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# Ann Arbor Area Community Foundation

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**Financial Report**  
**December 31, 2020**

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## Independent Auditor's Report

To the Board of Trustees  
Ann Arbor Area Community Foundation

We have audited the accompanying financial statements of the Ann Arbor Area Community Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 Ann Arbor Area Community Foundation as of December 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Ann Arbor Area Community Foundation

***Emphasis of Matters***

As described in Note 12, the financial statements include investments valued at \$55,295,243 (32 percent of net assets) at December 31, 2020 and \$59,790,629 (42 percent of net assets) at December 31, 2019, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Additionally, as described in Note 2, the COVID-19 pandemic has impacted the Foundation's operations. Our opinion is not modified with respect to these matters.

*Plante & Moran, PLLC*

April 21, 2021

## Ann Arbor Area Community Foundation

### Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 4,953,904	\$ 2,827,912
Investments (Note 3)	169,633,034	141,723,108
Accounts receivable	15,359	17,299
Community impact notes receivable (Note 2)	320,000	-
Bequests and other deferred gifts receivable	-	129,870
Pledges receivable - Net (Note 4)	252,445	359,854
Receivable from trust (Note 5)	-	127,444
Charitable remainder unitrust (Note 8)	1,250,548	1,188,434
Property, plant, and equipment - Net (Note 6)	1,075,962	1,104,283
	<u>\$ 177,501,252</u>	<u>\$ 147,478,204</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 17,946	\$ 47,446
Grants payable (Note 7)	179,900	629,361
Liability to life beneficiaries of planned gifts (Note 8)	585,723	583,089
Annuity payable (Note 13)	120,901	125,932
Other liabilities	60,221	34,474
Assets held for others:		
Endowed (Note 2)	4,075,099	3,641,257
Nonendowed (Note 2)	971	5,867
	<u>5,040,761</u>	<u>5,067,426</u>
Total liabilities		
	5,040,761	5,067,426
<b>Net Assets</b>		
Without donor restrictions	171,543,221	141,188,265
With donor restrictions (Note 9)	917,270	1,222,513
	<u>172,460,491</u>	<u>142,410,778</u>
Total net assets		
	172,460,491	142,410,778
	<u>\$ 177,501,252</u>	<u>\$ 147,478,204</u>

## Ann Arbor Area Community Foundation

# Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Gifts, grants, and pledges (Note 2)	\$ 20,312,305	\$ -	\$ 20,312,305	\$ 5,585,365	\$ 452,848	\$ 6,038,213
In-kind donations	1,856	-	1,856	227	-	227
Change in value of deferred gifts receivable	-	-	-	-	129,267	129,267
Net realized and unrealized gains on investments (Note 3)	17,689,846	-	17,689,846	18,934,055	-	18,934,055
Interest and dividends (Note 3)	1,957,183	-	1,957,183	2,662,176	-	2,662,176
Change in value of charitable remainder trust (Note 8)	-	(69,525)	(69,525)	-	(112,196)	(112,196)
Net assets released from restrictions	235,718	(235,718)	-	2,930,275	(2,930,275)	-
<b>Total revenue, gains, and other support</b>	<b>40,196,908</b>	<b>(305,243)</b>	<b>39,891,665</b>	<b>30,112,098</b>	<b>(2,460,356)</b>	<b>27,651,742</b>
<b>Expenses</b>						
Program services:						
Grants (Note 7)	7,677,318	-	7,677,318	5,866,602	-	5,866,602
Programs and grants administration	704,392	-	704,392	501,581	-	501,581
<b>Total program services</b>	<b>8,381,710</b>	<b>-</b>	<b>8,381,710</b>	<b>6,368,183</b>	<b>-</b>	<b>6,368,183</b>
Support services:						
Management and general	786,486	-	786,486	728,985	-	728,985
Development	673,756	-	673,756	510,730	-	510,730
<b>Total support services</b>	<b>1,460,242</b>	<b>-</b>	<b>1,460,242</b>	<b>1,239,715</b>	<b>-</b>	<b>1,239,715</b>
<b>Total expenses</b>	<b>9,841,952</b>	<b>-</b>	<b>9,841,952</b>	<b>7,607,898</b>	<b>-</b>	<b>7,607,898</b>
<b>Increase (Decrease) in Net Assets</b>	<b>30,354,956</b>	<b>(305,243)</b>	<b>30,049,713</b>	<b>22,504,200</b>	<b>(2,460,356)</b>	<b>20,043,844</b>
<b>Net Assets - Beginning of year</b>	<b>141,188,265</b>	<b>1,222,513</b>	<b>142,410,778</b>	<b>118,684,065</b>	<b>3,682,869</b>	<b>122,366,934</b>
<b>Net Assets - End of year</b>	<b>\$ 171,543,221</b>	<b>\$ 917,270</b>	<b>\$ 172,460,491</b>	<b>\$ 141,188,265</b>	<b>\$ 1,222,513</b>	<b>\$ 142,410,778</b>

