

Indian River  
Community  
Foundation,  
Inc.



Years Ended  
June 30,  
2019 and 2018

Financial  
Statements

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

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## INDEPENDENT AUDITORS' REPORT

November 15, 2019

Board of Directors  
Indian River Community Foundation, Inc.  
Vero Beach, Florida

We have audited the accompanying financial statements of *Indian River Community Foundation, Inc.* (the "Foundation"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor 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 Foundation'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 Foundation'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 *Indian River Community Foundation, Inc.* as of June 30, 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.



# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statements of Financial Position

		June 30	
ASSETS		2019	2018
<b>Assets</b>			
Cash and cash equivalents	\$	6,776,102	\$ 8,238,892
Prepaid expenses		9,383	9,719
Pledges receivable, net		131,744	158,173
Life insurance policies		25,531	33,889
Investments		61,442,446	37,084,684
Fixed assets, net		23,812	40,791
<b>Total assets</b>		<b>\$ 68,409,018</b>	<b>\$ 45,566,148</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Grants payable	\$	989,500	\$ 1,870,150
Accounts payable and accrued expenses		16,855	11,397
Obligation for charitable remainder unitrust		91,817	-
Assets held for others		1,121,765	816,805
<b>Total liabilities</b>		<b>2,219,937</b>	<b>2,698,352</b>
Commitments (Notes 5, 8 and 14)			
<b>Net assets</b>			
Without donor restrictions		65,594,121	42,374,634
With donor restrictions		594,960	493,162
<b>Total net assets</b>		<b>66,189,081</b>	<b>42,867,796</b>
<b>Total liabilities and net assets</b>		<b>\$ 68,409,018</b>	<b>\$ 45,566,148</b>

The accompanying notes are an integral part of these financial statements.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statement of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support, revenue and gains</b>			
Contributions	\$ 30,831,703	\$ 75,000	\$ 30,906,703
Investment return, net of fees	3,138,207	19,904	3,158,111
Administrative fees income	401,753	-	401,753
Miscellaneous	11,656	-	11,656
Net assets released from restrictions	106,852	(106,852)	-
<b>Total public support, revenue and gains</b>	<b>34,490,171</b>	<b>(11,948)</b>	<b>34,478,223</b>
<b>Expenses</b>			
Program services	10,690,887	-	10,690,887
Support services			
Fundraising	152,004	-	152,004
Management and general	314,047	-	314,047
<b>Total support services</b>	<b>466,051</b>	<b>-</b>	<b>466,051</b>
<b>Total expenses</b>	<b>11,156,938</b>	<b>-</b>	<b>11,156,938</b>
<b>Changes in net assets</b>	<b>23,333,233</b>	<b>(11,948)</b>	<b>23,321,285</b>
Net assets, beginning of year	42,374,634	493,162	42,867,796
Transfer of net assets (Note 15)	(113,746)	113,746	-
<b>Net assets, end of year</b>	<b>\$ 65,594,121</b>	<b>\$ 594,960</b>	<b>\$ 66,189,081</b>

The accompanying notes are an integral part of these financial statements.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statement of Activities

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support, revenue and gains</b>			
Contributions	\$ 16,383,761	\$ 110,000	\$ 16,493,761
Investment return, net of fees	2,102,650	25,162	2,127,812
Administrative fees income	334,813	-	334,813
Miscellaneous	30,629	-	30,629
Net assets released from restrictions	177,000	(177,000)	-
<b>Total public support, revenue and gains</b>	<b>19,028,853</b>	<b>(41,838)</b>	<b>18,987,015</b>
<b>Expenses</b>			
Program services	10,145,318	-	10,145,318
Support services			
Fundraising	104,787	-	104,787
Management and general	328,737	-	328,737
<b>Total support services</b>	<b>433,524</b>	<b>-</b>	<b>433,524</b>
<b>Total expenses</b>	<b>10,578,842</b>	<b>-</b>	<b>10,578,842</b>
<b>Changes in net assets</b>	<b>8,450,011</b>	<b>(41,838)</b>	<b>8,408,173</b>
Net assets, beginning of year	33,924,623	535,000	34,459,623
<b>Net assets, end of year</b>	<b>\$ 42,374,634</b>	<b>\$ 493,162</b>	<b>\$ 42,867,796</b>

