

**CAPITAL REGION COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 2018 summarized supplementary information, as identified in the table of contents, is consistent with the consolidated financial statements from which it has been derived.

Manes Costeiran PC

June 9, 2020

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,874,960	\$ 657,770
Investments	111,001,399	94,112,521
Contributions receivable	501,087	-
Promises to give, net of allowance for doubtful accounts and discount	264,093	305,405
Loan receivable, net of discount	19,664	25,030
Deposits	13,836	14,981
Property donation - cemetery lots	46,865	44,370
Furniture and equipment, less accumulated depreciation of \$166,524 and \$151,915 in 2019 and 2018, respectively	18,318	26,980
	\$ 114,740,222	\$ 95,187,057
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 17,657	\$ 25,425
Accrued salaries and related	22,774	30,100
Deferred revenue	762	479
Grants payable	389,646	626,512
Funds held in agency endowments	11,651,164	8,880,661
Liabilities associated with gift annuities	98,376	103,522
	12,180,379	9,666,699
Net assets		
Without donor restrictions	101,852,732	85,214,953
With donor restrictions	707,111	305,405
	102,559,843	85,520,358
	TOTAL NET ASSETS	85,520,358
	\$ 114,740,222	\$ 95,187,057
	\$ 114,740,222	\$ 95,187,057

