

**CAPITAL REGION COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent auditor's report	3 - 4
Consolidated financial statements	
Statements of financial position	5
Statements of activities	6
Statements of functional expenses	7
Statements of cash flows	8
Notes to consolidated financial statements	9 - 21
Supplementary information	22
Consolidating statement of financial position	23
Consolidating statement of activities	24

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Capital Region Community Foundation
and Supporting Organization

We have audited the accompanying consolidated financial statements of Capital Region Community Foundation and Supporting Organization, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying financial statements of Capital Region Community Foundation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the 2018 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital Region Community Foundation and Supporting Organization as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2017 financial statements present fairly, in all material respects, the financial position of Capital Region Community Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2018 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2017 summarized supplementary information, as identified in the table of contents, is consistent with the financial statements from which it has been derived.

Manes Costeiran PC

June 11, 2019

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 657,770	\$ 918,742
Investments	94,112,521	102,440,808
Promises to give, net of allowance for doubtful accounts and discount	305,405	63,885
Loan receivable, net of discount	25,030	30,292
Deposits	14,981	14,260
Property donation - cemetery lots	44,370	34,990
Furniture and equipment, less accumulated depreciation of \$151,915 and \$132,193 in 2018 and 2017, respectively	26,980	44,636
TOTAL ASSETS	\$ 95,187,057	\$ 103,547,613
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 25,425	\$ 2,495
Accrued salaries and related	30,100	10,061
Deferred revenue	479	131
Grants payable	626,512	606,479
Funds held in agency endowments	8,880,661	9,783,866
Liabilities associated with gift annuities	103,522	88,985
TOTAL LIABILITIES	9,666,699	10,492,017
Net assets:		
Without donor restrictions	85,214,953	92,991,711
With donor restrictions	305,405	63,885
TOTAL NET ASSETS	85,520,358	93,055,596
TOTAL LIABILITIES AND NET ASSETS	\$ 95,187,057	\$ 103,547,613

