ 19,713,704	\$ 22,640,525

**NOTE 4 – INVESTMENTS (CONTINUED)**

Endowment funds were invested as follows at December 31, 2012:

Investment Description	Cost	Market
Lakeshore Savings and Loan		
Cash & Cash Equivalents	\$ 883,148	\$ 883,148
TD Ameritrade- Courier Capital:		
Cash & Cash Equivalents	169,891	169,891
Fixed Income	4,871,477	5,137,164
Charles Schwab- Manning & Napier:		
Cash & Cash Equivalents	430,763	430,763
Fixed Income	1,298,572	1,329,440
Equities	7,083,555	7,811,293
Vanguard Funds:		
500 Index Funds	1,064,262	1,213,517
Total International Stock Index Fund	159,978	187,955
Total Stock Market Index Fund	1,408,870	1,809,289
Emerging Markets Stock Index Fund	326,308	285,329
Total	\$ 17,696,824	\$ 19,257,789

Sales of investments resulted in net realized gains of \$1,449,054 and \$249,016 at December 31, 2013 and 2012, respectively. For purposes of determining the gain or loss on a sale, the cost of securities sold is based on the first in first out (FIFO) cost method for mutual funds and the specific identification method for all other investments. The fair values for investments are based primarily on quoted market prices.

Return on investments for Endowment and Agency Funds is as follows for the years ended:

	2013	2012
Realized gains	\$ 1,449,054	\$ 249,016
Unrealized gains	1,339,833	1,242,789
Interest and dividends	492,871	402,737
Return on investment	\$ 3,281,758	\$ 1,894,542

As of December 2013, there were 2 funds whose market value was below their historic cost value totaling approximately \$5,800.

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 5- GIFT ANNUITIES PAYABLE**

A charitable gift annuity is a contract between the Foundation and the Donor. The Foundation agrees to pay the Donor (or other person named by the Donor) a lifetime annuity in return for a gift of cash or securities. The Foundation used fair market value for recognizing assets related to the gift annuities payable in the financial statements. The Foundation has segregated investments in the U.S. Treasury Funds restricted for the payment of the annuities. This amount met the required investment by New York State Insurance Law. The Foundation had two gift annuities remaining at December 31, 2013 and December 31, 2012.

The following assumptions were made for the gift annuities payable at December 31:

	Discount Rate	Lifetime Expectancy	Amount of the Payable
<b>2013</b>			
Annuity II	9.00%	3.2	22,159
Annuity VII	6.00%	8.8	18,744
Total			<u>\$ 40,903</u>
<b>2012</b>			
Annuity II	9.00%	4.1	\$ 26,235
Annuity VII	5.80%	12.4	21,178
Total			<u>\$ 47,413</u>

**NOTE 6- ENDOWMENTS**

**Return Objectives and Risk Parameters**

The primary investment objective of the Foundation is to maximize long-term real (after inflation) investment returns recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns. The Foundation has adopted investment and spending policies for endowment assets that attempt 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 NYPMIFA, adopted by New York State in September 2010, the Foundation, at its discretion, has the ability to distribute endowment assets below the donor's original dollar value of the gift.

**NOTE 6- ENDOWMENTS (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The objectives shall be accomplished by utilizing a strategy of equities, fixed income and cash equivalents in a mix that is conducive to participation in a rising market while allowing for adequate protection in a falling market.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation's spending policy has been revised to comply with the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA). A summary of the terms of the spending policy are as follows:

	Effective 1/1/2013	Effective 1/1/2012
<b>Spending percentage:</b>		
Available to spend Maximum	3.00%	3.00%
Administrative fees	2.00%	2.00%
Total	<u>5.00%</u>	<u>5.00%</u>
<b>Calculation period:</b>		
Available to spend	Trailing 20 quarters	Trailing 20 quarters
Administrative fees	Average beginning and ending year to date balances	Average beginning and ending year to date balances

Under the spending policy, distributions are based on the endowments average fair value over the calculation period as described above. This spending strategy reflects the total return approach to investing and disbursing funds as described above. Grant spending is dependent upon the type of fund established (endowed versus non-endowed).