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 6,002,479	\$ 947,778	\$ 6,950,257	\$ 3,143,298	\$ 249,981	\$ 3,393,279
In-kind contributions	52,918	-	52,918	9,380	-	9,380
Investment income, net	16,605,302	-	16,605,302	(6,057,610)	-	(6,057,610)
Administrative revenue from agency endowments	68,050	-	68,050	60,719	-	60,719
Event revenue	45,000	-	45,000	57,200	-	57,200
Net assets released from restrictions	546,072	(546,072)	-	8,461	(8,461)	-
Total revenues, gains and other support	<u>23,319,821</u>	<u>401,706</u>	<u>23,721,527</u>	<u>(2,778,552)</u>	<u>241,520</u>	<u>(2,537,032)</u>
EXPENSES						
Program expenses						
Grant awards	5,216,058	-	5,216,058	3,568,360	-	3,568,360
Other program expenses	778,075	-	778,075	653,051	-	653,051
Management and general	518,738	-	518,738	592,523	-	592,523
Fundraising	157,752	-	157,752	154,364	-	154,364
Change in value of gift annuities	11,419	-	11,419	29,908	-	29,908
Total expenses	<u>6,682,042</u>	<u>-</u>	<u>6,682,042</u>	<u>4,998,206</u>	<u>-</u>	<u>4,998,206</u>
CHANGE IN NET ASSETS	16,637,779	401,706	17,039,485	(7,776,758)	241,520	(7,535,238)
NET ASSETS						
Beginning of year	85,214,953	305,405	85,520,358	92,991,711	63,885	93,055,596
End of year	<u>\$ 101,852,732</u>	<u>\$ 707,111</u>	<u>\$ 102,559,843</u>	<u>\$ 85,214,953</u>	<u>\$ 305,405</u>	<u>\$ 85,520,358</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services			Management and General	Fundraising	Change in Value of Annuities	Total
	Grant Awards	Other Program Expenses	Total				
Salaries and benefits	\$ -	\$ 243,011	\$ 243,011	\$ 374,934	\$ 106,819	\$ -	\$ 724,764
Payroll taxes	-	15,298	15,298	23,603	6,724	-	45,625
Legal	-	525	525	810	231	-	1,566
Accounting and financial	-	1,175	1,175	19,144	-	-	20,319
Contracted services	-	236,953	236,953	-	-	-	236,953
Occupancy	-	38,826	38,826	32,615	9,292	-	80,733
Armory expenses	-	1,435	1,435	2,214	631	-	4,280
Insurance	-	5,770	5,770	4,789	1,364	-	11,923
Dues and subscriptions	-	33,645	33,645	2,575	-	-	36,220
Postage	-	1,557	1,557	1,092	311	-	2,960
Supplies and office printing	-	17,215	17,215	2,797	797	-	20,809
Telephone	-	573	573	884	252	-	1,709
Travel and parking	-	22,926	22,926	1,595	1,595	-	26,116
Computer and technology	-	10,332	10,332	15,941	4,542	-	30,815
Office equipment	-	1,622	1,622	2,503	713	-	4,838
Professional development	-	6,834	6,834	8,986	-	-	15,820
Meetings	-	3,395	3,395	10,065	-	-	13,460
Marketing	-	9,524	9,524	-	8,314	-	17,838
Fund development	-	750	750	-	5,370	-	6,120
Event expense	-	84,361	84,361	-	8,644	-	93,005
Depreciation	-	4,898	4,898	7,557	2,153	-	14,608
Grants	4,042,161	-	4,042,161	-	-	-	4,042,161
Leadership grants	1,173,897	-	1,173,897	-	-	-	1,173,897
Miscellaneous	-	37,450	37,450	6,634	-	11,419	55,503
	<u>\$ 5,216,058</u>	<u>\$ 778,075</u>	<u>\$ 5,994,133</u>	<u>\$ 518,738</u>	<u>\$ 157,752</u>	<u>\$ 11,419</u>	<u>\$ 6,682,042</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program services			Management and general	Fundraising	Change in Value of Annuities	Total
	Grant awards	Other program expenses	Total				
Salaries and benefits	\$ -	\$ 197,809	\$ 197,809	\$ 438,797	\$ 101,591	\$ -	\$ 738,197
Payroll taxes	-	12,558	12,558	27,857	6,449	-	46,864
Legal	-	1,105	1,105	1,046	242	-	2,393
Accounting and financial	-	-	-	17,410	-	-	17,410
Contracted services	-	244,939	244,939	-	-	-	244,939
Occupancy	-	19,646	19,646	34,748	8,045	-	62,439
Armory expenses	-	1,139	1,139	2,526	585	-	4,250
Insurance	-	10,865	10,865	7,136	1,652	-	19,653
Dues and subscriptions	-	7,263	7,263	3,479	-	-	10,742
Postage	-	1,331	1,331	1,331	308	-	2,970
Supplies and office printing	-	13,364	13,364	3,399	787	-	17,550
Telephone	-	602	602	1,004	232	-	1,838
Travel and parking	-	15,813	15,813	1,192	1,192	-	18,197
Computer and technology	-	9,284	9,284	20,507	4,748	-	34,539
Office equipment	-	1,339	1,339	2,970	688	-	4,997
Professional development	-	13,152	13,152	8,546	-	-	21,698
Meetings	-	11,589	11,589	2,123	-	-	13,712
Marketing	-	2,147	2,147	-	6,276	-	8,423
Fund development	-	1,000	1,000	-	5,087	-	6,087
Event expense	-	21,975	21,975	-	13,677	-	35,652
Depreciation	-	5,457	5,457	12,106	2,803	-	20,366
Grants	3,390,298	-	3,390,298	-	-	-	3,390,298
Leadership grants	178,062	-	178,062	-	-	-	178,062
Miscellaneous	-	60,674	60,674	6,346	2	29,908	96,930
	<u>\$ 3,568,360</u>	<u>\$ 653,051</u>	<u>\$ 4,221,411</u>	<u>\$ 592,523</u>	<u>\$ 154,364</u>	<u>\$ 29,908</u>	<u>\$ 4,998,206</u>