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without restrictions	With restrictions	Total	Without restrictions	With restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Contributions	\$ 3,143,298	\$ 249,981	\$ 3,393,279	\$ 3,398,277	\$ 66,435	\$ 3,464,712
In-kind contributions	9,380	-	9,380	4,550	-	4,550
Investment income, net	(6,057,610)	-	(6,057,610)	13,113,956	-	13,113,956
Administrative revenue from agency endowments	60,719	-	60,719	65,930	-	65,930
Other	57,200	-	57,200	57,739	-	57,739
Net assets released from restrictions	8,461	(8,461)	-	2,550	(2,550)	-
Total revenues, gains and other support	<u>(2,778,552)</u>	<u>241,520</u>	<u>(2,537,032)</u>	<u>16,643,002</u>	<u>63,885</u>	<u>16,706,887</u>
EXPENSES:						
Program expenses:						
Grant awards	3,390,298	-	3,390,298	3,738,621	-	3,738,621
Other program expenses	831,113	-	831,113	553,657	-	553,657
Management and general	592,523	-	592,523	548,557	-	548,557
Fundraising	154,364	-	154,364	146,888	-	146,888
Change in value of gift annuities	29,908	-	29,908	(84,569)	-	(84,569)
Total expenses	<u>4,998,206</u>	<u>-</u>	<u>4,998,206</u>	<u>4,903,154</u>	<u>-</u>	<u>4,903,154</u>
CHANGE IN NET ASSETS	<u>(7,776,758)</u>	<u>241,520</u>	<u>(7,535,238)</u>	<u>11,739,848</u>	<u>63,885</u>	<u>11,803,733</u>
NET ASSETS:						
Beginning of year	92,991,711	63,885	93,055,596	81,251,863	-	81,251,863
End of year	<u>\$ 85,214,953</u>	<u>\$ 305,405</u>	<u>\$ 85,520,358</u>	<u>\$ 92,991,711</u>	<u>\$ 63,885</u>	<u>\$ 93,055,596</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018							2017
	Program services			Management and general	Fundraising	Change in value of annuities		
	Grant awards	Other program expenses	Total			Total		
Salaries and benefits	\$ -	\$ 197,809	\$ 197,809	\$ 438,797	\$ 101,591	\$ -	\$ 738,197	\$ 673,509
Payroll taxes	-	12,558	12,558	27,857	6,449	-	46,864	44,969
Legal	-	1,105	1,105	1,046	242	-	2,393	942
Accounting and financial	-	-	-	17,410	-	-	17,410	16,833
Contracted services	-	244,939	244,939	-	-	-	244,939	60,968
Occupancy	-	19,646	19,646	34,748	8,045	-	62,439	55,725
Armory expenses	-	1,139	1,139	2,526	585	-	4,250	4,483
Insurance	-	10,865	10,865	7,136	1,652	-	19,653	8,799
Dues and subscriptions	-	7,263	7,263	3,479	-	-	10,742	12,132
Postage	-	1,331	1,331	1,331	308	-	2,970	1,992
Supplies and office printing	-	13,364	13,364	3,399	787	-	17,550	11,185
Telephone	-	602	602	1,004	232	-	1,838	1,640
Travel and parking	-	15,813	15,813	1,192	1,192	-	18,197	15,637
Computer and technology	-	9,284	9,284	20,507	4,748	-	34,539	39,619
Office equipment	-	1,339	1,339	2,970	688	-	4,997	5,275
Professional development	-	13,152	13,152	8,546	-	-	21,698	14,968
Meetings	-	11,589	11,589	2,123	-	-	13,712	12,627
Marketing	-	2,147	2,147	-	6,276	-	8,423	19,082
Fund development	-	1,000	1,000	-	5,087	-	6,087	27,879
Event expense	-	21,975	21,975	-	13,677	-	35,652	69,149
Depreciation	-	5,457	5,457	12,106	2,803	-	20,366	21,529
Grants	3,390,298	-	3,390,298	-	-	-	3,390,298	3,738,621
Leadership projects	-	178,062	178,062	-	-	-	178,062	-
Miscellaneous	-	60,674	60,674	6,346	2	29,908	96,930	45,591
	<u>\$ 3,390,298</u>	<u>\$ 831,113</u>	<u>\$ 4,221,411</u>	<u>\$ 592,523</u>	<u>\$ 154,364</u>	<u>\$ 29,908</u>	<u>\$ 4,998,206</u>	<u>\$ 4,903,154</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	<u>\$ (7,535,238)</u>	<u>\$ 11,803,733</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,366	21,529
Change in allowance for doubtful accounts	7,200	2,550
Change in discount	19	16,113
Loss on disposal	-	338
Investment gains (losses):		
Realized gain	(1,098,012)	(1,028,715)
Unrealized (gain) loss	10,773,628	(11,037,150)
In-kind contributions	(9,380)	(4,550)
Accounts receivable	-	2,105
Promises to give	(250,000)	(75,000)
Deposits	(721)	(4,490)
Accounts payable	22,930	(41,769)
Accrued salaries and related	20,039	462
Deferred revenue	348	131
Grants payable	20,033	51,350
Funds held in agency endowments	(903,205)	1,199,548
Annuity payable	<u>14,537</u>	<u>(102,270)</u>
Total adjustments	<u>8,617,782</u>	<u>(10,999,818)</u>
Net cash provided by operating activities	<u>1,082,544</u>	<u>803,915</u>
Cash flows from investing activities:		
Purchase of equipment	(2,710)	(4,189)
Issuance of loan receivable	-	(40,000)
Proceeds from sales of investment securities	6,399,800	10,109,402
Purchases of investment securities	(7,747,129)	(11,351,994)
Principal receipts on loan receivable	<u>6,523</u>	<u>2,160</u>
Net cash used by investing activities	<u>(1,343,516)</u>	<u>(1,284,621)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(260,972)	(480,706)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>918,742</u>	<u>1,399,448</u>
End of year	<u>\$ 657,770</u>	<u>\$ 918,742</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of the Foundation and its supporting organization. All significant intercompany accounts and transactions have been eliminated in consolidation. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets. The bylaws of the Foundation include a variance provision that allows the Board of Trustees of the Foundation to vary the use of substantially all contributions received. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Based on this variance provision, substantially all net assets of the Foundation have been classified as without donor restrictions. The following is a summary of the Foundation's internal classification of total net assets without donor restrictions.

