Grand Rapids Community Foundation

Financial Report

June 30, 2019

GRAND RAPIDS COMMUNITY FOUNDATION

OFFICERS AND BOARD OF TRUSTEES

June 30, 2019

Officers

Board of Trustees

Contents

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Independent Auditor's Report

To the Board of Trustees
Grand Rapids Community Foundation

We have audited the accompanying financial statements of Grand Rapids Community Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2019 and 2018 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 Grand Rapids Community Foundation as of June 30, 2019 and 2018 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement for Not-for-Profit Entities*, for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Grand Rapids Community Foundation

As described in Notes 4 and 11 to the financial statements, the financial statements include alternative investments valued at $115,107,359 (35 percent of net assets) and $123,489,678 (38 percent of net assets) at June 30, 2019 and 2018, respectively, whose fair values have been estimated at net asset value by management based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

September 26, 2019

Statement of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 7,163,093	$ 16,866,333
Investments (Notes 4 and 11)	327,239,310	316,162,841
Receivables:		
Split-interest agreements receivable	4,138,804	4,168,647
Gifts and pledges receivable	296,060	642,845
Notes receivable (Note 5)	2,214,006	3,007,354
Other assets:		
Beneficial interest in perpetual trusts	2,038,459	2,125,025
Prepaid expenses	6,000	346
Reinsurance contracts	1,189,770	1,540,861
Cash surrender value life insurance	759,613	713,124
Property and equipment - Net (Note 6)	3,430,307	3,584,379
Total assets	**$ 348,475,422**	**$ 348,811,755**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 268	$ 63,667
Grants and scholarships payable (Note 7)	2,394,178	4,621,974
Charitable gift annuities payable	1,730,814	2,153,835
Funds held on behalf of nonprofit endowments (Note 8)	17,634,803	17,869,102
Total liabilities	21,760,063	24,708,578
Net Assets		
Net assets without donor restrictions:		
Undesignated	31,314,876	26,915,987
Board designated (Note 10)	275,032,251	276,582,233
Net assets with donor restrictions (Note 9)	20,368,232	20,604,957
Total net assets	326,715,359	324,103,177
Total liabilities and net assets	**$ 348,475,422**	**$ 348,811,755**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Investment income - Net of investment expenses	$ 5,471,809	$ 226,487	$ 5,698,296	$ 5,095,577	$ 222,788	$ 5,318,365
Realized gains on sale of investments	3,422,992	293,602	3,716,594	3,843,250	875,230	4,718,480
Change in fair value of investments	1,193,978	59,831	1,253,809	11,299,896	643,214	11,943,110
Bequests and gifts	10,289,505	104,365	10,393,870	12,795,929	147,355	12,943,284
Change in fair value of charitable gift annuities and reinsurance contracts	(56,801)	-	(56,801)	(22,195)	-	(22,195)
Change in fair value of split-interest agreements	-	180,923	180,923	-	221,407	221,407
Less net revenue, gains, and other support associated with nonprofit activity (Note 8)	(609,198)	-	(609,198)	(1,740,490)	-	(1,740,490)
Total revenue, gains, and other support	19,712,285	865,208	20,577,493	31,271,967	2,109,994	33,381,961
Expenses						
Program:						
Grants and scholarships authorized	13,888,250	-	13,888,250	12,454,868	-	12,454,868
Charitable and philanthropic	1,377,198	-	1,377,198	1,210,289	-	1,210,289
Community initiatives and program expenses	632,750	-	632,750	876,582	-	876,582
Support services:						
Management and general	1,256,332	-	1,256,332	1,134,668	-	1,134,668
Development and marketing	1,459,915	-	1,459,915	1,595,152	-	1,595,152
Fund management	194,363	-	194,363	180,243	-	180,243
Less grants related to nonprofit activity (Note 8)	(843,497)	-	(843,497)	(486,806)	-	(486,806)
Total expenses	17,965,311	-	17,965,311	16,964,996	-	16,964,996
Increase in Net Assets - Before assets released from restrictions	1,746,974	865,208	2,612,182	14,306,971	2,109,994	16,416,965
Assets Released from Restrictions	1,101,933	(1,101,933)	-	2,411,648	(2,411,648)	-
Increase (Decrease) in Net Assets	2,848,907	(236,725)	2,612,182	16,718,619	(301,654)	16,416,965
Net Assets - Beginning of year	303,498,220	20,604,957	324,103,177	286,779,601	20,906,611	307,686,212
Net Assets - End of year	**$ 306,347,127**	**$ 20,368,232**	**$ 326,715,359**	**$ 303,498,220**	**$ 20,604,957**	**$ 324,103,177**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Support Services				
	Grants and Scholarships	Charitable and Philanthropic	Community Initiatives and Program Expenses	Total Program Services	Management and General	Development and Marketing	Fund Management	Total Support Services	Total
Salaries and wages	$ -	$ 751,719	$ -	$ 751,719	$ 641,985	$ 703,267	$ 111,136	$ 1,456,388	$ 2,208,107
Payroll taxes	-	61,132	-	61,132	52,208	57,192	9,038	118,438	179,570
Recruitment and benefits	-	189,180	-	189,180	161,564	176,986	27,969	366,519	555,699
Total salaries and related expenses	-	1,002,031	-	1,002,031	855,757	937,445	148,143	1,941,345	2,943,376
Grants and scholarships	13,888,250	-	-	13,888,250	-	-	-	-	13,888,250
Component fund program expenses	-	-	138,200	138,200	-	-	-	-	138,200
Education project initiatives	-	-	494,550	494,550	-	-	-	-	494,550
Conferences	-	21,207	-	21,207	18,111	19,840	3,135	41,086	62,293