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	\$ 17,039,485	\$ (7,535,238)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	14,608	20,366
Change in allowance for doubtful accounts	(150)	7,200
Change in discount	35,240	19
Investment gains (losses)		
Realized gain	(1,898,829)	(1,098,012)
Unrealized (gain) loss	(12,940,488)	10,773,628
In-kind contributions - cemetery lots	(2,495)	(9,380)
Contributions receivable	(501,087)	-
Promises to give	5,000	(250,000)
Deposits	1,145	(721)
Accounts payable	(7,768)	22,930
Accrued salaries and related	(7,326)	20,039
Deferred revenue	283	348
Grants payable	(236,866)	20,033
Funds held in agency endowments	2,770,503	(903,205)
Annuity payable	(5,146)	14,537
Total adjustments	(12,773,376)	8,617,782
Net cash provided by operating activities	4,266,109	1,082,544
Cash flows from investing activities		
Purchase of equipment	(5,946)	(2,710)
Proceeds from sales of investment securities	4,102,175	6,399,800
Purchases of investment securities	(6,151,736)	(7,747,129)
Principal receipts on loan receivable	6,588	6,523
Net cash used by investing activities	(2,048,919)	(1,343,516)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,217,190	(260,972)
CASH AND CASH EQUIVALENTS		
Beginning of year	657,770	918,742
End of year	\$ 2,874,960	\$ 657,770

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.

	2019	2018
Undesignated funds	\$ 10,181,240	\$ 9,552,718
Field of interest funds	23,879,997	20,286,516
Designated funds	7,693,366	4,751,195
Donor advised funds	9,686,379	7,857,409
Scholarship funds	11,693,556	9,414,040
Agency funds	38,718,194	33,353,075
Net assets without donor restrictions	\$ 101,852,732	\$ 85,214,953

Basis 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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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, 2019 and 2018, the allowance for doubtful accounts was \$9,600 and \$9,750, 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.

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

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, including education of the community. 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 expenses incurred by raising funds to operate the Foundation and work with donors.

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.

**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 9, 2020, 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.

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.

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

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,874,960	\$ 657,770
Investments	111,001,399	94,112,521
Contributions receivable	501,087	-
Promises to give	<u>264,093</u>	<u>305,405</u>
Total financial assets at year-end	114,641,539	95,075,696
Less donor-imposed restricted resources	<u>(707,111)</u>	<u>(305,405)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 113,934,428</u></u>	<u><u>\$ 94,770,291</u></u>

NOTE 4 - INVESTMENTS

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 447,537	\$ 447,537	\$ 565,677	\$ 565,677
Certificate of deposits	1,324,278	1,324,278	1,296,279	1,296,279
Equities	56,954,859	82,536,037	55,057,302	68,500,662
Fixed income - corporate	<u>26,979,628</u>	<u>26,693,547</u>	<u>24,838,654</u>	<u>23,749,903</u>
Total	<u><u>\$ 85,706,302</u></u>	<u><u>\$ 111,001,399</u></u>	<u><u>\$ 81,757,912</u></u>	<u><u>\$ 94,112,521</u></u>

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

	<u>2019</u>	<u>2018</u>
Vanguard Institutional Index Fund	\$ 32,283,921	\$ 27,018,598
Vanguard Extended Market Index Fund	10,526,943	8,775,484
Doubleline Core Fixed	8,560,241	7,399,369
Vanguard Ftse All-World Ex-US Index Fund	7,594,378	6,160,741
Vanguard Total Bond Market Index Fund	8,654,710	7,568,732
T Rowe Price Overseas	7,659,860	5,957,420
DFA Emerging Markets Core	-	4,723,084

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

NOTE 4 - INVESTMENTS (continued)

Included in the above investment amounts are \$11,651,164 and \$8,880,661 as of December 31, 2019 and 2018, respectively, of funds held as agency endowments.

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

	<u>2019</u>	<u>2018</u>
Interest, dividends and distributions	\$ 3,522,708	\$ 2,957,264
Investment fees	(40,255)	(38,817)
Realized gain (loss) on sales of investments	1,898,829	1,098,012
Unrealized gain (loss) on investments	<u>12,940,488</u>	<u>(10,773,628)</u>
Investment income, net	18,321,770	(6,757,169)
Allocated to agency endowments	<u>(1,716,468)</u>	<u>699,559</u>
	<u>\$ 16,605,302</u>	<u>\$ (6,057,610)</u>

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, 2019 and 2018.

