

**CATTARAUGUS REGION
COMMUNITY FOUNDATION**

**REPORT ON AUDITED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**

CATTARAUGUS REGION COMMUNITY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cattaraugus Region Community Foundation
Olean, New York

We have audited the accompanying financial statements of **Cattaraugus Region Community Foundation**, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities 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 **Cattaraugus Region Community Foundation** as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
May 15, 2020

**CATTARAUGUS REGION COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION**

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<i>As of December 31,</i>	2019	2018
Assets		
Current		
Cash and cash equivalents	\$ 532,651	\$ 1,256,752
Current portion of pledge receivables	6,377	1,000
Prepaid expense	5,146	16,412
Total current assets	544,174	1,274,164
Investments	22,792,512	18,803,230
Property and equipment, net	1,167	1,742
	\$ 23,337,853	\$ 20,079,136
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 8,126	\$ 10,469
Funds held for Agencies	3,492,490	3,060,399
Total liabilities	3,500,616	3,070,868
Net assets without donor restrictions		
Endowment	17,535,282	15,038,093
Non-endowed	1,083,055	894,973
Operations/administration	1,218,900	1,075,202
Total net assets without donor restrictions	19,837,237	17,008,268
	\$ 23,337,853	\$ 20,079,136

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

CATTARAUGUS REGION COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

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<i>Years ended December 31,</i>	2019	2018
Support and Revenue		
Gifts, donations and other revenue	\$ 1,744,683	\$ 1,585,696
Unrealized gains (losses)	1,672,877	(2,309,162)
Realized gains on sale of securities	609,606	626,758
Interest and dividends, net of fees	659,348	459,917
Administrative fees	44,228	31,769
Total support and revenue	4,730,742	394,978
Expenses		
Program service	1,640,671	1,012,745
Management and general	226,171	221,593
Fundraising	34,931	32,085
Total expenses	1,901,773	1,266,423
Change in net assets without donor restrictions	2,828,969	(871,445)
Net assets without donor restrictions, at beginning of year	17,008,268	17,879,713
Net assets without donor restrictions, at end of year	\$ 19,837,237	\$ 17,008,268

CATTARAUGUS REGION COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

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Years ended December 31,	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,828,969	\$ (871,445)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	575	576
Unrealized (gains) losses on investments	(1,672,877)	2,309,162
Realized gains on investments	(609,606)	(626,758)
(Increase) decrease in:		
Pledge receivables	(5,377)	63,833
Prepaid expense	11,266	(9,023)
Increase (decrease) in:		
Funds held for Agencies	432,091	(39,009)
Accounts payable and accrued expenses	(2,343)	1,757
Net cash provided by operating activities	982,698	829,093
Cash flows from investing activities		
Sale of investments	15,128,894	8,333,625
Purchase of investments, including reinvested dividends	(16,835,693)	(8,721,928)
Net cash used in investing activities	(1,706,799)	(388,303)
Net change in cash	(724,101)	440,790
Cash and cash equivalents, at beginning of year	1,256,752	815,962
Cash and cash equivalents, at end of year	\$ 532,651	\$ 1,256,752

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Nature of Operations

Cattaraugus Region Community Foundation (the Foundation), an affiliated organization of the Greater Olean Area Chamber of Commerce, was formed on September 20, 1994. The Foundation was formed to solicit, receive, and maintain endowment funds for the benefit of charitable endeavors in the greater Olean, New York area. In addition, the organization is exempt from New York State income tax. On March 1, 2006, the Foundation filed an Assumed Name Certificate and began conducting business as **Cattaraugus Region Community Foundation**.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Topic 958, *Not-for-Profit Entities*. Under this topic, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation does not have any assets that would be considered net assets with donor restrictions.

Variance Power

Generally accepted accounting principles provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as net assets without donor restrictions. The bylaws of the Foundation include a variance power provision giving the Board of Directors the power to vary the use of funds if the stated purpose of a contribution becomes no longer applicable and therefore, incapable of fulfillment. Based on this provision, all contributions received by the Foundation, except for contributions to Agency Funds as described in Note 5, are reported as revenues without donor restrictions. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as net assets without donor restrictions, but segregate for internal management and endowment record keeping the portion that is held as endowment from the funds that are currently available for grants.