Office expenses	-	51,082	-	51,082	43,627	47,790	7,552	98,969	150,051
Occupancy	-	43,005	-	43,005	36,727	40,233	6,358	83,318	126,323
Insurance and dues/subscriptions	-	10,089	-	10,089	25,761	9,438	1,492	36,691	46,780
Equipment maintenance and depreciation	-	67,999	-	67,999	58,073	63,616	10,053	131,742	199,741
Board of trustees expenses	-	-	-	-	16,478	-	-	16,478	16,478
Other professional fees	-	24,512	-	24,512	20,934	27,589	3,624	52,147	76,659
Audit, tax, and accounting	-	-	-	-	41,400	-	-	41,400	41,400
Legal	-	1,598	-	1,598	1,364	1,495	236	3,095	4,693
Scholarship program administration	-	16,207	-	16,207	-	-	-	-	16,207
Grantmaking expenses	-	42,188	-	42,188	-	-	-	-	42,188
Community outreach	-	4,143	-	4,143	-	-	-	-	4,143
Fund development activities	-	-	-	-	-	166,776	-	166,776	166,776
Publications - Annual report, newsletters, and brochures	-	-	-	-	58,559	58,559	-	117,118	117,118
General public relations	-	93,137	-	93,137	79,541	87,134	13,770	180,445	273,582
Less grants related to nonprofit activity	(843,497)	-	-	(843,497)	-	-	-	-	(843,497)
Total functional expenses	**$ 13,044,753**	**$ 1,377,198**	**$ 632,750**	**$ 15,054,701**	**$ 1,256,332**	**$ 1,459,915**	**$ 194,363**	**$ 2,910,610**	**$ 17,965,311**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services				Support Services				
	Grants and Scholarships	Charitable and Philanthropic	Community Initiatives and Program Expenses	Total Program Services	Management and General	Development and Marketing	Fund Management	Total Support Services	Total
Salaries and wages	$ -	$ 658,025	$ -	$ 658,025	$ 565,863	$ 753,398	$ 102,376	$ 1,421,637	$ 2,079,662
Payroll taxes	-	53,554	-	53,554	46,053	61,316	8,332	115,701	169,255
Recruitment and benefits	-	161,424	-	161,424	138,815	184,820	25,114	348,749	510,173
Total salaries and related expenses	-	873,003	-	873,003	750,731	999,534	135,822	1,886,087	2,759,090
Grants and scholarships	12,454,868	-	-	12,454,868	-	-	-	-	12,454,868
Component fund program expenses	-	-	136,178	136,178	-	-	-	-	136,178
Education project initiatives	-	-	740,404	740,404	-	-	-	-	740,404
Conferences	-	18,238	-	18,238	15,683	20,881	2,837	39,401	57,639
Office expenses	-	42,692	-	42,692	36,712	48,879	6,642	92,233	134,925
Occupancy	-	27,554	-	27,554	23,694	31,547	4,287	59,528	87,082
Insurance and dues/subscriptions	-	8,438	-	8,438	23,367	9,660	1,313	34,340	42,778
Equipment maintenance and depreciation	-	85,155	-	85,155	73,228	97,497	13,248	183,973	269,128
Board of trustees expenses	-	-	-	-	18,303	-	-	18,303	18,303
Other professional fees	-	18,364	-	18,364	15,792	75,363	2,857	94,012	112,376
Audit, tax, and accounting	-	-	-	-	41,433	-	-	41,433	41,433
Legal	-	1,669	-	1,669	1,435	1,911	260	3,606	5,275
Scholarship program administration	-	20,090	-	20,090	-	-	-	-	20,090
Grantmaking expenses	-	26,454	-	26,454	-	-	-	-	26,454
Community outreach	-	5,230	-	5,230	-	-	-	-	5,230
Fund development activities	-	-	-	-	-	151,821	-	151,821	151,821
Publications - Annual report, newsletters, and brochures	-	4,830	-	4,830	66,719	68,095	751	135,565	140,395
General public relations	-	78,572	-	78,572	67,571	89,964	12,226	169,761	248,333
Less grants related to nonprofit activity	(486,806)	-	-	(486,806)	-	-	-	-	(486,806)
Total functional expenses	**$ 11,968,062**	**$ 1,210,289**	**$ 876,582**	**$ 14,054,933**	**$ 1,134,668**	**$ 1,595,152**	**$ 180,243**	**$ 2,910,063**	**$ 16,964,996**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	$ 2,612,182	$ 16,416,965
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	161,433	235,857
Change in fair value of split-interest agreement receivable	(180,923)	(221,407)
Change in fair value of charitable gift annuities payable and reinsurance contracts	56,801	22,195
Change in fair value of investments	(1,340,375)	(12,016,481)
Realized gain on sale of investments	(3,716,594)	(4,718,480)
Change in fair value of beneficial interest in perpetual trusts	86,566	73,371
Change in cash surrender value of life insurance	(46,489)	(33,272)
Conversion of notes receivable to grants	137,700	91,160
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Gifts and pledges receivable	346,785	692,224
Prepaid expenses	(5,654)	1,430
Funds held as nonprofit endowments	(234,299)	1,253,684
Other payables	(63,399)	63,667
Grants and scholarships payable	(2,227,796)	(519,297)
Net cash and cash equivalents (used in) provided by operating activities	(4,414,062)	1,341,616
Cash Flows from Investing Activities		
Net (purchases of) proceeds from investments	(6,019,500)	2,716,082
Additions to furniture and equipment	(7,361)	(15,525)
Proceeds from reinsurance contracts	224,984	251,806
Repayment on notes receivable	1,755,648	484,161
Advances of notes receivable	(1,100,000)	(866,000)
Proceeds from split-interest agreements	235,524	625,335
Net cash and cash equivalents (used in) provided by investing activities	(4,910,705)	3,195,859
Cash Flows from Financing Activities		
Payments on gift annuities	(353,715)	(373,000)
Proceeds from gift annuities	-	2,181
Contributions subject to split-interest agreements	(24,758)	(525,396)
Net cash and cash equivalents used in financing activities	(378,473)	(896,215)
Net (Decrease) Increase in Cash and Cash Equivalents	(9,703,240)	3,641,260
Cash and Cash Equivalents - Beginning of year	16,866,333	13,225,073
Cash and Cash Equivalents - End of year	**$ 7,163,093**	**$ 16,866,333**