## Ann Arbor Area Community Foundation

### Statement of Functional Expenses

Year Ended December 31, 2020

	Program	Support Services		Total
	Services	Management	Development	
	Community	and General		
	Services			
Salaries and wages	\$ 300,326	\$ 473,723	\$ 357,504	\$ 1,131,553
Payroll taxes and fringe benefits	68,287	75,867	44,102	188,256
Total salaries and related expenses	368,613	549,590	401,606	1,319,809
Advertising	650	1,506	17,584	19,740
Bad debt expense	-	-	31,225	31,225
Conferences and meetings	2,924	3,976	6,336	13,236
Depreciation	15,162	24,334	16,495	55,991
Donor services	6,856	1,552	36,644	45,052
Dues and subscriptions	199	3,026	2,948	6,173
Events	298	-	6,441	6,739
Tech licenses and fees	37,071	48,030	42,449	127,550
Insurance	-	12,665	-	12,665
Miscellaneous	-	(19,439)	6,549	(12,890)
Occupancy	9,729	15,615	10,585	35,929
Postage	-	2,192	2,192	4,384
Professional fees	74,766	112,727	50,355	237,848
Supplies	6,864	9,658	7,533	24,055
Telephone	1,215	1,950	1,322	4,487
Website	-	194	31,922	32,116
In-kind expense	-	315	1,541	1,856
Impact investing	180,045	-	-	180,045
Grants	7,677,318	-	-	7,677,318
Strategic planning	-	18,595	29	18,624
Total functional expenses	<b>\$ 8,381,710</b>	<b>\$ 786,486</b>	<b>\$ 673,756</b>	<b>\$ 9,841,952</b>

## Ann Arbor Area Community Foundation

### Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Support Services		Total
	Community Services	Management and General	Development	
Salaries and wages	\$ 247,919	\$ 412,408	\$ 267,412	\$ 927,739
Payroll taxes and fringe benefits	43,494	72,351	46,913	162,758
Total salaries and related expenses	291,413	484,759	314,325	1,090,497
Advertising	1,354	1,955	8,154	11,463
Annual report	-	-	3,276	3,276
Bad debt expense	-	-	4,377	4,377
Community leadership	55,552	-	-	55,552
Conferences and meetings	21,090	22,035	13,878	57,003
Depreciation	14,571	25,691	14,070	54,332
Donor services	24,761	2,596	62,727	90,084
Dues and subscriptions	439	6,632	3,043	10,114
Events	11,242	40	25,636	36,918
Tech licenses and fees	36,853	41,636	22,803	101,292
Insurance	-	11,666	-	11,666
Miscellaneous	(482)	(10,808)	11	(11,279)
Occupancy	8,730	15,393	8,430	32,553
Postage	144	2,283	2,761	5,188
Professional fees	24,782	106,032	11,716	142,530
Supplies	8,329	14,064	8,097	30,490
Telephone	2,773	4,890	2,678	10,341
Website	30	121	4,521	4,672
In-kind expense	-	-	227	227
Grants	5,866,602	-	-	5,866,602
Total functional expenses	<u>\$ 6,368,183</u>	<u>\$ 728,985</u>	<u>\$ 510,730</u>	<u>\$ 7,607,898</u>



## Ann Arbor Area Community Foundation

## Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 30,049,713	\$ 20,043,844
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	55,991	54,332
Amortization of discount on pledges receivable	(7,647)	3,279
Noncash charitable remainder unitrust	(62,114)	(156,860)
Net unrealized gain on investment	(18,229,184)	(18,549,709)
Net realized gain on investments	(83,713)	(960,213)
Donated investments	-	(2,137,841)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	1,940	1,100
Pledges and trusts receivable	242,500	(40,522)
Bequests and other deferred gifts receivable	129,870	2,601,507
Accounts payable and other liabilities	(3,753)	23,580
Grants payable	(449,461)	(567,135)
Annuity payable	(5,031)	(4,835)
Assets held for others - Endowed	433,842	574,775
Assets held for others - Nonendowed	(4,896)	(12,275)
Liability to life beneficiaries of planned gifts	2,634	52,952
Net cash and cash equivalents provided by operating activities	12,070,691	925,979
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(27,670)	(51,605)
Purchases of investments	(38,046,301)	(24,591,646)
Proceeds from sales and maturities of investments	28,449,272	23,676,144
Notes issued	(370,000)	-
Repayments of notes issued	50,000	-
Net cash and cash equivalents used in investing activities	(9,944,699)	(967,107)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,125,992	(41,128)
<b>Cash and Cash Equivalents - Beginning of year</b>	2,827,912	2,869,040
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,953,904</b>	<b>\$ 2,827,912</b>

December 31, 2020 and 2019

### Note 1 - Nature of Activities

The Ann Arbor Area Community Foundation (the "Community Foundation") enriches the quality of life in its region through its knowledgeable leadership, engaged grantmaking, and creative partnerships with donors to make philanthropic investments and build endowment.

