



COMMUNITY
GIVING

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

COMMUNITYGIVING

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3-4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6-7
Notes to Consolidated Financial Statements	8-21



MILLER WELLE HEISER *Certified Public Accountants*

4170 Thielman Lane • P.O. Box 159 • St. Cloud, MN 56302-0159
(320) 253-9505 • 1-800-450-0373 • FAX (320) 255-8939
E-Mail: cpas@mwhco.com Website: www.mwhco.com

INDEPENDENT AUDITOR'S REPORT

Michael R. Nelson, CPA
Chris A. Stalboerger, CPA
Jeffrey J. Gannon, CPA
Daniel S. Anderson, CPA, CVA
Trina E. Peeters, CPA, CVA
Eric J. Schlangen, CPA

Board of Directors
CommunityGiving
St. Cloud, Minnesota

We have audited the accompanying consolidated financial statements of COMMUNITYGIVING (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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 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 consolidated 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 financial position of COMMUNITYGIVING as of June 30, 2020 and 2019, 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.

Miller, Welle, Heiser & Co., Ltd
MILLER, WELLE, HEISER & CO., LTD.
Certified Public Accountants

St. Cloud, Minnesota
November 3, 2020

COMMUNITYGIVING

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash and cash equivalents	\$ 2,205,374	\$ 2,997,854
Grants receivable	60,000	-
Other receivables	874,085	840,177
Unconditional promises to give	40,610	37,889
Prepaid expenses	58,083	50,114
Investments	136,326,143	132,538,680
Irrevocable trust investments	8,781,960	8,701,320
Property and equipment, net	671,890	699,286
Other assets	<u>2,333,251</u>	<u>2,505,209</u>
TOTAL ASSETS	<u>\$ 151,351,396</u>	<u>\$ 148,370,529</u>
LIABILITIES:		
Accounts payable	\$ 93,128	\$ 111,663
Accrued expenses	108,931	105,815
Grant awards payable	371,984	131,390
Due on investment	80,000	140,000
Notes payable	77,904	169,433
Agency funds	25,220,216	22,111,529
Deferred gift liabilities for split-interest agreements	<u>3,540,523</u>	<u>3,647,738</u>
TOTAL LIABILITIES	<u>29,492,686</u>	<u>26,417,568</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	61,026,059	62,121,064
Quasi-endowment	22,324,937	21,604,864
Designated by the Board	<u>11,126,080</u>	<u>10,971,524</u>
Total net assets without donor restrictions	94,477,076	94,697,452
With donor restrictions		
Charitable remainder trusts and irrevocable plan gifts	8,781,960	8,701,320
Endowment	<u>18,599,674</u>	<u>18,554,189</u>
Total net assets with donor restrictions	27,381,634	27,255,509
TOTAL NET ASSETS	<u>121,858,710</u>	<u>121,952,961</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 151,351,396</u>	<u>\$ 148,370,529</u>

See accompanying notes to financial statements.

COMMUNITYGIVING

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions, net	\$ 12,282,473	\$ 642,241	\$ 12,924,714
Interest and dividend earnings	2,653,883	140,272	2,794,155
Investment earnings, realized and unrealized gains (losses)	991,705	(943,756)	47,949
Rental/Building income	60,700	-	60,700
Other income, special events	27,604	-	27,604
Change in value of trusts	8,244	287,368	295,612
Net change in value of life insurance	(149,309)	-	(149,309)
Net assets released from restrictions	-	-	-
	<u>15,875,300</u>	<u>126,125</u>	<u>16,001,425</u>
Total revenue and support			
GRANTS AND EXPENSES:			
Grants and program expenditures	14,385,382	-	14,385,382
Administrative expenses	962,627	-	962,627
Fundraising and development	747,667	-	747,667
	<u>16,095,676</u>	<u>-</u>	<u>16,095,676</u>
Total grants and expenses			
Change in net assets	(220,376)	126,125	(94,251)
Net assets as of beginning of year	<u>94,697,452</u>	<u>27,255,509</u>	<u>121,952,961</u>
Net assets as of end of year	<u>\$ 94,477,076</u>	<u>\$ 27,381,634</u>	<u>\$ 121,858,710</u>

See accompanying notes to financial statements.