See notes to financial statements.

Note 1 - Nature of Business

Grand Rapids Community Foundation (the "Foundation") was established in October 1922 upon recommendation of a committee appointed by the Association of Commerce (now the Grand Rapids Area Chamber of Commerce) by a resolution adopted jointly by the Michigan Trust Company (now Fifth Third Bank) and Grand Rapids Trust Company (now Bank of America). The purpose of Grand Rapids Community Foundation is to accept gifts and bequests and administer the resulting earnings for charitable and educational uses that, in the opinion of the board of trustees, promote the welfare of persons residing in, or institutions situated in, the City of Grand Rapids, Michigan and surrounding communities.

Effective April 12, 1989, Grand Rapids Community Foundation was incorporated.

Since November 1930, when funds first became available, grants totaling $214,550,987 and scholarships (in addition to scholarship loans) totaling $18,302,424 have been awarded by the Foundation.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accounting policies of the Foundation confirm to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

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.

Beneficial Interest in Perpetual Trust

A beneficial interest in a perpetual trust is an arrangement in which a donor establishes and funds a perpetual trust for the benefit of one or more nonprofit beneficiaries. The assets are administered and managed by an independent third party. Under the terms of these arrangements, the Foundation has the irrevocable right to receive the investment income earned on the trust assets in perpetuity. The value of the Foundation's interest in the trust is based on the fair value of the underlying assets of the trust. The value of these perpetual trusts was $2,038,459 and $2,125,025 at June 30, 2019 and 2018, respectively.

Split-interest Agreements Receivable

The Foundation is the sole or partial beneficiary of 13 charitable remainder trusts whereby the Foundation does not act as trustee. The Foundation has recorded an asset at the estimated present value of the revenue to be received from the trusts. Revenue to be received from the trusts is based on the Foundation's ownership percentage in the underlying trust investments, which are valued at fair value. Subsequent adjustments in the estimated present value of the revenue to be received from the trusts are recorded in the current year as revenue.