The accompanying notes are an integral part of these financial statements.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services	Support Services			Total Expenses
		Fundraising	Management and General	Total Support Services	
Grants	\$ 9,977,202	\$ -	\$ -	\$ -	\$ 9,977,202
Salaries	109,018	108,994	120,899	229,893	338,911
Employee benefits	8,906	8,904	9,877	18,781	27,687
Payroll taxes	7,354	7,353	8,156	15,509	22,863
Payroll fees	3,797	3,796	4,211	8,007	11,804
Administrative fees charged to funds	391,839	-	-	-	391,839
Professional fees	39,701	-	60,437	60,437	100,138
Affiliated fund expense	87,993	3,061	3,061	6,122	94,115
Office	6,614	185	39,656	39,841	46,455
Subscriptions and memberships	18,436	-	12,290	12,290	30,726
Marketing	12,458	12,458	-	12,458	24,916
Depreciation and amortization	-	-	17,845	17,845	17,845
Promotional expense	13,366	3,341	-	3,341	16,707
Software and website maintenance	816	204	15,170	15,374	16,190
Meetings	6,714	3,708	4,831	8,539	15,253
Travel and seminars	3,528	-	5,779	5,779	9,307
Telephone	-	-	5,937	5,937	5,937
Other	3,145	-	536	536	3,681
Insurance	-	-	2,768	2,768	2,768
Bank fees	-	-	2,594	2,594	2,594
<b>Total expenses</b>	<b>\$ 10,690,887</b>	<b>\$ 152,004</b>	<b>\$ 314,047</b>	<b>\$ 466,051</b>	<b>\$ 11,156,938</b>

The accompanying notes are an integral part of these financial statements.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statement of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Support Services			Total Expenses
		Fundraising	Management and General	Total Support Services	
Grants	\$ 9,546,704	\$ -	\$ -	\$ -	\$ 9,546,704
Salaries	132,684	40,950	109,827	150,777	283,461
Payroll taxes	9,314	2,875	7,710	10,585	19,899
Employee benefits	7,830	2,417	6,481	8,898	16,728
Payroll fees	3,769	1,163	3,120	4,283	8,052
Administrative fees charged to funds	324,444	-	-	-	324,444
Professional fees	38,450	-	56,822	56,822	95,272
Affiliated fund expense	40,517	44,422	-	44,422	84,939
Office	6,009	137	38,670	38,807	44,816
Meetings	15,356	10,436	6,868	17,304	32,660
Software and website maintenance	-	234	30,700	30,934	30,934
Subscriptions and memberships	935	-	29,894	29,894	30,829
Depreciation and amortization	-	-	20,898	20,898	20,898
Promotional expense	8,614	2,153	-	2,153	10,767
Other	6,665	-	-	-	6,665
Telephone	-	-	5,901	5,901	5,901
Travel and seminars	1,616	-	3,208	3,208	4,824
Marketing	2,411	-	2,411	2,411	4,822
Bank fees	-	-	3,475	3,475	3,475
Insurance	-	-	2,752	2,752	2,752
<b>Total expenses</b>	<b>\$ 10,145,318</b>	<b>\$ 104,787</b>	<b>\$ 328,737</b>	<b>\$ 433,524</b>	<b>\$ 10,578,842</b>

The accompanying notes are an integral part of these financial statements.



# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Statements of Cash Flows

	Year Ended June 30	
	2019	2018
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 23,321,285	\$ 8,408,173
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	17,845	20,898
Net present value discount pledges receivable	(2,572)	(2,077)
Loss (gain) on disposals of fixed assets	536	(1,459)
Donated marketable securities	(25,641,954)	(8,238,091)
Unrealized gain on investment activity	(4,108,444)	(7,734,262)
Changes in operating assets and liabilities that provided (used) cash		
Prepaid expenses	336	9,915
Pledges receivable	24,001	66,001
Grants payable	(880,650)	1,305,272
Accounts payable and accrued expenses	5,458	(199)
Assets held for others	304,960	1,143
<b>Net cash used in operating activities</b>	<b>(6,959,199)</b>	<b>(6,164,686)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	11,545,375	8,186,019
Purchases of investments	(6,052,564)	(1,320,133)
Purchases of fixed assets	(1,402)	-
<b>Net cash provided by investing activities</b>	<b>5,491,409</b>	<b>6,865,886</b>
<b>Cash provided by financing activities</b>		
Cash contributions restricted for endowment	5,000	155,000
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,462,790)</b>	<b>856,200</b>
Cash and cash equivalents, beginning of year	8,238,892	7,382,692
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,776,102</b>	<b>\$ 8,238,892</b>

The accompanying notes are an integral part of these financial statements.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Activities*

*Indian River Community Foundation* (the “Foundation”) is a nonprofit enterprise with a mission of building a better community through donor-driven philanthropy. The Foundation is governed by a volunteer Board of Directors comprised of residents of Indian River County, and operated by a staff committed to service excellence in all aspects of the organization’s business. The Foundation carries out its mission in the following ways:

- By helping generous people to simplify donations and give to the causes they care about through charitable giving accounts.
- By helping generous people to create and leave a charitable legacy to support causes they care about through permanent endowments.
- By using the philanthropic capital it is entrusted with to find, fund and follow charitable organizations, programs and projects that make the Indian River County community better.

Since it began operations in 2008, the Foundation and its donors have awarded approximately \$62 million in grants mostly to nonprofit charitable organizations located in Indian River County, Florida. The Foundation has received accreditation for meeting National Standards for U.S. Community Foundations®, the nation’s highest standard for philanthropic excellence.

The Foundation has an annual memorandum of understanding with Greater Horizons, a subsidiary of the Greater Kansas City Community Foundation, to provide back-office accounting, finance and investment management services to the Foundation. Greater Horizons is a separate legal entity owned by Greater Kansas City Community Foundation with total assets in excess of \$3.1 billion at December 31, 2018.

#### *Basis of Presentation*

Net assets and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As reflected in Note 10, the following funds are net assets without donor restrictions:

- Donor-advised funds are available for grant disbursement generally based on donor recommendation.
- Undesignated funds are carried in the name of the donor, if applicable, and are available for disbursement at the discretion of the Foundation’s Board of Directors.
- Board-designated funds have been established by the governing board, from net assets without donor restrictions, as net assets for a board-designated endowment. See Note 12.
- Field-of-interest funds are available for grant disbursement within a charitable field-of-interest as recommended by the fund’s advisory committee.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

- Designated funds are generally used for a specific charitable organization as recommended by the donor. Resources that are reported in this net asset category include contributions without donor restrictions and the investment earnings thereon, and related expenses associated with the operations of the Foundation.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions. See Note 11.

### *Revenue Recognition - Contributions*

Contributions, including unconditional promises to give, are recognized as revenues in the period received. All contributions are without donor restriction unless specifically restricted by the donor. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire in the same reporting period the donations are received, the donations are reported as net assets without donor restriction. Contributions of assets other than cash are recorded at their estimated fair value.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the year. Accordingly, actual results may differ from those estimates. Significant estimates include, but are not limited to, the Foundation's valuation of Level 3 investments.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of amounts maintained in bank demand deposits, money market accounts, and certificates of deposit, except as designated for investing, which at times may exceed the federally insured limits. Management does not believe the Foundation is exposed to any significant interest rate or other financial risk as a result of these deposits.