	2018	2017
Undesignated funds	\$ 9,552,718	\$ 10,101,963
Field of interest funds	20,286,516	22,515,653
Designated funds	4,751,195	4,989,046
Donor advised funds	7,857,409	7,881,603
Scholarship funds	9,414,040	10,684,964
Agency funds	33,353,075	36,818,482
Net assets without donor restrictions	\$ 85,214,953	\$ 92,991,711

Accrual Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held in various checking and savings accounts. Cash amounts included in the investment portfolio (see Note 4) are not considered cash and cash equivalents for purposes of the statements of cash flows.

Investments

The Foundation carries investments at their fair values in the statements of financial position. Net investment return or loss included in the statement of activities and consist of interest and dividend income, realized and unrealized gains and loss, less investment expense.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as with donor restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as without donor restrictions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2018 and 2017, the allowance for doubtful accounts was \$9,750 and \$2,550, respectively.

Furniture and Equipment

Furniture and equipment in excess of \$750 are stated at cost, if purchased, and at estimated fair value at date of donation. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from 3 to 7 years.

Funds Held in Agency Endowments

A liability has been established for amounts received from other not-for-profit organizations that specify the donor organization or a related organization as the beneficiary. Investment earnings or losses allocated to the funds and distributions paid to the beneficiary organization are recorded as increases and decreases, respectively, to the liability. Distributions from restricted organizational funds are subject to the current spending policies of the Foundation.

Annuity Payable

From time to time, the Foundation receives charitable gift annuities. Charitable gift annuities provide for periodic payments during the donor's lifetime. Upon the donor's death, the remaining assets are to be available to the Foundation. Liabilities are recorded for the present value of the amounts expected to be paid to the donor or specified beneficiary over the term of the agreement. The interest rates used to calculate the present value of this liability range from 1.2% to 7.6%, based on the year the annuity was established.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Contributions

Generally, contributions including promises to give are recorded at fair value when received. Contributions of services, fixed assets, and other non-monetary contributions are recorded at the donor's estimated fair value.

Functional Classification of Expenses

The Foundation reports its expenses on the statement of activities into functional classifications based on direct identification, time (for salaries) and floor space studies. Each category is defined as follows:

Program Expenses

Program expenses include grant awards as well as administrative expenses for awarding and monitoring grant expense and for charitable purposes that are not classified as grant awards. Program expenses include the in-kind and other expenses incurred by such programs as the Youth Action Committee, placemaking projects and nonprofit consulting on capacity building.

Management and General

Management and general expenses include those expenses associated with the administration and management of the Foundation.

Fundraising

Fundraising expenses include those expenses for the promotion of the Foundation.

Grant Awards

Grant awards (contributions to others) are recorded as expenses when they are approved by the Board of Trustees. Grant awards are presented in the financial statements net of grant refunds.

Reclassification

Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES

Capital Region Community Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. Therefore, the Foundation is currently exempt from federal income tax on related activities. The Foundation is responsible for charitable funds and the income generated by funds of many donors. In June 2018, Vibrant Communities LLC was formed as a wholly owned subsidiary of the Foundation to manage riverfront development projects or any similar projects in the future.

The Foundation is committed to serve the region's broad educational, scientific, literary, cultural and charitable needs as well as enhance the quality of life in the capital region.

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to credit risk consist principally of cash and investments. The Foundation's cash is deposited with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end, they are, in the opinion of management, subject to minimal risk. Credit risk with respect to investments is limited because of the wide variety of companies and industries.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

In the preparation of tax returns, tax positions are taken based on interpretations of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by various taxing authorities for a period of 3 to 4 years.

The Foundation evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through June 11, 2019, which is the date the financial statements were available to be issued.

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 such changes could materially affect the amounts reported in the financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Foundation's primary source of revenue is derived from contributions without donor restrictions. The remainder of revenue is funded by other miscellaneous income without donor restrictions. The Foundation considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include grant and contribution commitments to service the Foundation's program and administrative and general expenses necessary to facilitate the Foundation's objectives.