Charitable Gift Annuities Payable

Charitable gift annuities represent gifts that are given to the Foundation with the condition that a specified payment be made to the donor over his or her life. A liability is established based on the present value of the payments to be made. This liability is recalculated annually, based on changes in the interest rate, life expectancy assumptions, and payments made. Changes in the liability are recorded in the current year as revenue. The Foundation acquires annuities (reinsurance contracts) to fund certain of these arrangements.

Note 2 - Significant Accounting Policies (Continued)

Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity date of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains cash balances at one bank. Throughout the year, the balances exceeded amounts insured by the Federal Deposit Insurance Corporation. The Foundation evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Investments

Investments in marketable equity securities and debt securities are valued at their fair values in the statement of financial position. Alternative investments (hedge funds, timber, real estate, and private equity funds) and certain international equities and fixed-income investments are carried at fair value, which is estimated based on the net asset value per share (or its equivalent) of the investment company. Unrealized gains and losses are included in the statement of activities and changes in net assets. Realized gain or loss on the sale of investments is the difference between the proceeds received and the original cost of the specific investment sold.

Risks and Uncertainties

The 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.

Gifts and Pledges Receivable

Unconditional gifts and pledges made as of June 30, 2019 are mostly due by June 30, 2020 and have been deemed to be fully collectible by management.

Notes Receivable

The Foundation records notes receivable that are related to the Foundation's mission at face value and meets regularly with organizations to ensure payment terms are being met. Management reviews all the Foundation's notes as of June 30 and determines if an allowance for doubtful accounts, based on specific assessment of each account, is necessary. All amounts deemed uncollectible are charged against grant expense for that year. There was no allowance for doubtful accounts at June 30, 2019 and 2018.

Property and Equipment

Property and equipment are stated at their estimated fair values at the date donated or at cost if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range from 3 to 40 years.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Note 2 - Significant Accounting Policies (Continued)

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Community Foundation Classification of Net Assets without Donor Restrictions

The bylaws of the Foundation include a variance provision and powers of modification, giving the board of trustees the power to vary the use of funds. Based on these provisions, some contributions received by the Foundation are reported as assets without donor restrictions.

Federal Tax Status

The Internal Revenue Service has ruled that the Foundation and its supporting organization are public charities, as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. Consequently, the Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations.

Grants and Scholarships

Grants and scholarships are charged to operations and recognized as liabilities when authorized by the board of trustees, regardless of the year in which they are paid. It is generally a present practice for the board to authorize grants to the extent of income earned on investments, subject to the limitation of a spending rule calculation.

Retirement Plan

The Foundation has a simplified employee benefit plan that covers substantially all employees. The Foundation contributes a discretionary amount each year, as determined by the board of trustees. Contributions are allocated to employee accounts based on compensation.

The Foundation's contributions for the years ended June 30, 2019 and 2018 were $182,975 and $175,495, respectively.

Functional Allocation of Expenses

The Foundation classifies its expenses based on the following categories:

Grants and Scholarships

See policy above.

Charitable and Philanthropic Expenses

Operating expenses associated with processing the Foundation's grant applications, philanthropic services (services to various nonprofit or community organizations, foundations, or the field of philanthropy), and special project expenses.

Note 2 - Significant Accounting Policies (Continued)

Community Initiatives and Program Expenses

Those expenses that cover activities that could be carried out by a grantee, but that the Foundation chooses to conduct as a program with its own or others' resources. Currently, these initiatives are focused on K-12 education in the city of Grand Rapids and the Encore National movement, which focuses on inspiring individuals in their 50s and beyond to engage in meaningful work and service. These are expenses for services or program materials that are paid to persons/organizations that are not not-for-profits. These include items such as consulting fees for a project or general operating expenses of a fund.

Management and General Expenses

The expenses that benefit the Foundation as a whole and that cannot be directly assigned to any other category.

Development and Marketing Expenses

Those expenses associated with acquiring and marketing foundation assets through endowment, donor related, or other foundation activity.

Fund Management Expenses

Those expenses associated with managing the assets of the Foundation. This category includes all financial management (staff time), legal expenses, or other related expenses that are directly attributable to managing the funds of the Foundation.

The costs of providing services are reported on a functional basis. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Categories not allocated on an actual basis include payroll taxes, recruitment and benefits, conferences, other professional fees, general legal, office expenses, certain occupancy costs, equipment maintenance and depreciation, general public relations, and insurance and dues/subscriptions. These categories are allocated proportionally with salaries, which are based on actual time and effort. Although the methods of allocation used are considered appropriate, other methods could be used that would provide different amounts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 26, 2019, which is the date the financial statements were available to be issued.