### Note 2 - Significant Accounting Policies

#### *Financial Statement Presentation*

The financial statements are prepared on the accrual basis of accounting. The Community Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income, and expenses, although not required by accounting standards, is a meaningful practice to continue. While not presented in these financial statements, internally the Community Foundation utilizes eight fund types to segregate activities as follows:

- General unrestricted - Totally unrestricted resources
- Field of interest - Resources used to support specific areas, such as community development, the performing arts, health care, environmental preservation, education, services for the elderly, or programs for youth
- Scholarship - Resources used to help area students complete their education
- Donor advised - Resources for which the donors are active participants in the giving process, sharing their insights and preferences with the Community Foundation's trustees as fund distributions are made
- Designated - Resources for which the donors specify certain charities as recipients of their gifts. Funds received directly from not-for-profit organizations for their own endowment fund are shown as a liability.
- Special - This fund category is used to account for nonendowed agency transactions entered into by the Community Foundation. The agreement between the Community Foundation and the interested party allows for distributions of both income and principal. The resources received under these agreements are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.
- Trust - This fund type includes a charitable remainder unitrust gift and a charitable gift annuity.
- Administrative - Resources used to provide financial support for day-to-day programs and operations

The Community Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Due to variance power, the Community Foundation has no net assets with donor restrictions that are required to be maintained in perpetuity.

#### *Contributions Received*

The Community Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**Note 2 - Significant Accounting Policies (Continued)**

A transfer of assets to the Community Foundation is not accounted for as contribution revenue if one or more of the following conditions are present:

- a. The transfer is subject to the resource provider’s unilateral right to redirect the use of the assets to another beneficiary.
- b. The transfer is accompanied by the resource provider’s conditional promise to give or is otherwise revocable or repayable.
- c. The resource provider controls the recipient organization and specifies an unaffiliated beneficiary.
- d. The resource provider specifies itself or its affiliate as the beneficiary, and the transfer is not an equity transaction.

It is the board of trustees’ (the "Board") interpretation of accounting standards that all gifts and grants received by the Community Foundation constitute net assets without donor restrictions, other than those with time restrictions on the use of the contributions, such as pledges, bequests receivable, and trusts. The bylaws of the Community Foundation, under variance power, give the Board the authority to modify any restriction or condition on distribution of resources for any charitable purposes or to specific organizations if, in its sole judgment, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served.

***Agency Transactions***

The Community Foundation has adopted established standards for transactions in which the Community Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on the investment of those assets, or both to another entity that is specified by the donor. The Community Foundation refers to these types of resources as designated, agency endowment, or special funds and has accounted for these three types of funds in the designated and/or special fund categories. The statement of financial position refers to agency endowment funds held within the designated fund category as endowed assets held for others. The statement of financial position also refers to nonendowed assets held for others. These assets represent temporary special funds that have an impact on the community and facilitate the individual donors’ support of time-limited initiatives.

The designated fund agreements between the Community Foundation and the organizations allow for distributions per the spending policy of the Community Foundation. The special fund agreements between the Community Foundation and the organizations or individuals allow for distribution of both income and principal. The resources received under these agreements are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.

In 2020 and 2019, funds of \$52,222 and \$156,693, respectively, were received under agency endowment fund agreements and were recorded directly to assets held for others in the statement of financial position liability account.

***Accounting Treatment for Each Type of Fund***

***Designated Funds***

Designated funds are typically established with gifts from a donor with a request to distribute the transferred assets, the return on the investment of those assets, or both to a specified unaffiliated beneficiary. Additionally, the donor has granted the Community Foundation variance power, which allows the Community Foundation the flexibility to ensure that the donor’s charitable interest will be served in perpetuity. When accounting for additions to designated funds, the Community Foundation records the assets received or promised as contributed revenue.

**Note 2 - Significant Accounting Policies (Continued)**

**Agency Endowment Funds**

If a not-for-profit organization (NPO) establishes, with its own funds, a fund at the Community Foundation for its own benefit, the transfer of assets to the Community Foundation is not contribution revenue and is accounted for as a liability. The Community Foundation continues to report the fund as an asset of the Community Foundation; however, a liability for the market value is also recorded, representing the present value of the future payments expected to be made to the NPO. Agency endowment funds totaled \$4,075,099 and \$3,641,257 at December 31, 2020 and 2019, respectively.