The Foundation's board meets every other month to review and approve grant requests, while also striving to maximize the investment of its available funds. The general investment objective for the Foundation is to generate sufficient long-term growth of capital without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the purchasing power of the investments. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ 657,770
Investments	94,112,521
Promises to give	<u>305,405</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$95,075,696</u></u>

NOTE 4 - INVESTMENTS

The following table summarizes the cost basis and fair value (carrying value) of investments as of December 31.

	2018		2017	
	Cost	Fair value	Cost	Fair value
Money market funds	\$ 565,677	\$ 565,677	\$ 514,772	\$ 514,772
Certificate of deposits	1,296,279	1,296,279	1,531,615	1,531,615
Equities	55,057,302	68,500,662	54,365,499	77,369,335
Fixed income - corporate	24,838,654	23,749,903	22,900,685	22,812,933
Alternative investments	-	-	-	212,153
Total	<u><u>\$ 81,757,912</u></u>	<u><u>\$ 94,112,521</u></u>	<u><u>\$ 79,312,571</u></u>	<u><u>\$ 102,440,808</u></u>

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 4 - INVESTMENTS (Concluded)

At December 31, 2018 and 2017, individual investments representing more than 5% of total investments were as follows:

	2018	2017
Vanguard Institutional Index Fund	\$ 27,018,598	\$ 29,121,674
Vanguard Extended Market Index Fund	8,775,484	9,860,761
Doubleline Core Fixed	7,399,369	7,400,709
Vanguard Ftse All-World Ex-US Index Fund	6,160,741	7,344,803
Vanguard Total Bond Market Index Fund	7,568,732	7,270,444
T Rowe Price Overseas	5,957,420	6,994,427
DFA Emerging Markets Core	4,723,084	5,572,880
DFA International Small Co Port	-	5,491,794

Included in the above investment amounts are \$8,880,661 and \$9,783,866 as of December 31, 2018 and 2017, respectively, of funds held as agency endowments.

Investment income for the years ended December 31 consists of the following.

	2018	2017
Interest, dividends and distributions	\$ 2,957,264	\$ 2,494,459
Investment fees	(38,817)	(38,861)
Realized gain (loss) on sales of investments	1,098,012	1,028,715
Unrealized gain (loss) on investments	(10,773,628)	11,037,150
Investment income, net	(6,757,169)	14,521,463
Allocated to agency endowments	699,559	(1,407,507)
	\$ (6,057,610)	\$ 13,113,956

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the plan are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.
- *Pooled investment funds:* Valued at the net asset value (NAV) of units held at year end. The fund, Collins Capital Diversified Offshore Fund, net assets are valued based on the underlying investments as determined by third parties, brokers, the general partner and administrators of the fund. The Collins Capital Diversified Offshore Fund was closed during 2018.

The following is a market value summary by the level of the inputs used, as of December 31, 2018 and 2017, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 5 - FAIR VALUE MEASUREMENTS (Concluded)

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds:				
Equities	\$ 68,500,662	\$ -	\$ -	\$ 68,500,662
Fixed income	23,749,903	-	-	23,749,903
Total assets in the fair value hierarchy	<u>\$ 92,250,565</u>	<u>\$ -</u>	<u>\$ -</u>	92,250,565
Money market funds (recorded at cost)				565,677
Certificates of deposit (recorded at cost)				1,296,279
Total investments				<u>\$ 94,112,521</u>

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds:				
Equities	\$ 77,369,335	\$ -	\$ -	\$ 77,369,335
Fixed income	22,812,933	-	-	22,812,933
Total assets in the fair value hierarchy	<u>\$ 100,182,268</u>	<u>\$ -</u>	<u>\$ -</u>	100,182,268
Investments measured at net asset value				212,153
Money market funds (recorded at cost)				514,772
Certificates of deposit (recorded at cost)				1,531,615
Total investments				<u>\$ 102,440,808</u>

The following table summarizes investments measured at fair value based on NAV per share as of December 31:

December 31, 2017	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Collins Capital				
Diversified Offshore Fund	\$ 212,153	None	Quarterly	75 days

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	2018	2017
Unconditional promises to give before unamortized discounts and allowance for uncollectibles	\$ 325,000	\$ 75,000
Less allowance for doubtful accounts	(9,750)	(2,550)
Less unamortized discount	(9,845)	(8,565)
Net unconditional promises to give	\$ 305,405	\$ 63,885
Amounts due in:		
Less than one year	\$ 275,000	\$ 25,000
One to five years	50,000	50,000
Total	\$ 325,000	\$ 75,000

Discount rate was 3% in 2018 and 2017.