Upcoming Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Foundation’s year ending June 30, 2020 and will be applied on a modified prospective basis. The Foundation does not expect the standard to have a significant impact on the timing of revenue recognition for grants and contributions received, but it does anticipate an impact on the timing of recognition of grants and contributions made. The Foundation is currently gathering the appropriate information to determine the impact of this new standard.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Foundation adopted ASU No. 2016-14, *Not-for-Profit Entities*. This standard requires net assets to be classified in two categories, net assets without donor restrictions and net assets with donor restrictions, rather than the three previous classifications. In addition, the underwater portion of donor-restricted endowments is now reported as net assets with donor restrictions. This standard also requires changes in the way certain information is aggregated and reported by the Foundation, including disclosures of quantitative and qualitative information about the liquidity and availability of resources and the presentation of expenses by both functional and natural classification. The standard also clarifies the definition of management and general and prohibits certain expenses from being allocated out of management and general. As a result of the adoption of this standard, the financial information for the year ended June 30, 2018 has been restated, as follows: net assets of $14,011,718 previously reported as temporarily restricted net assets and net assets of $6,593,239 previously reported as permanently restricted net assets have been combined into net assets with donor restrictions. The standard was implemented retrospectively except for the liquidity disclosure, as allowed by the standard.

Note 3 - Liquidity and Availability of Resources

The Foundation's financial assets available for general use expenditures within one year of June 30, 2019 are as follows:

Total assets as of June 30	$ 348,475,422
Less amounts not available for general expenditures within one year:	
Property and equipment - Net	3,430,307
Funds held on behalf of nonprofit endowments	17,634,803
Reinsurance contracts	1,189,770
Cash surrender value life insurance	759,613
Notes receivable collectable beyond one year	2,100,230
Other Assets	6,000
Investments with donor restrictions	20,368,232
Investments in board-designated endowments	275,032,251
Endowment assets appropriated for expenditure	(45,661,683)
Financial assets available to meet cash needs for general expenditures within one year	$ 73,615,899

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments or cash equivalents. The Foundation understands that there could be unexpected liquidity needs. While there are board-designated net assets, these funds are earmarked for certain initiatives (see Note 10 for disclosure regarding board-designated net assets). In addition, the Foundation has variance power over a majority of contributions received (see Note 2), which could be drawn upon in the event of unexpected liquidity needs. While board-designated endowments may be drawn upon at the discretion of the board, it is not the intention of the board to exercise this power. In addition, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available (see Note 11 for disclosures about investments).

Note 4 - Investments

Investments consist of the following, stated at fair value:

	2019	2018
Bonds and fixed-income mutual funds	$ 39,014,167	$ 31,699,320
U.S. equities stock and mutual funds	111,284,148	97,375,832
International stock and mutual funds	61,833,636	63,598,011
Alternative investments	115,107,359	123,489,678
Total investments	$ 327,239,310	$ 316,162,841

Note 5 - Notes Receivable

Notes receivable at June 30 consist of the following program-related notes:

	2019	2018
Note maturing in December 2022 with quarterly installments of $15,000, paying interest at a fixed rate of 1.00 percent, through December 2022. The entire balance of the note was converted to grant expense during April 2019	$ -	$ 150,947
Note maturing in November 2024 with no annual installments, paying interest quarterly at a fixed rate of 2.00 percent	100,000	-
Note maturing in January 2024 with quarterly installments of $21,319, paying interest at a fixed rate of 4.00 percent through January 2024	368,795	437,590
Note maturing in December 2019 with interest payable quarterly at a fixed rate of 3.00 percent through December 2019. The note was paid in full in July 2018	-	582,000
Note originally maturing in April 2018 with no annual installments, paying interest quarterly of 3.50 percent. Note was extended with amended maturity date of April 2019. The note was paid in full in April 2019	-	1,070,000
Note maturing in November 2023 with quarterly installments of $7,125, paying interest at a fixed rate of 3.00 percent through November 2023	745,211	766,817
Note maturing in December 2023 with no annual installments, paying interest quarterly at a fixed rate of 3.00 percent	500,000	-
Note maturing in May 2025 with no annual installments, paying interest quarterly at a fixed rate of 3.00 percent	500,000	-
Total	$ 2,214,006	$ 3,007,354

Note 6 - Property and Equipment

Cost of land, buildings, and equipment consists of the following:

	2019	2018
Land	$ 200,000	$ 200,000
Buildings	4,309,986	4,309,986
Furniture and fixtures	784,107	776,746
Software	496,362	496,362
Total cost	5,790,455	5,783,094
Less accumulated depreciation	2,360,148	2,198,715
Net land, buildings, and equipment	$ 3,430,307	$ 3,584,379

Depreciation expense for the years ended June 30, 2019 and 2018 was $161,433 and $235,857, respectively.