Reclassifications

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

Fund Accounting

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

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)

Contributions

Gifts of cash and other assets received are reported as revenue and net assets without donor restrictions. All contributions are recorded at fair value when the Foundation becomes aware of them. It is the Foundation's policy to liquidate gifts of stocks and securities as soon as possible. Any gain or loss on liquidation is allocated to the fund that received the donation.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenues and net assets without donor restrictions. They are reported at estimated fair value and capitalized, with depreciation being taken over their estimated useful lives.

Donated Services

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

Grants

Grants are recorded as expenses of net assets without donor restrictions when approved by the Board of Directors.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all cash in operating bank accounts, cash on hand and cash in money market accounts and certificates of deposit to be cash and cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Net Assets Without Donor Restrictions

Net assets without donor restrictions of the Foundation are segregated based on the type of fund the donor agrees to and are defined below as:

Endowed Fund – An endowed fund is expected to last in perpetuity. The Foundation requires a deposit of \$5,000 within three years of the start of the fund and it must have a balance of at least \$5,000 in order to issue grants.

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions (continued)

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

Operations/administration – Net assets for the operation/administration of the Foundation which includes the Board restricted operating endowment. The Board can remove the restriction on this endowment fund at any time.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Office equipment and furnishings	\$ 41,022	\$ 41,022
Less accumulated depreciation	(39,855)	(39,280)
	<u>\$ 1,167</u>	<u>\$ 1,742</u>

Depreciation expense amounted to \$575 and \$576 for the years ended December 31, 2019 and 2018, respectively.

NOTE 3 – PLEDGE RECEIVABLES

As of December 31, 2019 and 2018, the Foundation had pledge receivables outstanding in the amount of \$6,377 and \$1,000, respectively. Management expects these pledge receivables to be collected in full during 2020.

NOTE 4 - INVESTMENTS

The Foundation maintains its investments in one Financial Institution located in Olean, New York. Investments are presented in the financial statements in the aggregate at fair market value.

As of December 31:

	<u>2019</u>	<u>2018</u>
Morgan Stanley Wealth Management Portfolio	<u>\$ 22,792,512</u>	<u>\$ 18,803,230</u>

Sales of investments resulted in net realized gains of \$609,606 and \$626,758 for the years ended December 31, 2019 and 2018, respectively. For purposes of determining the gain or loss on a sale, the cost of securities sold is based on the first in first out (FIFO) cost method for mutual funds and the specific identification method for all other investments. The fair values for investments are based primarily on quoted market prices.

NOTE 4 – INVESTMENTS (CONTINUED)

Return on investments is as follows for the years ended:

	<u>2019</u>	<u>2018</u>
Realized gains	\$ 609,606	\$ 626,758
Unrealized gains (losses)	1,672,877	(2,309,162)
Interest and dividends, net of fees	<u>659,348</u>	<u>459,917</u>
Return on investment	<u>\$ 2,941,831</u>	<u>\$ (1,222,487)</u>

As of December 31, 2019 there were 17 funds, including agency funds, whose combined market value of \$344,000 was below their historic cost value of \$393,000 totaling approximately \$49,000.

As of December 31, 2018, there were 51 funds whose combined market value of \$11,064,000 was below their historic cost value of \$11,483,000 totaling approximately \$419,000.

NOTE 5 - FUNDS HELD FOR AGENCIES

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

The Foundation maintains variance power and legal ownership of Agency Funds and as such continues to report the funds as assets of the Foundation. However, in accordance with the Topic, 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 NPO.

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

As of December 31, 2019, the Foundation has 92 Agency type funds. The total amount held for these funds as of December 31, 2019 and 2018 was \$3,492,490 and \$3,060,399, respectively.

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 - FUNDS HELD FOR AGENCIES (CONTINUED)

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

	2019	2018
Additions:		
Additions to funds held for agencies	\$ 136,577	\$ 393,042
Unrealized gain (loss)	300,064	(420,145)
Realized gains	100,538	109,250
Interest & dividends, net	145,253	87,554
Total additions	<u>682,432</u>	<u>169,701</u>
Expenditures:		
Grants to others	206,113	176,941
Administrative fees	44,228	31,769
Total expenditures	<u>250,341</u>	<u>208,710</u>
Net change:	<u>\$ 432,091</u>	<u>\$ (39,009)</u>

NOTE 6 - FEDERAL TAX STATUS

The Foundation is a not-for-profit organization, exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Contributions to the Foundation are deductible under section 170(c) of the Code. The Foundation is not a private foundation as described in Section 509(a) of the Code. Income tax returns that remain open for examination by taxing authorities include 2016 and later years.