NOTE 7 - LOAN RECEIVABLE

During 2017, the Foundation established a loan totaling \$40,000 to the Southside Community Coalition of Lansing, Michigan. The loan includes interest at a rate of 1% and is to be repaid in monthly installments of \$573 with the remaining balance due and payable on August 28, 2023. The loan receivable balance has been discounted to an estimated present value of \$32,452, assuming a 7% interest rate over a six-year term. As of December 31, 2018, total principal payments made on the loan totaled \$8,683. As of December 31, 2018 and 2017, the loan receivable balance is \$25,030 and \$30,292.

NOTE 8 - RETIREMENT PLAN

The Foundation has established a Simplified Employee Pension (SEP) Plan. All full-time employees with one year of service are eligible to participate in the plan. During 2018 and 2017, the Foundation contributed approximately \$32,000 and \$31,000, respectively, to the plan.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 9 - OPERATING LEASES

The Foundation has entered into lease agreements for office space, including a Community Meeting Room.

The Community Room rental payments will be made through a grant from the Foundation and will be used as a meeting place that may be utilized by other like-minded nonprofit organizations.

Rent expense for 2018 and 2017 amounted to approximately \$97,600 and \$90,500, respectively.

Future lease payments under the lease agreements are as follows:

Year ending December 31,	Office space	Community meeting room	Total commitment
2019	\$ 60,506	\$ 38,324	\$ 98,830
2020	63,218	40,042	103,260
2021	66,070	41,849	107,919
2022	66,070	41,849	107,919
2023	66,070	41,849	107,919
2024 - 2026	198,210	125,547	323,757
	<u>\$ 520,144</u>	<u>\$ 329,460</u>	<u>\$ 849,604</u>

NOTE 10 - DESIGNATED ENDOWMENTS

The Foundation's unrestricted net assets include designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power over these assets. Therefore, the Foundation treats these funds as designated endowments and they are classified and reported based on the existence or absence of donor-restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as: (a) assets will be invested prudently in diversified investments that seek growth, as well as income; and, (b) appreciation of assets could prudently be spent for the purposes of any endowment fund held by the charitable institution. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate designated endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the designated endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - DESIGNATED ENDOWMENTS (Continued)

5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment Funds and Changes Therein

The Foundation maintained the following endowment funds as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Board designated endowments:		
Unrestricted funds	\$ 9,349,208	\$ 9,898,453
Field of interest funds	20,286,516	22,515,653
Designated funds	4,751,195	4,989,046
Donor advised funds	7,857,409	7,881,603
Scholarship funds	9,414,040	10,684,964
Agency funds	<u>33,353,075</u>	<u>36,818,482</u>
Total endowment funds	85,011,443	92,788,201
Undesignated net assets	<u>203,510</u>	<u>203,510</u>
Net assets without donor restrictions	<u><u>\$ 85,214,953</u></u>	<u><u>\$ 92,991,711</u></u>

The annual changes in the endowment funds is not significantly different from the statements of activities for the years ended December 31, 2018 and 2017.

Return Objectives and Risk Parameters

The Foundation's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy should allow for predictability of spendable fund for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

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 equity securities, fixed income funds, and alternative investments with performance benchmarks on each asset class.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - DESIGNATED ENDOWMENTS (Concluded)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy which shall allow for maximum annual distributions equal to 5% of the rolling average of the preceding 12 quarterly market values. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, the Foundation expects the current spending policy to allow its net assets to grow over time. This is consistent with the Foundation's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following:

	<u>2018</u>	<u>2017</u>
Leadership fund	<u>\$ 305,405</u>	<u>\$ 63,885</u>

Net assets were released from time restrictions during the years ended December 31 as follows:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Promises to give	<u>\$ 8,461</u>	<u>\$ 2,550</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

Board members of the Foundation are employed at organizations that provide legal services to the Foundation. These organizations were paid \$0 and \$464 for such services in 2018 and 2017, respectively.