Note 7 - Grants and Scholarships Payable

As of June 30, 2019, the board of trustees authorized the payment of certain grants in future periods as follows:

2020	$ 1,494,594
2021	629,759
2022	179,025
2023	70,800
Thereafter	20,000
Total	$ 2,394,178

Note 8 - Funds Held on Behalf of Nonprofit Endowments

The Foundation has adopted the accounting standard, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. This statement specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as nonprofit endowments.

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

Note 8 - Funds Held on Behalf of Nonprofit Endowments (Continued)

At June 30, 2019 and 2018, the Foundation was the owner of nonprofit endowment funds, of which $17,634,803 and $17,869,102, respectively, is reported as a liability in the accompanying financial statements. The following table summarizes activity during the year in those funds for which there is a corresponding liability:

	2019	2018
Nonprofit endowment fund balances at July 1	$ 17,869,102	$ 16,615,418
Amounts raised	98,220	583,896
Investment income	345,079	350,066
Unrealized and realized investment gains	224,689	878,615
Grants	(843,497)	(486,806)
Fees	(58,790)	(72,087)
Nonprofit endowment fund balances at June 30	$ 17,634,803	$ 17,869,102

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2019	2018
Not subject to appropriation or expenditure:		
Community welfare and programs	$ 4,354,699	$ 4,354,699
Scholarships	113,515	113,515
Beneficial interests in perpetual trusts	2,038,459	2,125,025
Total not subject to appropriation or expenditure	6,506,673	6,593,239
Purpose restrictions:		
Other program funds	780,959	380,644
Scholarships	143,903	149,959
Special projects	130,226	204,944
Total purpose restrictions	1,055,088	735,547
Time restrictions:		
Endowment earnings	8,371,607	8,464,679
Split-interest agreements receivable	4,138,804	4,168,647
Pledges receivable	296,060	642,845
Total time restrictions	12,806,471	13,276,171
Total	$ 20,368,232	$ 20,604,957

Note 10 - Donor-restricted and Board-designated Endowments

The Foundation's endowment funds consist of a donor-restricted endowment and board-designated net assets. The board-designated net assets consist of designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power of these assets. Therefore, the board of trustees treats these funds as designated endowments. The net assets associated with the donor-restricted and board-designated endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions, as well as variance power.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted 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 Foundation
- The investment policies of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 275,032,251	$ -	$ 275,032,251
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	4,468,214	4,468,214
Accumulated investment gains	-	8,371,607	8,371,607
Total	$ 275,032,251	$ 12,839,821	$ 287,872,072

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 276,582,233	$ 12,932,893	$ 289,515,126
Investment return:			
Investment income	5,399,022	249,056	5,648,078
Net appreciation (realized and unrealized)	3,878,514	161,720	4,040,234
Total investment return	9,277,536	410,776	9,688,312
Appropriation of endowment assets for expenditure	(10,827,518)	(503,848)	(11,331,366)
Endowment net assets - End of year	$ 275,032,251	$ 12,839,821	$ 287,872,072

	Endowment Net Asset Composition by Type of Fund as of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 276,582,233	$ -	$ 276,582,233
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	4,468,214	4,468,214
Accumulated investment gains	-	8,464,679	8,464,679
Total	$ 276,582,233	$ 12,932,893	$ 289,515,126

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 263,904,316	$ 12,510,065	$ 276,414,381
Investment return:			
Investment income	5,578,892	334,861	5,913,753
Net appreciation (realized and unrealized)	14,120,694	739,102	14,859,796
Total investment return	19,699,586	1,073,963	20,773,549
Appropriation of endowment assets for expenditure	(7,021,669)	(651,135)	(7,672,804)
Endowment net assets - End of year	$ 276,582,233	$ 12,932,893	$ 289,515,126

Underwater Endowment Funds

As of June 30, 2019 and 2018, there were no donor-restricted funds with deficiencies.

Return Objectives and Risk Parameters

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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Note 10 - Donor-restricted and Board-designated Endowments (Continued)

Under this policy, as approved by the board of trustees, the Foundation has three objectives: (1) to preserve and grow the assets of the Foundation by focusing on total investment returns from a diversified portfolio of investments; (2) balance long-term growth with appropriate risk and liquidity; and (3) comply with applicable laws, rules, and regulations.