COMMUNITY GIVING

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions, net	\$ 14,506,846	\$ 991,842	\$ 15,498,688
Interest and dividend earnings	2,560,783	83,153	2,643,936
Investment earnings, realized and unrealized gains	2,929,547	(126,746)	2,802,801
Rental/Building income	57,875	-	57,875
Other income, special events	58,166	-	58,166
Change in value of trusts	9,862	368,734	378,596
Net change in value of life insurance	(100,460)	-	(100,460)
Net assets released from restrictions	<u>232,262</u>	<u>(232,262)</u>	<u>-</u>
 Total revenue and support	 <u>20,254,881</u>	 <u>1,084,721</u>	 <u>21,339,602</u>
 GRANTS AND EXPENSES:			
Grants and program expenditures	13,227,801	-	13,227,801
Administrative expenses	893,949	-	893,949
Fundraising and development	<u>825,387</u>	<u>-</u>	<u>825,387</u>
 Total grants and expenses	 <u>14,947,137</u>	 <u>-</u>	 <u>14,947,137</u>
 Change in net assets	 5,307,744	 1,084,721	 6,392,465
 Net assets as of beginning of year	 <u>89,389,708</u>	 <u>26,170,788</u>	 <u>115,560,496</u>
 Net assets as of end of year	 <u>\$ 94,697,452</u>	 <u>\$ 27,255,509</u>	 <u>\$ 121,952,961</u>

See accompanying notes to financial statements.

COMMUNITYGIVING**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES****FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			
	Grants & Program Expenditures	Administrative Expenses	Fundraising & Development	Total
Grants	\$ 13,694,763	\$ -	\$ -	\$ 13,694,763
Other expenses	185,641	-	-	185,641
Payroll costs	372,467	720,435	567,876	1,660,778
Office expenses	32,694	60,717	47,860	141,271
Building expenses	28,611	55,073	43,411	127,095
Administrative expenses	24,204	47,579	26,388	98,171
Depreciation	8,700	16,568	13,059	38,327
Professional fees	6,432	12,200	9,617	28,249
Dues & subscriptions	7,980	15,398	12,138	35,516
Advertising	9,029	17,280	13,621	39,930
Development & marketing	5,532	10,922	8,609	25,063
Insurance	3,527	6,455	5,088	15,070
Interest expense	5,802	-	-	5,802
Totals	<u>\$ 14,385,382</u>	<u>\$ 962,627</u>	<u>\$ 747,667</u>	<u>\$ 16,095,676</u>

	2019			
	Grants & Program Expenditures	Administrative Expenses	Fundraising & Development	Total
Grants	\$ 12,506,738	\$ -	\$ -	\$ 12,506,738
Other expenses	264,965	-	-	264,965
Payroll costs	320,933	645,671	600,424	1,567,028
Office expenses	26,456	50,551	47,008	124,015
Building expenses	26,634	53,189	49,462	129,285
Administrative expenses	26,835	53,998	44,299	125,132
Depreciation	8,574	16,842	15,662	41,078
Professional fees	5,761	11,220	10,434	27,415
Dues & subscriptions	6,271	11,826	10,997	29,094
Advertising	8,982	19,112	17,772	45,866
Development & marketing	12,261	25,666	23,867	61,794
Insurance	2,803	5,270	4,900	12,973
Interest expense	10,588	604	562	11,754
Totals	<u>\$ 13,227,801</u>	<u>\$ 893,949</u>	<u>\$ 825,387</u>	<u>\$ 14,947,137</u>

See accompanying notes to financial statements.

COMMUNITYGIVING

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (94,251)	\$ 6,392,465
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	38,327	41,078
Net realized (gain) loss on investments	(1,506,566)	(2,847,790)
Net unrealized (gain) loss on investments	1,484,546	44,070
Adjustment of liability for split-interest agreements	(107,215)	(106,790)
(Increase) decrease in:		
Accounts receivable	-	113,114
Grants receivable	(60,000)	-
Other receivables	(33,908)	(2,678)
Unconditional promises to give	(2,721)	(2,538)
Prepaid expenses	(7,969)	(5,335)
Increase (decrease) in:		
Accounts payable	(18,535)	(23,267)
Accrued expenses	3,116	(3,316)
Grant awards payable	240,594	(58,840)
Due on investment	(60,000)	140,000
Agency funds	3,108,687	2,411,791
	<hr/>	<hr/>
Net cash provided (used) by operating activities	2,984,105	6,091,964
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	15,388,151	18,219,638
Purchase of investments	(19,153,594)	(24,210,437)
Purchase of property and equipment	(10,931)	(44,364)
(Increase) decrease in other assets	171,958	99,175
	<hr/>	<hr/>
Net cash provided (used) by investing activities	\$ (3,604,416)	\$ (5,935,988)
	<hr/>	<hr/>

See accompanying notes to financial statements.