### *Investments*

Purchased investments are initially recorded at cost; investments received by gift are recorded at fair value at date of donation. The carrying value of investments is adjusted to fair value, as determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. The net unrealized appreciation or depreciation in fair market value of investments is reflected in the statements of activities as part of investment return. Investment return also consists of interest, dividends and realized gains and losses on marketable securities, net of external investment fees. Investment return, net, is classified as without donor restrictions unless stipulated by donor restriction or law.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### *Interest in Charitable Remainder Unitrust*

The Foundation is the trustee of a charitable remainder unitrust agreement with a donor for which the Foundation is a beneficiary. Contribution revenue was recognized at the date the trust was established based on the expected present value of the Foundation's interest in the trust assets, less the present value of an annuity payable to the donor. Changes in the value of the underlying assets, net of the obligation to the donor, are recognized in the statements of activities.

### *Fair Value Measurements*

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 4 of the financial statements.

### *Pledges Receivable*

The Foundation recognizes pledges receivable (promises to give) at their estimated fair value. Fair value is determined by calculating the present value of future cash flows while considering the credit risk of the donor. A pledge receivable is considered to be past due on a donor-specific basis. Management reviews the likelihood of collection of each pledge receivable based on management's predictions of donor behavior relative to economic conditions. As of June 30, 2019 and 2018, management does not consider any pledges to be uncollectible. Pledges may be made from external or donor-advised funds of the donor.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### *Fixed Assets*

Fixed assets consisting of property and equipment costing over \$1,000 are stated at cost. Donated assets are recorded at fair value when received. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Fixed assets are depreciated or amortized using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years.

### *Grant Expenses*

Grant expenses are recorded when grants are approved. In some instances, grants are approved subject to receipt of future gifts and investment income or activities performed by the grantee.

### *Income Taxes*

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” Such income, pursuant to the Internal Revenue Code and related regulations, includes certain investment income such as interest. The Foundation has been classified as not a private foundation.

The Foundation analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions.

The Foundation has evaluated its income tax filing positions for fiscal years 2016 through 2019, the years, which remain subject to examination as of June 30, 2019. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation’s financial statements. The Foundation does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2019 or 2018, and is not aware of any claims for such amounts by federal or state income tax authorities.

### *Functional Allocation of Expenses*

The cost of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than the program or one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on the role of the staff’s time and effort and actual cost incurred.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### *Reclassification*

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

### *Subsequent Events*

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2019, the most recent statement of financial position presented herein, through November 15, 2019, the date these financial statements were available to be issued. No significant such events or transactions were identified.

### *Change in Accounting Principle*

As of July 1, 2018, the Foundation adopted Accounting Standards Update (“ASU”) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities and applied the provisions of the standard retrospectively to the earliest period presented. This ASU (1) reduces the number of net asset classes presented from three to two; (2) modifies the presentation of underwater endowment funds and related disclosures; (3) requires enhanced disclosures concerning board-designated net assets; (4) requires the presentation of expenses by functional and natural classification in one location; (5) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (6) requires the presentation of investment return net of external and direct internal investment expenses.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 6,776,102
Pledges receivable	50,000
Investments	<u>61,442,446</u>
<b>Subtotal</b>	<b><u>68,268,548</u></b>
Less amounts unavailable for general expenditures within one year	
Donor advised funds	60,366,437
Assets held for others	1,121,765
Field of interest funds	1,048,180
Designated funds	2,655,738
Board-designated endowment funds	1,092,874
Donor-restricted endowment funds	<u>459,960</u>
<b>Total</b>	<b><u>66,744,954</u></b>
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 1,523,594</u></b>

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

Endowment funds consist of donor-restricted endowments and funds designated by the board as an endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowments of \$1,092,874 are subject to the Foundation spending policies as described in Note 12. Although the Foundation does not intend to spend from these board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Foundation's liquidity plan, certain contributions and other revenues are available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date.