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 Foundation targets a diversified asset allocation of domestic equity, foreign equity, fixed-income funds, and alternative investments, with performance benchmarks based on each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 16 quarters through the fiscal year end preceding the fiscal year in which the distribution is planned. The expendable amount will never be less than a floor amount of 4.0 percent of the current fair value or more than a ceiling amount of 5.75 percent of current fair value. In establishing this policy, the Foundation considered the long-term expected rate of return on its endowment. The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board did not appropriate for expenditure from underwater donor-restricted endowment funds during 2019 and 2018.

Note 11 - 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 Foundation’s assets measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the 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 in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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. 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.

In instances whereby 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 Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation applies guidance that allows for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy above.

Note 11 - Fair Value Measurements (Continued)

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Balance at June 30, 2019
Investments:					
Fixed income	$ 39,014,167	$ -	$ -	$ -	$ 39,014,167
U.S. equities	111,284,148	-	-	-	111,284,148
International equities	41,634,989	-	-	-	41,634,989
International equities (measured at NAV)	-	-	-	20,198,647	20,198,647
Alternatives (measured at NAV)	-	-	-	115,107,359	115,107,359
Subtotal investments	191,933,304	-	-	135,306,006	327,239,310
Level 3 assets:					
Beneficial interests in perpetual trusts	-	-	2,038,459	-	2,038,459
Split-interest agreements receivable	-	-	4,138,804	-	4,138,804
Subtotal Level 3 assets	-	-	6,177,263	-	6,177,263
Total assets	$ 191,933,304	$ -	$ 6,177,263	$ 135,306,006	$ 333,416,573

Note 11 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2018				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Balance at June 30, 2018
Investments:					
Fixed income	$ 31,699,320	$ -	$ -	$ -	$ 31,699,320
U.S. equities	97,375,832	-	-	-	97,375,832
International equities	43,344,822	-	-	-	43,344,822
International equities (measured at NAV)	-	-	-	20,253,189	20,253,189
Alternatives (measured at NAV)	-	-	-	123,489,678	123,489,678
Subtotal investments	172,419,974	-	-	143,742,867	316,162,841
Level 3 assets:					
Beneficial interests in perpetual trusts	-	-	2,125,025	-	2,125,025
Split-interest agreements receivable	-	-	4,168,647	-	4,168,647
Subtotal Level 3 assets	-	-	6,293,672	-	6,293,672
Total assets	$ 172,419,974	$ -	$ 6,293,672	$ 143,742,867	$ 322,456,513

Beneficial interests in perpetual trusts and split-interest agreement receivables are categorized as Level 3 assets. The fair value is based on the percentage of the trust designated to the Foundation applied to the total fair value of the trust, which is based on quoted market prices unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions. Changes in the fair value of the underlying trust asset, as determined by the trustees that hold and manage these assets, are recognized in the statement of activities and changes in net assets in the period in which they occur. Significant increases (or decreases) in any of those inputs in isolation would result in a significantly lower (or higher) fair value measurement.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2019 and 2018 are as follows:

	Beneficial Interest in Perpetual Trusts	Split-interest Agreements Receivable
Balance at July 1, 2018	$ 2,125,025	$ 4,168,647
Purchases	42,169	-
Settlements	(93,006)	-
Total unrealized losses	(35,729)	(29,843)
Balance at June 30, 2019	$ 2,038,459	$ 4,138,804

Note 11 - Fair Value Measurements (Continued)

	Beneficial Interest in Perpetual Trusts	Split-interest Agreements Receivable
Balance at July 1, 2017	$ 2,198,396	$ 4,047,179
Purchases	41,952	-
Settlements	(178,232)	-
Total unrealized gains	62,909	121,468
Balance at June 30, 2018	$ 2,125,025	$ 4,168,647

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The following table summarizes the valuation methods and inputs used to determine fair value at June 30, 2019 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2019	Valuation Technique	Unobservable Inputs	Range of Inputs
Assets:				
Beneficial interest in perpetual trusts	$ 2,038,459	Trust investment statement	Market value of trust assets	$1,924-$1,246,192
			Discount rate	3%
			Life expectancy of beneficiaries	3-40 years
Split-interest agreements receivable	4,138,804	Discounted cash flow	Market value of trust assets	$44,643-$1,129,625
			Expected investment return	0%-6%

	Fair Value at June 30, 2018	Valuation Technique	Unobservable Inputs	Range of Inputs
Assets:				
Beneficial interest in perpetual trusts	$ 2,125,025	Trust investment statement	Market value of trust assets	$91,243-$1,249,472
			Discount rate	3%
			Life expectancy of beneficiaries	3-41 years
Split-interest agreements receivable	4,168,647	Discounted cash flow	Market value of trust assets	$82,563-$1,098,360
			Expected investment return	0%-6%