NOTE 7 - CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash, cash equivalents and investment balances in two financial institutions in Olean, New York. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 of demand deposit balances. The Foundation also has Securities Investor Protection Corporation (SIPC) coverage of its Morgan Stanley wealth management portfolio up to \$1 billion. At December 31, 2019, the Organization's cash and investment balances were fully insured with FDIC and SIPC coverage.

NOTE 8 - ENDOWMENTS

Return Objectives and Risk Parameters

The primary investment objective of the Foundation is to maximize long-term real (after inflation) investment returns recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the New York Prudent Management of Institutional Funds Act of 2010, (NYPMIFA), the Foundation, at its discretion, has the ability to distribute endowment assets below the donor's original dollar value of the gift.

Strategies Employed for Achieving Objectives

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

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 8 – ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

	Effective 1/1/2019	Effective 1/1/2018
Spending percentage:		
Grant spending	3.50-4.00%	3.50-4.00%
Administrative fees	1.00-1.50%	1.00-1.50%
Total	5.00%	5.00%
Calculation period:		
Grant spending	Trailing 16 quarters	Trailing 16 quarters
Administrative fees	Trailing 16 quarters or \$300 whichever is greater	Trailing 16 quarters or \$300 whichever is greater

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

NOTE 9 – CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS BY FUND CLASSIFICATION

	Endowment Funds	Non-endowed Funds	Operations / Administration Funds	Total
Balance at December 31, 2017	\$ 14,701,067	\$ 1,996,106	\$ 1,182,540	\$ 17,879,713
Gifts, donations and other revenue	1,195,199	306,743	83,754	1,585,696
Net investment return	(1,097,992)	(51,014)	(73,481)	(1,222,487)
Grants to others and other expenses	(574,194)	(314,024)	(124,527)	(1,012,745)
Management and general expenses	--	--	(253,678)	(253,678)
Administrative fee income (expense)	(212,169)	(16,656)	260,594	31,769
Transfers (to) from other funds	1,026,182	(1,026,182)	--	--
Balance at December 31, 2018	\$ 15,038,093	\$ 894,973	\$ 1,075,202	\$ 17,008,268

	Endowment Funds	Non-endowed Funds	Operations / Administration Funds	Total
Balance at December 31, 2018	\$ 15,038,093	\$ 894,973	\$ 1,075,202	\$ 17,008,268
Gifts, donations and other revenue	1,281,515	392,210	70,958	1,744,683
Net investment return	2,622,643	143,140	176,048	2,941,831
Grants to others and other expenses	(1,174,325)	(329,728)	(136,618)	(1,640,671)
Management and general expenses	--	--	(261,102)	(261,102)
Administrative fee income (expense)	(229,778)	(20,406)	294,412	44,228
Transfers (to) from other funds	(2,866)	2,866	--	--
Balance at December 31, 2019	\$ 17,535,282	\$ 1,083,055	\$ 1,218,900	\$ 19,837,237

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10 – COMPOSITION OF NET ASSETS BY TYPE

	2019				2018			
	Endowment	Non-endowed	Operations /	Total	Endowment	Non-endowed	Operations /	Total
	Funds	Funds	Administration		Funds	Funds	Administration	
Without restriction	\$ 1,033,653	\$ --	\$ 1,218,900	\$ 2,252,553	\$ 905,659	\$ --	\$ 1,075,202	\$ 1,980,861
Donor designated	8,924,253	149,582	--	9,073,835	8,049,567	120,925	--	8,170,492
Scholarship	4,944,746	167,920	--	5,112,666	3,922,177	165,633	--	4,087,810
Field of interest	1,665,236	765,553	--	2,430,789	1,212,125	608,415	--	1,820,540
Donor advised	967,394	--	--	967,394	948,565	--	--	948,565
Totals	\$ 17,535,282	\$ 1,083,055	\$ 1,218,900	\$ 19,837,237	\$ 15,038,093	\$ 894,973	\$ 1,075,202	\$ 17,008,268

NOTE 11 - FAIR VALUE MEASUREMENTS

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

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2019
Cash and cash equivalents	\$ 532,651	\$ --	\$ --	\$ 532,651
Fixed income	5,708,157	--	--	5,708,157
Equities	13,529,376	--	--	13,529,376
Alternatives	3,554,979	--	--	3,554,979
Total	\$ 23,325,163	\$ --	\$ --	\$ 23,325,163

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total at December 31, 2018
Cash and cash equivalents	\$ 1,256,752	\$ --	\$ --	\$ 1,256,752
Fixed income	6,542,819	--	--	6,542,819
Equities	10,910,481	--	--	10,910,481
Alternatives	1,349,930	--	--	1,349,930
Total	\$ 20,059,982	\$ --	\$ --	\$ 20,059,982

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12 – FUNCTIONAL EXPENSES

Expenses consist of costs related program services, management and general and fundraising and are directly allocated to the function in which they benefit.