Furthermore, various board members of the Foundation are employed by organizations that receive support and scholarships from the Foundation. Board members recuse themselves from voting in any instance that involves their organization of employment. Also, board members and their employers make contributions to the Foundation on a regular basis.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 13 - NEW ACCOUNTING STANDARD

In August 2016, the FASB issued ASU No. 2016-14, “*Presentation of Financial Statement of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending December 31, 2018. The December 31, 2017 comparative information has been reclassified to conform to the current year presentation.

SUPPLEMENTARY INFORMATION

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(with comparative totals for December 31, 2017)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Consolidated total 2018	2017
ASSETS					
Cash and cash equivalents	\$ 649,904	\$ 7,866	\$ -	\$ 657,770	\$ 918,742
Investments	94,112,521	-	-	94,112,521	102,440,808
Promises to give, net of allowance for doubtful accounts and discount	305,405	-	-	305,405	63,885
Loan receivable, net of discount	25,030	-	-	25,030	30,292
Deposits	14,981	-	-	14,981	14,260
Property donation - cemetery lots	44,370	-	-	44,370	34,990
Furniture and equipment, less accumulated depreciation of \$151,915 and \$132,193 in 2018 and 2017, respectively	26,980	-	-	26,980	44,636
TOTAL ASSETS	\$ 95,179,191	\$ 7,866	\$ -	\$ 95,187,057	\$ 103,547,613
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 18,549	\$ 6,876	\$ -	\$ 25,425	\$ 2,495
Accrued salaries and related	30,100	-	-	30,100	10,061
Deferred revenue	479	-	-	479	131
Grants payable	626,512	-	-	626,512	606,479
Funds held in agency endowments	8,880,661	-	-	8,880,661	9,783,866
Liabilities associated with gift annuities	103,522	-	-	103,522	88,985
TOTAL LIABILITIES	9,659,823	6,876	-	9,666,699	10,492,017
Net assets:					
Without donor restrictions	85,213,963	990	-	85,519,368	92,989,161
With donor restrictions	305,405	-	-	990	66,435
TOTAL NET ASSETS	85,519,368	990	-	85,520,358	93,055,596
TOTAL LIABILITIES AND NET ASSETS	\$ 95,179,191	\$ 7,866	\$ -	\$ 95,187,057	\$ 103,547,613

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Consolidated total 2018	2017
REVENUES, GAINS AND OTHER SUPPORT:					
Contributions	\$ 3,393,279	\$ 55,000	\$ (55,000)	\$ 3,393,279	\$ 3,464,712
In-kind contributions	9,380	-	-	9,380	4,550
Investment income, net	(6,057,613)	3	-	(6,057,610)	13,113,956
Administrative revenue from agency endowments	60,719	-	-	60,719	65,930
Other	57,200	-	-	57,200	57,739
Total revenues, gains and other support	<u>(2,537,035)</u>	<u>55,003</u>	<u>(55,000)</u>	<u>(2,537,032)</u>	<u>16,706,887</u>
EXPENSES:					
Program expenses:					
Grant awards	3,445,298	-	(55,000)	3,390,298	3,738,621
Other program expenses	777,100	54,013	-	831,113	553,657
Management and general	592,523	-	-	592,523	548,557
Fundraising	154,364	-	-	154,364	146,888
Change in value of gift annuities	29,908	-	-	29,908	(84,569)
Total expenses	<u>4,999,193</u>	<u>54,013</u>	<u>(55,000)</u>	<u>4,998,206</u>	<u>4,903,154</u>
CHANGE IN NET ASSETS	(7,536,228)	990	-	(7,535,238)	11,803,733
NET ASSETS:					
Beginning of year	93,055,596	-	-	93,055,596	81,251,863
End of year	<u>\$ 85,519,368</u>	<u>\$ 990</u>	<u>\$ -</u>	<u>\$ 85,520,358</u>	<u>\$ 93,055,596</u>