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

Note 11 - Fair Value Measurements (Continued)

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

	June 30, 2019	June 30, 2018	June 30, 2019		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Long/Short equity (a)	$ 30,328,965	$ 33,410,594	$ -	Quarterly	Quarterly
Commodities (b)	11,375,155	11,591,850	-	Monthly/Daily	5 days
Multistrategy (c)	48,813,281	51,584,434	-	Annually on December 31	100 days
Timber (d)	2,979,244	3,419,896	-	N/A	N/A
Private equity (e)	6,786,289	7,320,160	6,250,519	N/A	N/A
Real estate (f)	669,193	2,658,010	-	N/A	N/A
International equity (g)	20,198,647	20,253,189	-	Monthly	2-10 days
Capital appreciation (h)	14,155,232	13,504,734	-	Monthly	5 days
Total	$ 135,306,006	$ 143,742,867	$ 6,250,519		

(a) Long/Short Equity: The investment approach whereby investment managers combine buying positions in stocks that are expected to increase in value with selling positions in stocks that are expected to decrease in value. Although most managers maintain net long positions, market exposure can vary widely among managers and through time depending on the level of long and short exposures. Managers attempt to reduce volatility by either diversifying or hedging positions across various regions, industries, and sectors.

(b) Commodities: An approach that invests in commodities, which include sources of energy such as oil or natural gas, metals such as gold, and agricultural products such as wheat. Investments are generally made in the form of futures contracts or mutual funds, and they do not involve actual holding of the physical commodities themselves. Commodity investing is basically a hedge against inflation whereby rises in prices are benefited. Commodity investing as we define it here differs in that it is predominantly based on assuming long positions and does not involve short selling.

(c) Multistrategy: An investment approach that attempts to profit regardless of the overall direction of the stock or bond market. This is accomplished by using highly flexible investment strategies that permit the use of short selling and margin. While these techniques are widely perceived as risky, many managers have successfully used them to achieve solid returns with relatively low volatility. For example, while short selling is certainly risky on its own, when paired with traditional long equity positions, the result can be a relatively low-risk portfolio. Multistrategies can also be described with names such as absolute return, market neutral, convertible arbitrage, and merger arbitrage.

(d) Timber: An approach that invests in timberland, which entails forests and the land on which they are grown. The returns are generated through timber sales, forest management, and land appreciation. Timber managers typically invest in forests globally, but the geographic focus is often in the U.S. south, northwest, and northeast, along with forests in South America, New Zealand, and Australia. Timberland generally requires a long-term investment, making it a suitable investment for institutional investors' time horizons of perpetuity. Timber offers additional diversification and strong returns with moderate risk.

(e) Private Equity: Private equity covers a broad class of investments, which generally involve taking an equity position in a privately held company or privatizing a publicly traded company. Private equity managers can be broadly classified into three groups: buyouts, venture capital, and special situations. Buyout transactions usually involve acquiring relatively mature businesses, while venture capital transactions involve providing capital to newer businesses. Special situations refer to investments in equity or debt securities of financially stressed companies. This could include various forms of investment, such as mezzanine debt and distressed investments.

(f) Real Estate: This strategy involves generating returns predominately through the identification of undervalued or mispriced real estate assets or real estate-related companies. Investments would be expected to be made through either public or private equity securities, convertible notes or warrants, or other acquired or originated debt securities. The exposure within this asset class would be expected to be predominately long-only exposure and will generally be maintaining a long exposure to direct real estate assets or real estate-related companies and securities.

Note 11 - Fair Value Measurements (Continued)

(g) International Equity: This strategy is similar to long/short equity except that managers use international securities.

(h) Capital Appreciation: This strategy's objective seeks to create capital appreciation by investing all of its investable assets in the Master Fund. The Master Fund seeks to achieve its investment objective principally by (i) investing in undervalued publicly listed companies and (ii) adding value to the companies in which it invests by affecting change.

Approximately $10,400,000 is invested in illiquid funds as of June 30, 2019. The illiquid funds are made up of timber, real estate, and private equity. The availability of funds is based on when the underlying direct funds believe there is an attractive exit point in the investment. Based on the percentage of ownership in each fund, the Foundation will receive distributions when deals are closed. Generally speaking, it takes about two to four years for the private equity funds to deploy capital, and then roughly five to nine years to return it to investors. For timber and real estate, it takes upwards of 10 to 15 years after the capital is deployed to return it to investors as a result of the nature of the investment/business.