**Cash Equivalents**

The Community Foundation considers all unrestricted, highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**Concentration of Credit Risk Arising from Deposit Accounts**

The Community Foundation maintains cash balances at one institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation in accordance with the program limit. In addition, the Community Foundation uses a cash management product through its primary depository institution to ensure that any deposits over \$250,000 are insured with other banking institutions. At times, the balances held in the primary deposit account may exceed federally insured amounts.

**Investments**

Money market investment funds held under the custody of fund managers represent temporarily uninvested monies and are considered short-term investments. Investments in common and preferred stocks, bonds, U.S. Treasury bills, and mutual funds are carried at quoted fair value. The Community Foundation's investments in nonmarketable limited partnerships are generally carried at fair value, which is estimated based on net asset value per share (or its equivalent) by the investment manager. Audited information is only available annually, typically six months or more after the end of the partnership's year. Management of the Community Foundation reviews monthly and/or quarterly valuations provided by the general partner or manager of the funds and assesses the reasonableness of the fair values provided at the interim dates and included in the Community Foundation's financial statements. Because of the inherent uncertainty of valuations, the fair values used may differ from values that would have been used had a ready market existed. Realized gains and losses on sales of investments represent the difference between the net sales price and the cost of the securities sold. Unrealized gains or losses on investments represent the net change for the reported year in unrealized appreciation between the balances at the beginning and the end of the year.

**Risks and Uncertainties**

The Community Foundation invests in various investment securities. 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 will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Bequests Receivable and Other Deferred Gifts Receivable**

Bequests receivable consist of gifts made by means of wills and trusts for which the donor is deceased and are otherwise considered irrevocable. Other deferred gifts receivable consist of other gifts for which payment is expected in the future. Deferred gifts are recorded at the present value of the revenue to be received using discount rates appropriate for the time frame and risk level of the asset. Payment on these receivables is expected in the next year. The bequests receivable totaled \$0 and \$17,000 as of December 31, 2020 and 2019, respectively.

**Note 2 - Significant Accounting Policies (Continued)**

***Pledges Receivable***

Pledges receivable consist of contributions that donors intend to contribute over time. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

***In-kind Donations***

In-kind donations consist of materials and services given without remuneration. In 2020 and 2019, this consisted of artwork, professional services, catering services, and construction-related materials and services.

***Community Impact Notes Receivable***

As part of its strategy of using a portion of its investment assets to create direct community impact in Washtenaw County, during 2020 the Community Foundation made \$370,000 of investments in notes receivable with local nonprofit organizations, ending the year with a balance of \$320,000 after \$50,000 of repayments. The year-end balance consisted of short-term notes (\$195,000) and one long-term loan (\$125,000). Going forward, management expects that investments focused on long-term impact in our community will make up a growing share of the Community Foundation's total investment allocation.

In response to the negative impact of the COVID-19 pandemic on local nonprofit organizations, the Community Foundation made a number of short-term loans at 0 percent interest to local not-for-profits that demonstrated a strong ability to repay the loans once the effects of the downturn abated. At December 31, 2020, five loans were outstanding for a total of \$195,000. Payments on these loans begin in 2021, and final maturities are in 2022. Of the total outstanding at year end in 2020 \$118,889 was due in less than one year and \$76,111 was due in 2022.

During 2020, the Community Foundation made an impact loan to a nonprofit organization for program purposes. The loan has a maturity of seven years with a stated annual interest rate of 2 percent. The outstanding loan balance was \$125,000 at December 31, 2020, with a total commitment of \$250,000. Payments on the loan are interest only, with the full principal balance due at maturity. Management determined that an allowance for uncollectible loans was not considered necessary at December 31, 2020.

***Property and Equipment***

Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation on property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

***Tax Status***

The Internal Revenue Service has ruled that the Community Foundation is a public charity, as described in Section 509(a)(1) of the Internal Revenue Code (IRC). Consequently, the Community Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations under Section 501(c)(3) of the United States IRC.

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

The Community Foundation allocates expenses on a functional basis to program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Wages, payroll taxes, and benefits are allocated based on an estimate of the time each staff member spends related to each of the functional categories. Other expenses, such as certain administration and occupancy expenses, are allocated based on estimates of overall staff time allocated to each functional category. Although allocation methods used are considered reasonable, other methods could be used that would produce different results. Management and general and development costs are shown as administrative costs under support services on the statement of activities and changes in net assets.

***Grants***

Grants are recorded as expense in the year they are approved for payment by the authorized community foundation personnel, as empowered by the board.