COMMUNITYGIVING

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in irrevocable trust investments	\$ (80,640)	\$ (21,330)
Payments on notes payable	<u>(91,529)</u>	<u>(153,377)</u>
Net cash provided (used) by financing activities	<u>(172,169)</u>	<u>(174,707)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(792,480)	(18,731)
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,997,854</u>	<u>3,016,585</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,205,374</u>	<u>\$ 2,997,854</u>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the years ended June 30, 2020 and 2019 the Foundation entered into the following non-cash investing and financing transactions.

	<u>2020</u>	<u>2019</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 8,472</u>	<u>\$ 14,296</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Noncash change in investments	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. **Nature of Activities**

CommunityGiving (the Foundation) is a non-private foundation, tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code. It is a publicly supported philanthropic institution governed by a board of private citizens chosen to be representatives of the public interest and for their knowledge of the community. It administers individual funds contributed or bequeathed to it by individuals, families, other agencies, corporations and other organizations in the Central Minnesota area, which includes the operating divisions of Alexandria Area Community Foundation, Brainerd Lakes Area Community Foundation, Community Foundation for Carver County, Central Minnesota Community Foundation, and Willmar Area Community Foundation.

B. **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. **Principles of Consolidation**

The consolidated financial statements include the accounts of the Foundation, CMCF Properties I, LLC, and RealEstateGiving, LLC. All significant inter-company accounts and transfers have been eliminated in consolidation.

D. **Change in Accounting Principles**

For the year ended June 30, 2020, the Foundation adopted FASB ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists the Organization in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

E. Description of Net Assets

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Without Donor Restriction is defined as that portion of net assets that has no use or time restrictions. The bylaws of the Foundation include a variance provision giving the Board of Directors (the "Board") the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgement of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Foundation classified contributions, except as noted below, as without donor restriction for financial statement presentation.

With Donor Restriction is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated for use based on the Foundation's spending policy.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Cash and Cash Equivalents

The Foundation considers checking accounts to be cash equivalents. The Foundation maintains cash in bank deposit accounts at high credit quality financial institutions. Money market funds held with brokerage firms are included in investments.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

H. Accounts Receivable

Accounts receivable, which are generally unsecured, include only those accounts considered by management to be collectible. Management determines the likelihood of collectability of receivables on an individual customer basis, based on length outstanding, likelihood of collecting, and customer's current economic status. Balances still outstanding after management has used reasonable collection efforts are written off. No allowance for bad debts is considered necessary for the years ending June 30, 2020 and 2019.

I. Grants Receivable

Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant, are made. Funds received but not yet earned are shown as deferred revenue. Grant amounts awarded, but not received, are reported as grants receivable. No allowance for bad debts is deemed necessary for the years ending June 30, 2020 and 2019.

J. Other Receivables

Other receivables consist of beneficial interests in charitable trusts of which the Foundation is not trustee. The beneficial interests in charitable lead trusts are valued at the present value of future benefits to be received. The beneficial interests in charitable remainder trusts are valued at the present value of the expected future benefit.

K. Unconditional Promises to Give

Unconditional promises to give the Foundation cash or other assets in the future are recorded as contribution revenue and contributions receivable. If management expects the cash from the contribution receivable to be received more than one year in the future, the contributions revenue and receivable are discounted for the time value of money (i.e., net present value).