**NOTE 7 – FEDERAL TAX STATUS**

The Foundation is a not-for-profit organization, exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code. Contributions to the Foundation are deductible under section 170(c) of the Code. The Foundation is not a private foundation as described in Section 509(a) of the Code. Income tax returns that remain open for examination by taxing authorities include 2010 and later years.

**NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events were evaluated by Management through July 8, 2014, which is the date the financial statements were available to be issued.

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 - FAIR VALUE MEASUREMENTS**

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount 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 different fair value measurement at the reporting date. FASB ASC 820-10-50 (formerly SFAS No. 157), Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table below, this hierarchy consists of three broad levels. Level 1 inputs on the hierarchy consist of unadjusted quoted prices in active markets and have the highest priority. Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement, and have the lowest priority. The Foundation uses appropriate valuation techniques based on available inputs to measure the fair value of the Foundation's investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs are not available. As of December 31, the Foundation's investments measured at fair value consisted of the following instruments and classifications within the fair value hierarchy.

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2013
Cash and cash equivalents	\$ 4,671,446	\$ --	\$ --	\$ 4,671,446
Mutual funds	1,341,003	--	--	1,341,003
Exchange Traded Funds	1,195,462	--	--	1,195,462
Bond funds	2,393,763	--	--	2,393,763
Common stocks	13,038,851	--	--	13,038,851
Cash surrender value of life insurance	--	--	20,084	20,084
<b>Total</b>	<b>\$ 22,640,525</b>	<b>\$ --</b>	<b>\$ 20,084</b>	<b>\$ 22,660,609</b>

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2012
Cash and cash equivalents	\$ 1,483,802	\$ --	\$ --	\$ 1,483,802
Mutual funds	6,068,260	--	--	6,068,260
Bond funds	5,682,089	--	--	5,682,089
Common stocks	6,024,638	--	--	6,024,638
Cash surrender value of life insurance	--	--	19,215	19,215
<b>Total</b>	<b>\$ 19,257,789</b>	<b>\$ --</b>	<b>\$ 19,215</b>	<b>\$ 19,277,004</b>



***INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTAL MATERIAL***

We have audited the financial statements of *Northern Chautauqua Community Foundation* as of and for the year ended December 31, 2013 and our report thereon dated July 8, 2014, which expressed an unqualified opinion on the financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on those statements taken as a whole. The supplemental material, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
July 8, 2014**

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**

	Endowments	Agency and Pass-through Funds	2013 Total	2012 Total
Salaries and benefits	\$ 160,921	\$ 18,428	179,349	\$ 195,197
Payroll taxes	11,507	1,318	12,825	13,994
Utilities	3,836	439	4,275	4,343
Investment fees	2,892	331	3,223	--
Conferences and meetings	3,104	355	3,459	6,396
Office supplies and expenses	9,863	1,129	10,992	10,725
Dues and subscriptions	1,573	180	1,753	2,435
Telephone	2,042	234	2,276	2,021
Insurance	4,412	505	4,917	3,874
Travel and promotion	4,330	496	4,826	4,294
Computer support	9,782	1,120	10,902	11,728
Professional fees	7,716	884	8,600	6,175
Accounting services	16,016	1,834	17,850	--
Depreciation expense	1,830	210	2,040	3,760
Building maintenance	5,411	620	6,031	4,249
Rent and property taxes	471	54	525	--
Miscellaneous	2,230	255	2,485	2,922
Total expenses	<u>\$ 247,935</u>	<u>\$ 28,393</u>	<u>\$ 276,328</u>	<u>\$ 272,113</u>