***Fair Value Disclosures***

The estimated fair value amounts have been determined by the Community Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Community Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Community Foundation adopted a standard permitting it to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to a portion of instruments. The Community Foundation has elected the fair value option election with respect to the liability to life beneficiaries of planned gifts related to the charitable remainder unitrust.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. The outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

As a result of the pandemic, the Community Foundation was able to meet the needs of the local business community through short-term loans to eligible nonprofit organizations (as described earlier in Note 2 - Community Impact Notes Receivable). Additionally, the Community Foundation continues to evaluate the impacts the pandemic and health protocols are having on its operations. No impairments of assets have been recorded as a result of the pandemic as of the statement of financial impact date. Due to volatility in financial markets, there is uncertainty regarding the long-term impact on the value of the Community Foundation's investment portfolio and collectibility of notes receivable.

**December 31, 2020 and 2019**

**Note 2 - Significant Accounting Policies (Continued)**

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including April 21, 2021, which is the date the financial statements were available to be issued.

Subsequent to year end, the Community Foundation entered into discussions regarding a revolving line of credit with a financial institution, to be secured by liquid investments held in its custodial account. The proposed line is intended to provide portfolio liquidity only in times of extreme market dislocation. These discussions are ongoing as of the date of this report, and no assurances can be provided that an agreement will be consummated.

**Note 3 - Investments**

Investments are composed of the following fair values at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 1,603,618	\$ 2,140,304
Fixed income	19,225,745	18,027,663
Equity securities	93,508,428	61,764,512
Alternative investments	<u>55,295,243</u>	<u>59,790,629</u>
Total	<u>\$ 169,633,034</u>	<u>\$ 141,723,108</u>

Investment income and expenses are composed of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,957,183	\$ 2,662,176
Net realized gains	83,713	960,213
Net unrealized gains	18,229,184	18,549,709
Investment fees	<u>(623,051)</u>	<u>(575,867)</u>
Total	<u>\$ 19,647,029</u>	<u>\$ 21,596,231</u>

**Note 4 - Pledges Receivable**

Pledges are recognized as revenue in the period the pledges are received. No allowance was deemed necessary for uncollectible pledges at December 31, 2020 and 2019. The Community Foundation receives contributions from related parties, such as the board members. For the years ended December 31, 2020 and 2019, such contributions were \$178,281 and \$659,271, respectively.

Pledges outstanding at December 31, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable in less than one year	\$ 176,527	\$ 197,057
Pledges receivable in one to five years	76,631	170,157
Pledge receivable in more than five years	<u>2,000</u>	<u>3,000</u>
Gross unconditional promises to give	255,158	370,214
Less unamortized discount on pledges due in greater than one year	<u>(2,713)</u>	<u>(10,360)</u>
Unconditional promises to give	<u>\$ 252,445</u>	<u>\$ 359,854</u>

December 31, 2020 and 2019

**Note 4 - Pledges Receivable (Continued)**

Pledges receivable activity for 2020 and 2019 is detailed below:

	2020	2019
Balance - January 1	\$ 359,854	\$ 264,662
Add new pledges	-	219,618
Less collections	(76,184)	(120,049)
Less uncollectible pledges written off	(31,225)	(4,377)
Balance - December 31	\$ 252,445	\$ 359,854

**Note 5 - Receivable from Trust**

The Community Foundation was the beneficiary of a charitable lead trust that began making annual distributions in 2001. At the inception of the trust, a receivable from the trust and contribution revenue of \$771,295 were recognized by the Community Foundation. The receivable from the trust was reduced annually by the principal portion of the distribution, and interest income was also recognized. At December 31, 2019, the net present value of the receivable was \$127,444. The annual distribution continued through 2020, the year of the trust termination.

**Note 6 - Property and Equipment**

The cost of property and equipment is summarized as follows:

	2020	2019
Buildings	\$ 1,401,778	\$ 1,357,551
Furniture and fixtures	132,697	118,243
Computer equipment and software	126,475	126,475
Construction in progress	-	31,011
Total cost	1,660,950	1,633,280
Accumulated depreciation	584,988	528,997
Net property and equipment	\$ 1,075,962	\$ 1,104,283

Depreciation expense for 2020 and 2019 was \$55,991 and \$54,332, respectively.

**Note 7 - Grants/Grants Payable**

Grants are recognized as liabilities at the time the authorized community foundation personnel, as empowered by the Board, authorize the expenditures, regardless of the year in which the grant is paid. Grants are authorized subject to the spending policy limitations. The following summarizes grants approved, paid, and those committed for future payments for 2020 and 2019:

	2020	2019
Grants payable - Beginning of year	\$ 629,361	\$ 1,196,496
Unconditional grants expensed	7,798,316	5,995,987
Payments made	(8,247,777)	(6,563,122)
Total	\$ 179,900	\$ 629,361



**Note 8 - Charitable Remainder Unitrust**

During the year ended December 31, 1999, the Community Foundation began to administer a planned gift under a charitable remainder unitrust. A charitable remainder unitrust provides for the payment of a fixed percentage of the net fair value of the trust's assets, as determined each year. Upon termination of the income beneficiary's interest, the assets of the trust are to be transferred in the following amounts: (1) \$50,000 to an unrelated charity and (2) the balance of the trust to the Community Foundation for donor-designated purposes.