L. Investments

The Foundation carries its investments at fair value in accordance with generally accepted accounting principles for not-for-profit organizations. Investments consist primarily of money market funds, bonds, stocks, and mutual funds. Investments with readily determinable fair values are reported at fair value. Investments with no readily determinable fair value are carried at cost or estimated fair value, if lower. The Investment Committee of the Foundation has the primary responsibility for directing and monitoring the investment of the Foundation's funds in accordance with the Foundation's investment policy.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

M. **Fair Value Reporting**

The Foundation follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with FASB ASC 820, fair value is defined as the price that the Foundation would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. FASB ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments. The inputs are summarized in the three broad levels listed below:

- Level 1 – valuations based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – valuations based on quoted prices in markets that are not active or for which all significant inputs are observable.
- Level 3 – valuations based on inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

M. Fair Value Reporting (Continued)

Fair values of assets and liabilities of the Foundation measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate stocks	\$ 10,080,857	\$ 10,080,857	\$ -	\$ -
Corporate bonds	5,185,899	5,185,899	-	-
Gov't obligations	1,893,487	1,893,487	-	-
Mutual funds	111,803,939	111,803,939	-	-
Money markets	4,554,104	4,554,104	-	-
Other investments	<u>2,807,857</u>	<u>44,543</u>	<u>-</u>	<u>2,763,314</u>
Total investments	<u>\$ 136,326,143</u>	<u>\$ 133,562,829</u>	<u>\$ -</u>	<u>\$ 2,763,314</u>
Assets held in charitable trusts and gift annuities	<u>\$ 8,808,518</u>	<u>\$ 8,781,960</u>	<u>\$ -</u>	<u>\$ 26,558</u>
Beneficial interests in charitable trusts	<u>\$ 874,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 874,085</u>
Liabilities under split- interest agreements	<u>\$ 3,540,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,540,523</u>

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

M. Fair Value Reporting (Continued)

Fair values of assets and liabilities of the Foundation measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate stocks	\$ 12,090,555	\$ 12,090,555	\$ -	\$ -
Corporate bonds	5,582,155	5,582,155	-	-
Gov't obligations	1,502,610	1,502,610	-	-
Mutual funds	104,337,023	104,337,023	-	-
Money markets	7,682,534	7,682,534	-	-
Other investments	<u>1,343,803</u>	<u>45,986</u>	<u>-</u>	<u>1,297,817</u>
Total investments	<u>\$ 132,538,680</u>	<u>\$ 131,240,863</u>	<u>\$ -</u>	<u>\$ 1,297,817</u>
Assets held in charitable trusts and gift annuities	<u>\$ 8,748,735</u>	<u>\$ 8,701,320</u>	<u>\$ -</u>	<u>\$ 47,415</u>
Beneficial interests in charitable trusts	<u>\$ 840,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 840,177</u>
Liabilities under split- interest agreements	<u>\$ 3,647,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,647,738</u>

N. Property and Equipment

Land, building and equipment are carried at cost or appraised value for donated assets. Depreciation is computed using the straight-line method over a useful life period of 5-39 years.

Repairs and maintenance are charged to expense as incurred. Renewals and improvements, which extend the useful life of assets, are capitalized and depreciated over future periods.

O. Other Assets

Other assets are recorded at cost or donated fair market value adjusted to net present value or fair value. Other assets consist of several items, including other assets of trusts, cash surrender value of life insurance, purchased annuities, real estate holdings, interest in closely held companies, and donations of securities that intend to be liquidated immediately.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

P. **Due on Investment**

The Foundation acquired an investment in an investment partnership, for money down and for an irrevocable commitment. Under this agreement the Foundation owed the investment partnership \$80,000 and \$140,000 at June 30, 2020 and 2019, respectively.

Q. **Agency Funds**

FASB ASC 958-605, formerly FASB 136, requires the Foundation, which accepts cash or other financial assets from a donor and agrees to use those assets on behalf of the donor, to recognize the fair value of those assets as a liability.

R. **Split-Interest Agreements**

Split-interest agreements are agreements between the Foundation and donors in which the donors make gifts to the Foundation, but the Foundation is not the sole beneficiary. The Foundation receives either a lead interest (distributions during the term of the agreement with any remaining assets going to an individual or individuals designated by the donor) or a remainder interest (distribution of assets remaining at the end of the agreement with distributions going to an individual or individuals designated by the donor during the term of the agreement). Assets held in charitable trusts, assets held in charitable gift annuities, or beneficial interests in charitable trusts qualify as split-interest agreements.

S. **Deferred Gift Liabilities for Split-Interest Agreements**

When the Foundation is the trustee of charitable gift annuities and charitable remainder trusts (split-interest agreements) in which the Foundation has a future interest, the full market value of the trusts' assets are shown as an asset of the Foundation with an offsetting liability (deferred gift liabilities for split-interest agreements) for the net present value of the expected payments to be made to the income beneficiary. The present value of the estimated future payments to be distributed during the beneficiary's expected life is calculated using a discount rate between 7% and 9% based on the year the gift was received.