Year ended December 31, 2019

	Program Service	Management and General	Fundraising	Total
Grants to others and other expenses	\$ 1,569,212	\$ --	\$ --	\$ 1,569,212
Salaries and benefits	63,620	140,030	22,266	225,916
Payroll taxes	3,945	8,682	1,381	14,008
Advertising and promotion	--	6,643	3,577	10,220
Office expense	--	15,146	253	15,399
Information technology	--	22,421	--	22,421
Occupancy	3,894	8,850	1,416	14,160
Depreciation expense	--	575	--	575
Other expenses	--	18,517	3,424	21,941
Business development	--	5,307	2,614	7,921
Total expenses	\$ 1,640,671	\$ 226,171	\$ 34,931	\$ 1,901,773

Year ended December 31, 2018

	Program Service	Management and General	Fundraising	Total
Grants to others and other expenses	\$ 945,068	\$ --	\$ --	\$ 945,068
Salaries and benefits	59,789	131,598	20,925	212,312
Payroll taxes	4,159	9,154	1,455	14,768
Advertising and promotion	--	6,361	3,425	9,786
Office expense	--	16,703	278	16,981
Information technology	--	24,801	--	24,801
Occupancy	3,729	8,475	1,356	13,560
Depreciation expense	--	576	--	576
Contractual expense	--	5,639	--	5,639
Other expenses	--	13,350	2,214	15,564
Business development	--	4,936	2,432	7,368
Total expenses	\$ 1,012,745	\$ 221,593	\$ 32,085	\$ 1,266,423

CATTARAUGUS REGION COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - LIQUIDITY

The Foundation's financial assets available for general use within one year of the balance sheet date consist of cash and cash equivalents and amounts due from other funds included within the Foundation's operating account and totaled approximately \$192,000 at December 31, 2019. The Foundation also has an operating endowment investment fund (approximately \$1,027,000 at December 31, 2019) which makes an annual distribution to the operating account consistent with the Foundation's spending policy. The estimated distribution to the operating account for 2020 is approximately \$40,000 which is available to meet general expenditures of the Foundation. The entire value of the fund is available for general use, however the Foundation has no plans to liquidate.

In addition, the Foundation charges administrative fees to each of its funds which are available for the general use of the Foundation. The estimated amount of administrative fees expected to be collected in 2020 and available for general use are approximately \$289,000.

Finally, investments are held in an endowment and other funds managed by the Foundation are not available for general use unless written approval from donors.

NOTE 14 – FUND TRANSFERS

During the year-ended December 31, 2019 one fund totaling \$8,653 as of January 1, 2019, was reclassified from endowed to non-endowed and one fund totaling \$5,787 as of January 1, 2019, was reclassified from non-endowed to endowed. During the year-ended December 31, 2018 one fund totaling \$1,026,182 as of January 1, 2018, was reclassified from non-endowed to endowed.

NOTE 15 – BUILDING LEASE

During the year-ended December 31, 2016, the Foundation entered into a five year lease agreement for office space. The lease calls for monthly payments of \$1,050 and expires on May 1, 2021.

NOTE 16 – SUBSEQUENT DISCLOSURE OF COVID-19

Subsequent events were evaluated by Management through May 15, 2020, which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions. As of May 6, 2020 the Foundation's investment portfolio has decreased approximately \$2,472,000 or 10.8% from December 31, 2019. This reduction in investment values may impact the amount of grants depending on market conditions for the next two quarters, given the foundation projects grant and administrative fee spending based on the 16 quarters rolling average value of each fund. Regarding donations for the remainder of 2020, colleagues in the nonprofit industry note contributions are already down due to economic uncertainty and the decline in stock values as well as inability to hold fundraising events, but it is unknown what will happen this fall and year-end, which is a peak time for major gifts. Given the uncertainty regarding the spread of this coronavirus, the financial impact on the Foundation cannot be reasonably predicted or estimated at this time.

On April 15, 2020, the Foundation obtained a \$46,460 Payroll Protection Program Loan from the U.S. Small Business Administration to provide financial relief due to the impact of COVID-19 (coronavirus). Management anticipates that a significant portion of the loan will be forgiven under the terms of the loan program.