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS BY FUND**

Year ended December 31, 2013

	Beginning Liabilities and Net Assets	Contributions	Special Fund - Fundraising Revenues	Investment Income	Realized Gains	Unrealized Gains/(Losses) and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income	Grants	General and Administrative Expenses	Special Fund - Fundraising Expenses	Charitable Fund Transfers	Change in Liability	Ending Liabilities and Net Assets
<b>Liabilities</b>													
Grants payable	\$ 4,074	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 12,213	\$ 16,287
Gift annuity payable	47,413	--	--	--	--	--	--	--	--	--	--	(6,510)	40,903
Funds held for agencies	2,447,332	40,500	--	62,465	183,809	170,371	--	(26,768)	(26,512)	--	--	--	2,851,197
Funds held for pass-throughs	237,564	142,684	--	4,426	13,050	11,467	--	(105,805)	(1,881)	(7,565)	--	--	293,940
<b>Total Liabilities</b>	<b>2,736,383</b>	<b>183,184</b>	<b>--</b>	<b>66,891</b>	<b>196,859</b>	<b>181,838</b>	<b>--</b>	<b>(132,573)</b>	<b>(28,393)</b>	<b>(7,565)</b>	<b>--</b>	<b>5,703</b>	<b>3,202,327</b>
<b>Unrestricted Net Assets</b>													
Operating fund	(10,873)	3,958	--	103	--	--	23,072	--	(27,576)	--	40,000	--	28,684
Undesignated - fixed assets	69,802	--	--	--	--	--	--	--	(2,366)	--	--	--	67,436
Community benefit funds	4,856,883	255,842	--	128,950	378,878	347,977	--	(88,444)	(54,894)	--	21,944	--	5,847,136
Designated funds	4,762,693	43,367	22,724	116,038	341,445	321,647	--	(70,797)	(50,796)	(11,105)	(61,944)	--	5,413,272
Donor advised funds	804,629	22,410	49,397	20,654	60,786	56,048	--	(39,982)	(8,803)	(31,003)	--	--	934,136
Brocton scholarships	88,179	275	--	2,202	6,477	6,090	--	(3,500)	(927)	--	--	--	98,796
Dunkirk scholarships	1,691,044	28,591	26,332	42,179	124,149	114,186	--	(25,400)	(26,953)	(12,078)	--	--	1,962,050
Fredonia scholarships	587,171	23,083	--	14,770	43,457	40,357	--	(17,430)	(6,302)	--	--	--	685,106
Miscellaneous scholarships	3,316,681	204,500	--	86,503	254,104	236,567	--	(73,644)	(63,397)	--	--	--	3,961,314
Westfield scholarships	559,669	9,005	--	13,996	41,187	38,147	--	(15,674)	(5,875)	--	--	--	640,455
Subtotal	16,725,878	591,031	98,453	425,395	1,250,483	1,161,019	23,072	(334,871)	(247,889)	(54,186)	--	--	19,638,385
Gift annuities	(23,331)	--	--	585	1,712	(3,024)	--	--	(46)	--	--	--	(24,104)
<b>Total Net Assets</b>	<b>16,702,547</b>	<b>591,031</b>	<b>98,453</b>	<b>425,980</b>	<b>1,252,195</b>	<b>1,157,995</b>	<b>23,072</b>	<b>(334,871)</b>	<b>(247,935)</b>	<b>(54,186)</b>	<b>--</b>	<b>--</b>	<b>19,614,281</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,438,930</b>	<b>\$ 774,215</b>	<b>\$ 98,453</b>	<b>\$ 492,871</b>	<b>\$ 1,449,054</b>	<b>\$ 1,339,833</b>	<b>\$ 23,072</b>	<b>\$ (467,444)</b>	<b>\$ (276,328)</b>	<b>\$ (61,751)</b>	<b>\$ --</b>	<b>\$ 5,703</b>	<b>\$ 22,816,608</b>