The portion of the planned gift attributable to the present value of the future benefits to be received by the Community Foundation, \$422,107, was recorded in the statement of activities and changes in net assets as a contribution in the period in which the planned gift was established. The balance of the charitable remainder unitrust assets was \$1,250,548 and \$1,188,434 at December 31, 2020 and 2019, respectively.

The present value of the estimated future payments to the beneficiary was redetermined in 2020 and 2019 using a discount rate of 5.0 percent and the applicable mortality tables, adjusting the liability and recognizing loss by \$69,525 and \$112,196, respectively. The liability to life beneficiaries of planned gifts was \$585,723 and \$583,089 for 2020 and 2019, respectively.

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are those assets resulting from contributions whose use by the Community Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation pursuant to those stipulations.

Net assets with donor restrictions consist of the following:

	2020	2019
Pledges receivable (Note 4)	\$ 252,445	\$ 359,854
Receivable from trust (Note 5)	-	127,444
Bequests and other deferred gifts receivable	-	129,870
Charitable remainder unitrust - Net (Note 8)	664,825	605,345
Total net assets with donor restrictions	\$ 917,270	\$ 1,222,513

**Note 10 - Defined Contribution Plan**

The Community Foundation has a tax-sheltered retirement plan under Internal Revenue Code Section 403(b). Under this plan, the Community Foundation made a discretionary profit-sharing contribution (2 percent of eligible wages for the years ended December 31, 2020 and 2019) in addition to a match of 100 percent of each participant's contribution, up to a maximum of 3 percent of eligible wages for the years ended December 31, 2020 and 2019, respectively. The Community Foundation incurred retirement plan expenses of \$58,633 and \$52,025 during 2020 and 2019, respectively.

**Note 11 - Board-designated Endowments**

The Community Foundation's net assets without donor restrictions include board-designated endowments that would be classified as donor-restricted endowments, except that the Community Foundation has variance power over those assets. Therefore, the Board treats these funds as board-designated endowments, and they are classified and reported based on the existence or absence of donor-imposed restrictions.

**Note 11 - Board-designated Endowments (Continued)**

***Interpretation of Relevant Law***

The board of trustees of the Community Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which is designed to help ensure the long-term preservation of the corpus of endowed funds. As a result of this law and variance power provision rights, the Community Foundation classifies within unrestricted net assets (a) the original value of gifts donated to the designated endowment, (b) the original value of subsequent gifts to the designated endowment, and (c) accumulations to the designated endowment. In accordance with following UPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds:

- The duration and preservation of the fund
- The purpose of the Community Foundation and the board-designated endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Community Foundation
- The investment policies of the Community Foundation

***Changes in Endowment Net Assets for the Year Ended December 31, 2020***

	<u>Without Donor Restrictions</u>
Board-designated endowment net assets - Beginning of year	\$ 141,188,265
Investment return:	
Investment income	1,957,183
Net appreciation (realized and unrealized)	<u>17,689,846</u>
Total investment return	19,647,029
Contributions and other support	20,549,879
Appropriation for distributions and administrative fees	<u>(9,841,952)</u>
Board-designated endowment net assets - End of year	<u><u>\$ 171,543,221</u></u>

***Changes in Endowment Net Assets for the Year Ended December 31, 2019***

	<u>Without Donor Restrictions</u>
Board-designated endowment net assets - Beginning of year	\$ 118,684,065
Investment return:	
Investment income	2,662,176
Net appreciation (realized and unrealized)	<u>18,934,055</u>
Total investment return	21,596,231
Contributions and other support	8,515,867
Appropriation for distributions and administrative fees	<u>(7,607,898)</u>
Board-designated endowment net assets - End of year	<u><u>\$ 141,188,265</u></u>

**Note 11 - Board-designated Endowments (Continued)**

***Return Objectives and Risk Parameters***

The Community Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the board of trustees, the Community Foundation has four objectives: (1) preserve and grow the assets of the Community Foundation, (2) balance long-term growth with appropriate risk and liquidity, (3) achieve market returns, and (4) comply with applicable laws, rules, and regulations.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Community 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 Community Foundation targets a broadly diversified asset allocation model with performance benchmarks based on each asset class.

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

The Community Foundation has a policy of appropriating for distributions and administrative fees each year up to 5 percent of its endowed investment pool's average fair value over the prior 16 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on its investment portfolio. By limiting its spending policy, over the long term, the Community Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Community Foundation's objective to maintain the purchasing power of the investment portfolio and net assets, as well as to provide real growth through new gifts and investment returns.