T. **Net Asset Classifications**

The State of Minnesota adopted UPMIFA effective August 1, 2008. The Foundation has adopted FASB ASC 958-205-45 starting with the fiscal year ending June 30, 2009. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to the governing documents for CommunityGiving and most contributions are subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

T. Net Asset Classifications (Continued)

Under the terms of the governing documents, the Board of Directors has the ability to distribute as much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as with donor restriction are classified as without donor restriction net assets for financial statement purposes.

Donor restriction net assets subject to UPMIFA consist of the corpus of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and the remaining portion of donor-restricted endowment funds. The corpus represents the fair value of original gifts where the donor has indicated the gifts be retained permanently. The value of assets in excess of the original gifts in donor-restricted endowment funds are classified as with donor restriction net assets until appropriated for expenditure by the Foundation.

U. Noncash Donations

Noncash donations are recorded as contributions at their estimated market value at the date of donation.

V. Advertising

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2020 and 2019 were \$39,930 and \$45,866, respectively.

W. Functional Allocation of Expenses

The costs of providing the Foundation's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time spent on these functions by employees as estimated by management.

X. Endowment Investment and Spending Policies

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. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is 7% annually, net of investment fees. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

X. **Endowment Investment and Spending Policies (Continued)**

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount equal to 4% of a moving five-year average. The spending policy has a floor of 3% and a ceiling of 5% of current market value. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow at an average rate of 3% annually.

Y. **Uncertainty for Income Taxes**

The Foundation is subject to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the tax positions for the Foundation and each of the consolidated entities and concluded that the Foundation had taken no uncertain income tax positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance. The Foundation's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Z. **Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 3, 2020 the date the financial statements were available to be issued.

NOTE 2 **RISKS AND UNCERTAINTIES:**

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, non-profits, and communities. Specific to the Foundation, COVID-19 may impact various aspects of its June 30, 2021 year end operations and financial results, including additional costs to the Foundation and the potential for loss of revenue due to reduction in charitable giving. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing after year end.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 3 **LIQUIDITY AND FUNDS AVAILABLE:**

The following table reflects the Foundation's financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and Board designated endowments. These Board designations could be drawn upon if the Board approves that action.

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020:

Financial assets	
Cash and cash equivalents	\$ 2,205,374
Accounts and other receivables	934,085
Unconditional promises to give	40,610
Prepaid expenses	58,083
Investments	136,326,143
Irrevocable trust investments	8,781,960
Other assets	<u>2,333,251</u>
Financial assets, at June 30, 2020	<u>150,679,506</u>
Less those unavailable for general expenditure within one year, due to:	
Accounts and other receivables collectible beyond one year	(667,445)
Irrevocable trust investments collectible beyond one year	(8,303,987)
Other assets available beyond one year	(2,324,356)
Investments not convertible to cash within next 12 months	(1,338,494)
Financial assets held for others	(25,220,216)
Investments in quasi endowments appropriated beyond one year	(21,475,691)
Perpetual endowments appropriated beyond one year	(22,861,304)
Investments in board designated administrative funds appropriated beyond one year	(11,106,585)
Investments in donor advised funds net of estimated appropriations	<u>(50,499,833)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,881,595</u>

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 4 **OTHER RECEIVABLES:**

The following is a summary of other receivables as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts	\$ <u>874,085</u>	\$ <u>840,177</u>

NOTE 5 **UNCONDITIONAL PROMISES TO GIVE:**

Unconditional promises to give at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in one to five years	\$ 50,000	\$ 50,000
Allowance for doubtful receivables	-	-
Total unconditional promises to give	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Less discounts to net present value	<u>(9,390)</u>	<u>(12,111)</u>
Net unconditional promises to give	<u>\$ 40,610</u>	<u>\$ 37,889</u>

Discount rate used on the long-term promise to give was 7.18%.