- *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.

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

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The following is a market value summary by the level of the inputs used, as of December 31, 2019 and 2018, 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.

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Mutual funds				
Equities	\$ 82,536,037	\$ -	\$ -	\$ 82,536,037
Fixed income	26,693,547	-	-	26,693,547
Total assets in the fair value hierarchy	<u>\$ 109,229,584</u>	<u>\$ -</u>	<u>\$ -</u>	109,229,584
Money market funds (recorded at cost)				447,537
Certificates of deposit (recorded at cost)				1,324,278
Total investments				<u>\$ 111,001,399</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

NOTE 6 - PROMISES TO GIVE

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

	<u>2019</u>	<u>2018</u>
Unconditional promises to give before unamortized discounts and allowance for uncollectibles	\$ 320,000	\$ 325,000
Less allowance for doubtful accounts	(9,600)	(9,750)
Less unamortized discount	<u>(46,307)</u>	<u>(9,845)</u>
Net unconditional promises to give	<u>\$ 264,093</u>	<u>\$ 305,405</u>
Amounts due in:		
Less than one year	\$ 79,375	\$ 275,000
One to five years	240,625	50,000
Total	<u>\$ 320,000</u>	<u>\$ 325,000</u>

Discount rate was 5% in 2019 and 2018.

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

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, 2019, total principal payments made on the loan totaled \$15,271. Beginning and ending balances for loan receivable, net of discount, is reported as follows for the year end December 31:

	2019	2018
Loan receivable, net of discount, beginning of year	\$ 25,030	\$ 30,292
Loan receivable, net of discount, end of year	\$ 19,664	\$ 25,030

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 2019 and 2018, the Foundation contributed approximately \$28,000 and \$32,000, respectively, to the plan.

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 2019 and 2018 amounted to approximately \$98,000 and \$97,600, respectively.

Future lease payments under the lease agreements are as follows:

Year Ending December 31,	Office Space	Community Meeting Room	Total Commitment
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	66,070	41,849	107,919
2025 - 2026	132,140	83,698	215,838
	\$ 459,638	\$ 291,136	\$ 750,774

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

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.
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:

	2019	2018
Board designated endowments		
Unrestricted funds	\$ 9,854,445	\$ 9,355,464
Field of interest funds	23,879,997	20,286,516
Designated funds	7,693,366	4,751,195
Donor advised funds	9,686,379	7,857,409
Scholarship funds	11,693,556	9,414,040
Agency funds	38,718,194	33,353,075
Total endowment funds	101,525,937	85,017,699
Undesignated net assets	326,795	197,254
Net assets without donor restrictions	\$ 101,852,732	\$ 85,214,953

The annual changes in the endowment funds is not significantly different from the statements of activities for the years ended December 31, 2019 and 2018.

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

NOTE 10 - DESIGNATED ENDOWMENTS (continued)

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.

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:

	2019	2018
Leadership fund	\$ 707,111	\$ 305,405

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

	2019	2018
Subject to the passage of time	\$ 546,072	\$ 8,461
Promises to give		

NOTE 12 - RELATED PARTY TRANSACTIONS

Board members of the Foundation are employed at organizations that provide legal services to the Foundation from time to time. These organizations were paid \$0 for such services in 2019 and 2018.

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 STANDARDS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which it and all subsequent amendments to the ASU No. 2014-09, replaced most existing revenue recognition guidance in U.S. GAAP. The Foundation adopted the provisions of this guidance on January 1, 2019 using the retrospective approach. The Foundation has performed an assessment of its revenue contracts as well as worked with industry participants on matters of interpretation and application and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Foundation's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Foundation.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance to distinguish recognition practices of contribution activity related to the adoption of ASU 2014-09. The Foundation adopted the provisions of this guidance in conjunction with ASU 2014-09. There was no impact to revenue recognized for the years ended December 31, 2019 and 2018 as a result of implementing ASU 2018-08.