### 3. INVESTMENTS

Under the memorandum of understanding with Greater Horizons, the Foundation has funds in the following investment vehicles:

- *Investment in Fixed Income Pool* - an investment account in the name of Greater Horizons that purchases and sells bond mutual funds. During the years ended June 30, 2019 and 2018 these funds were further segregated between short and intermediate term investments.
- *Investment in Equity Pool* - an investment account in the name of Greater Horizons that purchases and sells a variety of domestic and international mutual funds as well as a portfolio of equity securities.

In addition to these accounts, the Foundation also invests funds in various cash and brokerage investment accounts in the name of Greater Horizons under the same memorandum of understanding. Since these investments are in the name of Greater Horizons, they may be in excess of Federal Deposit Insurance Corporation or Securities Investor Protection Corporation limits. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment alternatives. Management does not believe it is exposed to any significant credit risk on uninsured amounts. Many of these managers may carry additional insurance, a portion of which may inure to the benefit of the Foundation.

Investment income and appreciation or depreciation is allocated to members of the pool in proportion to their investment in the pool.

### 4. FAIR VALUE MEASUREMENT AND INVESTMENTS

The Foundation utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

## INDIAN RIVER COMMUNITY FOUNDATION, INC.

### Notes to Financial Statements

#### *Cash and Cash Equivalents/Certificates of Deposit*

The carrying amounts of cash and certificates of deposit approximate fair value (Level 1).

#### *Marketable Securities*

Marketable securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss and liquidity assumptions. Level 1 securities include mutual funds and equity securities traded on an active exchange, such as the New York Stock Exchange, that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include corporate and governmental bonds.

#### *Pooled Accounts*

Pooled accounts are recorded at fair value on a recurring basis, and are determined to be Level 3 investments as the Foundation holds units within the pooled accounts. However, the underlying assets within the pooled accounts are Level 1 or 2 investments.

The preceding methods described may produce a fair value calculation 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 a different fair value measurement at the reporting date.



# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of June 30:

2019	Assets as Fair Value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents/CDs				
Cash and cash equivalents	\$ 9,063,925	\$ -	\$ -	\$ 9,063,925
Certificates of deposit	1,003,116	-	-	1,003,116
Marketable securities				
Domestic equities	14,951,216	-	-	14,951,216
Domestic equity mutual funds	5,442,348	-	-	5,442,348
International equities	1,772,463	-	-	1,772,463
Other investments	1,056,562	-	-	1,056,562
Fixed mutual funds	1,634,667	-	-	1,634,667
Exchange traded funds	1,151,839	-	-	1,151,839
Government bonds	-	775,791	-	775,791
Corporate bonds	-	1,579,827	-	1,579,827
Pooled accounts				
Domestic equities	-	-	10,752,294	10,752,294
Fixed income funds	-	-	8,073,032	8,073,032
International equities	-	-	4,185,366	4,185,366
<b>Total investments at fair value</b>	<b>\$ 36,076,136</b>	<b>\$ 2,355,618</b>	<b>\$ 23,010,692</b>	<b>\$ 61,442,446</b>

2018	Assets as Fair Value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents/CDs				
Cash and cash equivalents	\$ 1,425,529	\$ -	\$ -	\$ 1,425,529
Certificates of deposit	1,147,446	-	-	1,147,446
Marketable securities				
Domestic equities	7,466,398	-	-	7,466,398
Domestic equity mutual funds	2,561,206	-	-	2,561,206
International equities	975,180	-	-	975,180
Other investments	1,035,055	-	-	1,035,055
Fixed mutual funds	885,083	-	-	885,083
Exchange traded funds	1,500,966	-	-	1,500,966
Corporate bonds	-	361,903	-	361,903
Pooled accounts				
Domestic equities	-	-	9,020,318	9,020,318
Fixed income funds	-	-	7,197,700	7,197,700
International equities	-	-	3,507,900	3,507,900
<b>Total assets at fair value</b>	<b>\$ 16,996,863</b>	<b>\$ 361,903</b>	<b>\$ 19,725,918</b>	<b>\$ 37,084,684</b>