The annual spending amount, as defined above, is used for both amounts available to grant from each fund, as well as administrative fees charged to each fund. The administrative fee is calculated based on the fund fee schedule approved by the board of trustees and in effect at the time the calculation is made. Amounts available to grant are calculated by subtracting the administrative fee from the total calculated spending amount. Endowed funds that have met minimum contribution levels can make grants six months after they are funded. Pass-through and donor-advised funds do not have the two-quarter restriction. Administrative fees will be charged to funds from the date that the fund is established, as prescribed by the fund fee schedule in effect at the time. The annual spending amount is determined and recommended by the finance committee and approved by the board of trustees. In 2020 and 2019, the Community Foundation used 5 percent as the spending policy.

**Note 12 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Community Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by the Community Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Community Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

**Note 12 - Fair Value Measurements (Continued)**

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis  
at December 31, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance at December 31, 2020
<b>Assets</b>					
Investments:					
Money market funds - Short-term investment	\$ 1,603,618	\$ -	\$ -	\$ -	\$ 1,603,618
Mutual funds - Fixed income	19,225,745	-	-	-	19,225,745
Mutual funds - Domestic equity	53,198,724	-	-	-	53,198,724
Mutual funds - Foreign equity	40,309,704	-	-	-	40,309,704
Alternative investments	-	-	-	55,295,243	55,295,243
Subtotal	114,337,791	-	-	55,295,243	169,633,034
Charitable remainder unitrust	-	-	1,250,548	-	1,250,548
Total assets	<u>\$ 114,337,791</u>	<u>\$ -</u>	<u>\$ 1,250,548</u>	<u>\$ 55,295,243</u>	<u>\$ 170,883,582</u>
<b>Liabilities - Liability to life beneficiaries of planned gifts</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,723</u>	<u>\$ -</u>	<u>\$ 585,723</u>

**Note 12 - Fair Value Measurements (Continued)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis  
at December 31, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance at December 31, 2019
<b>Assets</b>					
Investments:					
Money market funds - Short-term investment	\$ 2,140,304	\$ -	\$ -	\$ -	\$ 2,140,304
Mutual funds - Fixed income	18,027,663	-	-	-	18,027,663
Mutual funds - Domestic equity	36,665,214	-	-	-	36,665,214
Mutual funds - Foreign equity	25,099,298	-	-	-	25,099,298
Alternative investments	-	-	-	59,790,629	59,790,629
Subtotal	81,932,479	-	-	59,790,629	141,723,108
Charitable remainder unitrust	-	-	1,188,434	-	1,188,434
Total assets	<u>\$ 81,932,479</u>	<u>\$ -</u>	<u>\$ 1,188,434</u>	<u>\$ 59,790,629</u>	<u>\$ 142,911,542</u>
<b>Liabilities - Liability to life beneficiaries of planned gifts</b>					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,089</u>	<u>\$ -</u>	<u>\$ 583,089</u>

Charitable remainder unitrust assets are categorized as Level 3 assets. The Community Foundation estimates the fair value of these assets based upon the fair value of the assets in the trust unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

	Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Range Weighted Average
Assets - Charitable remainder unitrust	\$ 1,250,548	Fair value of trust investments	Underlying investments in trust	N/A
Liabilities - Liability to life beneficiaries of planned gifts	(585,723)	Present value of future cash outflows	Life expectancy of the beneficiary, discount rate, growth rate	11.8 years 5.0 percent 5.0 percent
	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Range Weighted Average
Assets - Charitable remainder unitrust	\$ 1,188,434	Fair value of trust investments	Underlying investments in trust	N/A
Liabilities - Liability to life beneficiaries of planned gifts	(583,089)	Present value of future cash outflows	Life expectancy of the beneficiary, discount rate, growth rate	12.6 years 5.0 percent 5.0 percent

**Note 12 - Fair Value Measurements (Continued)**

The Community Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes are described in Note 2.