NOTE 14 - SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Foundation expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. In addition, on April 30, 2020, the Foundation received a \$142,500 loan under the CARES Act through the Paycheck Protection Program. The loan is potentially forgivable, to the extent the Foundation uses the funds on eligible expenses over the allowable period following the date of the loan. Eligible expenses include payroll, mortgage interest, lease payments and utility payments. The Foundation anticipates full loan forgiveness by spending the funds only on eligible expenses.

SUPPLEMENTARY INFORMATION

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(with comparative totals for December 31, 2018)**

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2019	Total 2018
ASSETS					
Cash and cash equivalents	\$ 2,870,835	\$ 4,125	\$ -	\$ 2,874,960	\$ 657,770
Investments	111,001,399	-	-	111,001,399	94,112,521
Contributions receivable	58,069	443,018	-	501,087	-
Promises to give, net of allowance for doubtful accounts and discount	264,093	-	-	264,093	305,405
Loan receivable, net of discount	19,664	-	-	19,664	25,030
Deposits	13,836	-	-	13,836	14,981
Property donation - cemetery lots	46,865	-	-	46,865	44,370
Furniture and equipment, less accumulated depreciation of \$166,524 and \$151,915 in 2019 and 2018, respectively	18,318	-	-	18,318	26,980
TOTAL ASSETS	\$ 114,293,079	\$ 447,143	\$ -	\$ 114,740,222	\$ 95,187,057
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 17,657	\$ -	\$ -	\$ 17,657	\$ 25,425
Accrued salaries and related	22,774	-	-	22,774	30,100
Deferred revenue	762	-	-	762	479
Grants payable	389,646	-	-	389,646	626,512
Funds held in agency endowments	11,651,164	-	-	11,651,164	8,880,661
Liabilities associated with gift annuities	98,376	-	-	98,376	103,522
TOTAL LIABILITIES	12,180,379	-	-	12,180,379	9,666,699
Net assets					
Without donor restrictions	101,405,589	447,143	-	101,852,732	85,519,368
With donor restrictions	707,111	-	-	707,111	990
TOTAL NET ASSETS	102,112,700	447,143	-	102,559,843	85,520,358
TOTAL LIABILITIES AND NET ASSETS	\$ 114,293,079	\$ 447,143	\$ -	\$ 114,740,222	\$ 95,187,057

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(with comparative totals for the year ended December 31, 2018)**

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2019	Total 2018
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 6,950,257	\$ 1,570,000	\$ (1,570,000)	\$ 6,950,257	\$ 3,393,279
In-kind contributions	52,918	-	-	52,918	9,380
Investment income, net	16,605,235	67	-	16,605,302	(6,057,610)
Administrative revenue from agency endowments	68,050	-	-	68,050	60,719
Event revenue	45,000	-	-	45,000	57,200
Total revenues, gains and other support	<u>23,721,460</u>	<u>1,570,067</u>	<u>(1,570,000)</u>	<u>23,721,527</u>	<u>(2,537,032)</u>
EXPENSES					
Program expenses					
Grant awards	5,662,144	1,123,914	(1,570,000)	5,216,058	3,568,360
Other program expenses	778,075	-	-	778,075	653,051
Management and general	518,738	-	-	518,738	592,523
Fundraising	157,752	-	-	157,752	154,364
Change in value of gift annuities	11,419	-	-	11,419	29,908
Total expenses	<u>7,128,128</u>	<u>1,123,914</u>	<u>(1,570,000)</u>	<u>6,682,042</u>	<u>4,998,206</u>
CHANGE IN NET ASSETS	16,593,332	446,153	-	17,039,485	(7,535,238)
NET ASSETS					
Beginning of year	85,519,368	990	-	85,520,358	93,055,596
End of year	<u>\$ 102,112,700</u>	<u>\$ 447,143</u>	<u>\$ -</u>	<u>\$ 102,559,843</u>	<u>\$ 85,520,358</u>