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**SCHEDULE OF CHANGES IN LIABILITIES AND NET ASSETS BY FUND**

Year ended December 31, 2012

	Beginning Liabilities and Net Assets	Contributions	Special Fund - Fundraising Revenues	Investment Income	Realized Gains	Unrealized Gains/(Losses) and Change in CSV Gift Annuities	Patron Dues, Miscellaneous Income	Grants	General and Administrative Expenses	Special Fund - Fundraising Expenses	Annuity Transfers	Charitable Fund Transfers	Change in Liability	Ending Liabilities and Net Assets
<b>Liabilities</b>														
Grants payable	\$ 350	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 3,724	\$ 4,074
Gift annuity payable	70,100	--	--	--	--	--	--	--	--	--	(19,172)	--	(3,515)	47,413
Funds held for agencies	2,094,229	157,327	--	50,608	31,356	153,815	--	(17,203)	(22,800)	--	--	--	--	2,447,332
Funds held for pass-throughs	165,203	159,976	20,658	3,082	1,906	8,525	--	(76,826)	(1,500)	(28,460)	--	(15,000)	--	237,564
<b>Total Liabilities</b>	<b>2,329,882</b>	<b>317,303</b>	<b>20,658</b>	<b>53,690</b>	<b>33,262</b>	<b>162,340</b>	<b>--</b>	<b>(94,029)</b>	<b>(24,300)</b>	<b>(28,460)</b>	<b>(19,172)</b>	<b>(15,000)</b>	<b>209</b>	<b>2,736,383</b>
<b>Unrestricted Net Assets</b>														
Operating fund	8,817	5,981	--	100	--	--	27,822	--	(53,593)	--	--	--	--	(10,873)
Undesignated - fixed assets	73,562	--	--	--	--	--	--	--	(3,760)	--	--	--	--	69,802
Community benefit funds	4,295,340	195,075	7,266	102,345	63,105	319,555	--	(90,376)	(46,579)	--	14,995	(3,843)	--	4,856,883
Designated funds	4,219,991	150,366	29,079	98,048	60,652	304,542	--	(70,459)	(44,434)	(11,759)	8,060	18,607	--	4,762,693
Donor advised funds	738,776	10,201	52,179	17,048	10,541	52,839	--	(30,664)	(7,751)	(38,540)	--	--	--	804,629
Brocton scholarships	--	87,457	--	880	440	1,689	--	(1,750)	(537)	--	--	--	--	88,179
Dunkirk scholarships	1,511,239	58,250	25,274	34,777	21,550	107,132	--	(32,416)	(23,665)	(11,333)	--	236	--	1,691,044
Fredonia scholarships	535,497	15,675	--	12,362	7,666	38,126	--	(16,580)	(5,575)	--	--	--	--	587,171
Miscellaneous scholarships	3,103,534	13,730	--	71,104	44,100	219,354	--	(78,522)	(56,619)	--	--	--	--	3,316,681
Westfield scholarships	510,786	15,955	--	11,728	7,270	36,365	--	(17,155)	(5,280)	--	--	--	--	559,669
Subtotal	14,997,542	552,690	113,798	348,392	215,324	1,079,602	27,822	(337,922)	(247,793)	(61,632)	23,055	15,000	--	16,725,878
Gift annuities	(18,716)	--	--	655	430	(1,597)	--	(200)	(20)	--	(3,883)	--	--	(23,331)
<b>Total Net Assets</b>	<b>14,978,826</b>	<b>552,690</b>	<b>113,798</b>	<b>349,047</b>	<b>215,754</b>	<b>1,078,005</b>	<b>27,822</b>	<b>(338,122)</b>	<b>(247,813)</b>	<b>(61,632)</b>	<b>19,172</b>	<b>15,000</b>	<b>--</b>	<b>16,702,547</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,308,708</b>	<b>\$ 869,993</b>	<b>\$ 134,456</b>	<b>\$ 402,737</b>	<b>\$ 249,016</b>	<b>\$ 1,240,345</b>	<b>\$ 27,822</b>	<b>\$ (432,151)</b>	<b>\$ (272,113)</b>	<b>\$ (90,092)</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 209</b>	<b>\$ 19,438,930</b>