**Investments in Entities that Calculate Net Asset Value per Share**

The Community Foundation holds shares or interests in investment companies at year end for which the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company. For assets totaling \$25,923,868 and \$34,303,773 at December 31, 2020 and 2019, respectively, the underlying assets held by these investment managers are primarily publicly traded equities and bonds for which net asset value is readily determined on a daily basis. For the remaining investments in this category, the underlying assets are primarily investments in privately owned assets for which current net asset value is based on the best estimates of the management of those funds; realizable values for these assets may vary from these estimates.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at December 31, 2020 and 2019						
	Fair Value at December 31, 2020	Unfunded Commitments at December 31, 2020	Fair Value at December 31, 2019	Unfunded Commitments at December 31, 2019	Redemption Frequency, if Eligible	Redemption Notice Period	Redemption Restrictions and Lock-up Period
Global fixed-income fund	\$ -	\$ -	\$ 2,892,938	\$ -	Monthly	N/A	N/A
Domestic equity fund	18,544,587	-	14,734,179	-	Quarterly	60 days	N/A
Foreign/global equity funds	3,051,868	-	11,987,227	-	Various	Various	Various
Real estate securities fund	4,327,413	-	4,689,428	-	Monthly	15 days	N/A
Hedge funds	12,517,729	-	13,053,694	-	Various	Various	Various
Private natural resources and real estate funds	3,046,634	7,234,702	2,789,442	8,151,803	Illiquid	N/A	N/A
Private equity funds	13,807,012	20,434,611	9,643,721	12,645,941	Illiquid	N/A	N/A
<b>Total</b>	<b>\$ 55,295,243</b>	<b>\$ 27,669,313</b>	<b>\$ 59,790,629</b>	<b>\$ 20,797,744</b>			

The above table has been reclassified in order to simplify the presentation. Information for 2019 has been reclassified as well.

The global fixed-income fund category consisted of an investment in a manager that pursues investments in global sovereign debt instruments. The Community Foundation exited this investment in 2020.

Mutual funds in both the domestic and foreign/global equity fund categories are held indirectly through investments in limited partnerships. These equities are valued using quoted market prices and other market data for the same or comparable instruments and transactions, discounted cash flow models, and other industry-standard pricing models.

Funds in the domestic equity fund category provide participants with an opportunity to invest in companies primarily located in the United States. Funds in the foreign/global equity fund category invest primarily in diversified portfolios of either foreign or global equity securities.

**December 31, 2020 and 2019**

**Note 12 - Fair Value Measurements (Continued)**

The real estate securities fund category invests in a manager that focuses on long-only investments in publicly traded real estate investment trusts (REITs).

The hedge funds category includes investments in funds that focus on two broad categories:

1. Long/short hedge funds - This category consists of funds that take long and short positions in U.S. and global common stocks. Management of the underlying hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
2. Multistrategy hedge funds - This category includes investments in funds that invest through a wide variety of hedge fund managers employing many different strategies, with a bias toward credit spreads and arbitrage-type styles.

The private natural resources and real estate funds category invests in funds that pursue investments in private natural resource enterprises, primarily in oil and gas exploration and development, and in private commercial real estate.

The private equity funds category includes funds that specialize in either private equity, distressed opportunities, or venture capital investments.

The investments in funds in the private natural resources, private real estate, and private equity categories can never be redeemed from the funds' managers. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 3 to 10 years.

The Community Foundation also monitors the liquidity of its investment portfolio to be certain that cash needs for any particular period of time can be met. At December 31, 2020 and 2019, the entire portfolio was invested as follows: 69 percent and 60 percent in assets with daily redemption terms, 3 percent and 10 percent monthly redemption, 11 percent and 10 percent quarterly redemption, 1 percent and 4 percent semiannual redemption, 3 percent and 5 percent annual redemption, and 13 percent and 11 percent illiquid, respectively. These figures are measured and monitored on a quarterly basis.

**Note 13 - Annuity Payable**

Annuity payable is composed of a charitable gift annuity, which is a contract between the Community Foundation and a donor in which the Community Foundation agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. A liability is recorded for the amount due to an income beneficiary of a charitable gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is remeasured for changes in actuarial assumptions, and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue, gains, and other support.

**December 31, 2020 and 2019**

**Note 14 - Liquidity and Availability of Financial Resources**

At December 31, 2020 and 2019, the Community Foundation has \$8,170,067 and \$6,718,948, respectively, of financial assets available within one year to meet cash needs for general expenditures. At December 31, 2020, the \$8,170,067 consists of cash and cash equivalents of \$4,953,904, contributions and notes receivable of \$295,416, and short-term investments of \$1,090,156, along with an approved endowment spend of \$1,830,591 for 2021 general expenditures. At December 31, 2019, the \$6,718,948 consists of cash and cash equivalents of \$2,827,912, contributions receivable of \$390,025, and short-term investments of \$1,880,315, along with an approved endowment spend of \$1,620,696 for 2020 general expenditures. General expenditures include administrative expenses, fundraising expenses, some program expenses, and grant commitments expected to be paid in the subsequent year. None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable included above are subject to implied time restrictions but are expected to be collected within one year.

The Community Foundation has a goal of maintaining sufficient liquid financial assets, composed of cash and short-term investments, on hand to meet six months of general expenditures, which are, on average, approximately \$917,500 and \$851,800 for the years ended December 31, 2020 and 2019, respectively. The Community Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Community Foundation invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term treasury investments.