NOTE 6 **PROPERTY AND EQUIPMENT:**

The following is a summary of property and equipment as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 109,941	\$ 109,941
Building and improvements	825,393	825,393
Office equipment	<u>185,312</u>	<u>229,243</u>
	<u>\$ 1,120,646</u>	<u>\$ 1,164,577</u>
Less: Accumulated depreciation	<u>(448,756)</u>	<u>(465,291)</u>
Net property and equipment	<u>\$ 671,890</u>	<u>\$ 699,286</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$38,327 and \$41,078, respectively.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 7 **OTHER ASSETS:**

The following is a summary of other assets as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Other assets and gift annuities	\$ 135,392	\$ 352,368
Real estate	1,389,800	1,389,800
Unamortized annuities	17,799	26,693
Cash surrender value of life insurance	790,260	736,254
Other	-	94
	<u>\$ 2,333,251</u>	<u>\$ 2,505,209</u>

NOTE 8 **GRANT AWARDS PAYABLE:**

Grants payable consists of amounts awarded, but not paid.

NOTE 9 **NOTES PAYABLE:**

The following is a summary of notes payable as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Note payable to Minnesota Real Estate Foundation, 5.0% interest, payable in annual payments of principal and interest through November 2020, secured by real estate.	<u>\$ 77,904</u>	<u>\$ 169,433</u>

Maturity of the note is as follows:

For the year ending <u>June 30,</u>	<u>Amount</u>
2021	<u>\$ 77,904</u>

NOTE 10 **RETIREMENT PLAN:**

The Foundation has a 403b Thrift plan covering all employees who qualify as to length of service of one year and at least 1,000 hours. Participants in the plan may elect to contribute funds to the plan through a salary reduction agreement. The Foundation, at the discretion of the Board, can provide matching contributions and an employer base contribution. The contributions to the plan were \$69,454 and \$63,593 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 **DEFICIENCIES IN DONOR-RESTRICTED ENDOWMENT FUNDS:**

FASB ASC 958-605 requires the Foundation to disclose the total amount of deficiencies for donor-restricted endowments funds, when the fair value of the endowments assets falls below the amount the donor requires to be maintained in perpetuity. At June 30, 2020 and 2019, the total of these deficiencies was \$0.

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 12 **CHANGES IN ENDOWMENT NET ASSETS:**

The following is a summary of the changes in endowment net assets as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 21,604,864	\$ 27,255,509	\$ 48,860,373
Contributions, net	1,258,639	642,241	1,900,880
Interest and dividends	518,805	736,858	1,255,663
Investment earnings, realized and unrealized	160,589	(13,365)	147,224
Amounts appropriated for expenditures	(1,217,960)	(1,249,551)	(2,467,511)
Fund change transfers	-	-	-
Other changes	<u>-</u>	<u>9,942</u>	<u>9,942</u>
Endowment Net Assets, End of Year	<u>\$ 22,324,937</u>	<u>\$ 27,381,634</u>	<u>\$ 49,706,571</u>

The following is a summary of the changes in endowment net assets as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 19,295,523	\$ 26,170,788	\$ 45,466,311
Contributions, net	1,393,272	991,842	2,385,114
Interest and dividends	476,070	704,690	1,180,760
Investment earnings, realized and unrealized	758,308	684,413	1,442,721
Amounts appropriated for expenditures	(1,023,539)	(1,150,762)	(2,174,301)
Fund change transfers	705,230	(232,262)	472,968
Other changes	<u>-</u>	<u>86,800</u>	<u>86,800</u>
Endowment Net Assets, End of Year	<u>\$ 21,604,864</u>	<u>\$ 27,255,509</u>	<u>\$ 48,860,373</u>

COMMUNITYGIVING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 13 **RELATED PARTY TRANSACTIONS:**

The Foundation had the following transactions with related parties:

- The Foundation owes \$77,904 and \$169,433 to Minnesota Real Estate Foundation as of June 30, 2020 and 2019. See Note 9 for details. The Foundation also has \$2,272 and \$4,942 of accrued interest payable related to this loan at June 30, 2020 and 2019, respectively.
- The Foundation has entered into a Supporting Organization agreement with Granite Charitable to provide services from staff and other overhead expenses. Payments from Granite Charitable for the year ended June 30, 2020 and 2019 amounted to \$40,000 and \$0.

NOTE 14 **CONCENTRATION OF CREDIT RISK:**

The Foundation places its cash with a financial institution. At times the amount on deposit exceeds the insured limit of the institution and exposes the Foundation to a credit risk.