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets measured at fair value on a recurring basis for the years ended June 30:

	Pooled Accounts	
	2019	2018
Balance, beginning of year	\$ 19,725,918	\$ 12,244,811
Net realized and unrealized appreciation	852,371	598,249
Purchased, gross	2,435,091	9,151,893
Withdrawals, gross	(2,688)	(2,269,035)
Total investments at fair value	<u>\$ 23,010,692</u>	<u>\$ 19,725,918</u>

## 5. INTEREST IN CHARITABLE REMAINDER UNITRUST

In May 2019, a donor established a charitable remainder unitrust (CRUT) which named the Foundation as trustee and sole remainder beneficiary. The trust agreement provides for the donor to receive annually 6% of the fair value of the trust, paid quarterly, until the donor's death. The fair value of the assets in the CRUT was \$300,989 at June 30, 2019, which is included in investments in the statements of financial position. The present value of the future obligation to the donor was \$91,817 at June 30, 2019.

## 6. PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give. In 2019 and 2018, the Foundation received unconditional promises to give of \$75,000 and \$111,000, respectively. Of total promises to give, \$104,000 and \$332,000 were collected. There were no pledges written off in 2019 and 2018.

The composition of gross pledges receivable is as follows at June 30:

	2019	2018
Pledges		
Founders' pledges - operating	\$ 120,000	\$ 143,000
Founders' pledges - endowment	15,000	20,000
Other	-	1,000
Total pledges receivable	<u>\$ 135,000</u>	<u>\$ 164,000</u>

## INDIAN RIVER COMMUNITY FOUNDATION, INC.

### Notes to Financial Statements

Pledges receivable, net of discounts, are estimated to be collected as follows at June 30:

	2019	2018
Within one year	\$ 50,000	\$ 53,000
In one to five years	85,000	111,000
Total	135,000	164,000
Less discount to net present value	(3,256)	(5,827)
Net pledges receivable	<u>\$ 131,744</u>	<u>\$ 158,173</u>

There were no conditional pledges at June 30, 2019 and 2018.

### 7. FIXED ASSETS

Net fixed assets consists of the following at June 30:

	2019	2018
Fixed assets		
Computer equipment and software	\$ 15,844	\$ 14,444
Furniture and equipment	38,637	39,637
Website development	27,437	27,437
Leasehold improvements	14,487	14,487
Total	96,405	96,005
Less accumulated depreciation/amortization	72,593	55,214
Net fixed assets	<u>\$ 23,812</u>	<u>\$ 40,791</u>

Depreciation and amortization expense was \$17,845 and \$20,898 for the years ended June 30, 2019 and 2018, respectively.

### 8. GRANTS PAYABLE

The Foundation has awarded grants to other organizations that are expected to be paid during the year ended June 30, 2020 and beyond. Grants payable were \$989,500 and \$1,870,150 for the years ended June 30, 2019 and 2018, respectively.

### 9. ASSETS HELD FOR OTHERS

The Foundation has arrangements with certain not-for-profit organizations ("NPO"s) whereby an NPO transfers assets to the Foundation and specifies itself as beneficiary. In such cases, the Foundation does not report the receipt of these assets as contributions. Even though the NPO has granted the Foundation variance power and the Foundation has legal title to the assets, under GAAP, such transfers are reported by the Foundation as increases in liabilities. Likewise, grant expenses and investment income and expense relating to these funds are reported as changes to the liability.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

Assets held for others, which include agency endowments, consists of the following at June 30:

	2019	2018
Childcare Resources of Indian River	\$ 535,278	\$ 511,501
Vero Beach Opera	169,318	63,324
Big Brothers Big Sisters	106,429	108,704
Education Foundation of IRC	103,366	-
Alzheimer and Parkinson Association	68,112	50,161
Youth Sailing Foundation	62,578	59,653
Hope for Families Center Agency	54,033	-
The Learning Alliance	22,651	23,462
<b>Total assets held for others</b>	<b>\$ 1,121,765</b>	<b>\$ 816,805</b>

The table below shows the effects of agency endowments on the Foundation's contribution revenue:

	2019	2018
Total amounts raised	\$ 31,185,631	\$ 16,844,811
Amounts received as agency endowments	(278,928)	(351,050)
<b>Contribution revenue</b>	<b>\$ 30,906,703</b>	<b>\$ 16,493,761</b>

Agency endowments had no effect on Foundation grant expenses in 2019 and 2018.

## 10. NET ASSETS WITHOUT DONOR RESTRICTIONS

As discussed in Note 1, the Foundation separates contributions into five distinct types. Net assets without donor restrictions consist of these funds, net of expenditures from the related fund at June 30:

	2019	2018
Donor advised funds	\$ 60,366,437	\$ 37,715,019
Undesignated funds	430,892	830,899
Board-designated - IRCF Operating endowment	544,980	351,416
Board-designated - Better Giving endowment	547,894	-
Field of interest funds	1,048,180	1,287,725
Designated funds	2,655,738	2,189,575
<b>Total net assets without donor restrictions</b>	<b>\$ 65,594,121</b>	<b>\$ 42,374,634</b>

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### 11. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to time restriction		
Pledges	\$ 120,000	\$ 143,000
Endowments		
Subject to appropriation and expenditures for a specified purpose		
IRCF Operating endowment	310,000	305,000
Better Giving endowment	103,716	-
Unconditional promises to give, net - restricted to IRCF Operating endowment in perpetuity	15,000	20,000
Endowment earnings		25,162
IRCF Operating	35,121	-
Better Giving	11,123	-
Total endowments	474,960	350,162
Total net assets with donor restrictions	\$ 594,960	\$ 493,162

The net assets released from donor restrictions in 2019 and 2018 amounted to \$106,852 and \$177,000 respectively. Such amounts related primarily to the collection of pledges receivable and appropriated endowment expenditures.

### 12. ENDOWMENTS

#### *IRCF Operating Endowment and Better Giving Endowment*

Contributions to the Foundation's endowment funds are invested in accordance with the Foundation's endowment investment guidelines. The stated objective of the policy is to generate prudent but competitive investment returns from its endowments. The policy states that the funds are to be managed conservatively but will take reasonable risks in growing the funds in order to meet donor objectives while also paying out earnings up to a maximum 4.0% of the fund's average market value of the invested assets over the preceding 12 quarters, ending with the most recent December 31st valuation. Assets of the fund are to be diversified to protect against large investment losses and minimize volatility. Investment diversity is to be achieved by limiting the amount invested in domestic equity securities, international equity securities, fixed income securities and cash equivalents. The policy states an acceptable range for each asset class.

The Foundation's endowment consists of donor-restricted endowment funds and board-designated funds. As required, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### *Interpretation of Relevant Law*

The Board of Directors of the Foundation has interpreted the State of Florida version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the historical dollar value of gifts donated to the restricted endowment, (b) the historical dollar value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is classified as with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The terms of the endowment agreement, which document the wishes of the contributor.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- Current investment policies.

### *Return Objective and Risk Parameters*

The Foundation has adopted a balanced growth investment approach seeking to protect the long-term principal value of each endowment fund while providing long-term real growth of the principal. The Foundation understands that actual returns in any given year may vary and that adoption of this objective does not assure achievement of any specific investment results. 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 constraints, with the asset mix to consist of 65%-85% equity instruments, 10%-30% fixed income securities and 5% cash equivalents. The Foundation has preference for simple investment structures, which will have lower cost, easier oversight, and less complexity for internal financial management.

### *Spending Policy*

Distributions from each endowment fund are approved annually for the subsequent fiscal year by the Board of Directors based on the needs of the Foundation and their determination of availability of funds for distribution, using 4.0% of endowment assets as a distribution guide.

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

### *Funds with Deficiencies*

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. The Foundation has no underwater endowment funds at June 30, 2019 and 2018.

The following is a summary of the Foundation's endowment net assets and changes therein for the years ended June 30:

2019	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets composition by type of fund</b>			
Board-designated endowment funds	\$ 1,092,874	\$ -	\$ 1,092,874
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	413,716	413,716
Accumulated investment gains	-	46,244	46,244
<b>Total endowment net assets</b>	<b>\$ 1,092,874</b>	<b>\$ 459,960</b>	<b>\$ 1,552,834</b>
<b>Changes in endowment net assets</b>			
Investment return, net of fees	\$ 46,179	\$ 19,904	\$ 66,083
Contributions	-	5,000	5,000
Appropriation of endowment assets for expenditure	(22,449)	(8,852)	(31,301)
Board-designated transfers	507,256	-	507,256
Transfer of net assets (Note 15)	210,472	113,746	324,218
<b>Changes in endowment net assets</b>	<b>741,458</b>	<b>129,798</b>	<b>871,256</b>
Endowment net assets, Beginning of year	351,416	330,162	681,578
<b>End of year</b>	<b>\$ 1,092,874</b>	<b>\$ 459,960</b>	<b>\$ 1,552,834</b>

# INDIAN RIVER COMMUNITY FOUNDATION, INC.

## Notes to Financial Statements

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets composition by type of fund			
Board-designated endowment funds	\$ 351,416	\$ -	\$ 351,416
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	305,000	305,000
Accumulated investment gains	-	25,162	25,162
Total endowment net assets	<u>\$ 351,416</u>	<u>\$ 330,162</u>	<u>\$ 681,578</u>
Changes in endowment net assets			
Investment return, net of fees	\$ 27,763	\$ 25,162	\$ 52,925
Contributions	-	155,000	-
Appropriation of endowment assets for expenditure	(12,866)	-	(12,866)
Board-designated transfers	6,500	-	6,500
Changes in endowment net assets	21,397	180,162	201,559
Endowment net assets, Beginning of year	330,019	150,000	480,019
End of year	<u>\$ 351,416</u>	<u>\$ 330,162</u>	<u>\$ 681,578</u>

## 13. IN-KIND CONTRIBUTIONS

The Foundation received contributions of certain items for which the donor received no value during 2018. These contributions have been recorded as revenue at their fair value. Below are the contributions received during the year ended June 30, 2018:

In-kind contributions	
Professional fees	\$ 7,000
Special events	200
Promotional expenses	412
Other	98
Total in-kind contributions	<u>\$ 7,710</u>

All of the items have been expensed in the statements of activities or capitalized on the statements of financial position. There were no in-kind contributions for the year ended June 30, 2019.



## INDIAN RIVER COMMUNITY FOUNDATION, INC.

### Notes to Financial Statements

#### 14. LEASE

During the year ended June 30, 2015, the Foundation entered into a lease agreement expiring July 31, 2020. The future minimum rent payments under lease for the remainder of the term is as follows:

Years Ending June 30	Future Minimum Lease Payments
2020	\$ 32,577
2021	<u>2,715</u>
Total minimum payments due	<u>\$ 35,292</u>

Lease expense was \$32,577 and \$31,140 for the years ended June 30, 2019 and 2018.

#### 15. TRANSFER OF NET ASSETS

During the current year information came to the attention of management that certain net assets reported as without donor restrictions were incorrectly classified as such and should have been reported as with donor restrictions. Additionally, certain net assets without donor restrictions reported as undesignated should have been reported as board-designated. Accordingly, transfers of net assets were made as of July 1, 2018 to reflect these changes in classification. The reclassifications had no effect on current year revenues or expenses.

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