

**COMMUNITY FOUNDATION FOR THE FOX VALLEY
REGION, INC.
AND SUPPORTING ORGANIZATIONS**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Foundation for the Fox Valley Region, Inc. and Supporting Organizations
Appleton, Wisconsin

We have audited the accompanying consolidated financial statements of Community Foundation for the Fox Valley Region, Inc. and Supporting Organizations, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 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 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 Community Foundation for the Fox Valley Region, Inc. and Supporting Organizations as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Comparative Financial Information

The 2018 consolidated financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated September 18, 2018, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.



CliftonLarsonAllen LLP

Appleton, Wisconsin
October 31, 2019

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

With Comparative Information as of June 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,398,790	\$ 1,760,580
Certificates of deposit	602,485	777,064
Contributions receivable	9,675,263	8,253,865
Collateral under securities lending program	-	42,032,574
Investments	427,093,364	411,980,470
Cash value of life insurance	991,258	1,033,234
Property and equipment, net	4,282,831	4,380,851
Other assets	<u>172,510</u>	<u>147,045</u>
Total assets	<u>\$ 444,216,501</u>	<u>\$ 470,365,683</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 11,708,872	\$ 6,537,914
Capital lease obligation	131,001	110,671
Payable under securities lending program	-	42,032,574
Charitable gift annuity payable	1,061,686	1,038,262
Other liabilities	945,071	882,747
Funds held for others	<u>51,760,861</u>	<u>50,438,780</u>
Total liabilities	<u>65,607,491</u>	<u>101,040,948</u>
Net assets:		
Without donor restrictions	367,425,591	359,699,453
With donor restrictions	<u>11,183,419</u>	<u>9,625,282</u>
Total net assets	<u>378,609,010</u>	<u>369,324,735</u>
Total liabilities and net assets	<u>\$ 444,216,501</u>	<u>\$ 470,365,683</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2019

With Summarized Comparative Information for the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
<u>Support and other revenue</u>				
Total contributions raised	\$ 24,272,426	\$ 8,738,790	\$ 33,011,216	\$ 132,890,867
Less amounts received on behalf of others	<u>(2,605,258)</u>	<u>-</u>	<u>(2,605,258)</u>	<u>(4,388,615)</u>
Contributions, net	21,667,168	8,738,790	30,405,958	128,502,252
Investment return	10,716,587	9,249	10,725,836	20,703,329
Winagamie income	741,399	-	741,399	780,025
Administrative fee income from funds held for others	231,588	-	231,588	232,293
Net assets released from restrictions	<u>7,189,902</u>	<u>(7,189,902)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	<u>40,546,644</u>	<u>1,558,137</u>	<u>42,104,781</u>	<u>150,217,899</u>
<u>Grants and expenses</u>				
Program services:				
Total grants made	30,843,677	-	30,843,677	28,630,403
Less grants made on behalf of others	<u>(2,722,349)</u>	<u>-</u>	<u>(2,722,349)</u>	<u>(5,826,867)</u>
Grants expense, net	28,121,328	-	28,121,328	22,803,536
Other program expenses	1,936,677	-	1,936,677	2,125,247
Management and general:				
Administrative expenses	1,461,544	-	1,461,544	1,255,883
Winagamie expenses	800,802	-	800,802	876,056
Fundraising expenses	<u>500,155</u>	<u>-</u>	<u>500,155</u>	<u>384,531</u>
Total grants and expenses	<u>32,820,506</u>	<u>-</u>	<u>32,820,506</u>	<u>27,445,253</u>
Change in net assets	7,726,138	1,558,137	9,284,275	122,772,646
<u>Net assets</u>				
Beginning of year	<u>359,699,453</u>	<u>9,625,282</u>	<u>369,324,735</u>	<u>246,552,089</u>
End of year	<u>\$ 367,425,591</u>	<u>\$ 11,183,419</u>	<u>\$ 378,609,010</u>	<u>\$ 369,324,735</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 28,121,328	\$ -	\$ -	\$ 28,121,328
Wages and benefits	1,381,300	907,387	305,314	2,594,001
Payroll taxes	66,381	48,656	15,294	130,331
Professional fees	70,240	317,275	-	387,515
Technology	113,193	76,188	25,247	214,628
Travel and meetings	58,706	21,456	7,174	87,336
Office expenses	18,989	5,294	2,275	26,558
Promotion	52,526	-	114,694	167,220
Education	71,566	14,927	4,926	91,419
Insurance	21,383	12,771	5,093	39,247
Occupancy	19,821	15,259	4,665	39,745
Depreciation	30,596	21,640	7,690	59,926
Miscellaneous	31,976	20,691	7,783	60,450
Winagamie:				
Wages and benefits	-	251,853	-	251,853
Grounds, greens, and office	-	352,266	-	352,266
Cost of goods sold	-	102,013	-	102,013
Depreciation	-	89,949	-	89,949
Interest	-	4,721	-	4,721
Total expenses by function	<u>\$ 30,058,005</u>	<u>\$ 2,262,346</u>	<u>\$ 500,155</u>	<u>\$ 32,820,506</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2019
With Comparative Information for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Operating activities</u>		
Change in net assets	\$ 9,284,275	\$ 122,772,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on investments	(3,428,106)	(16,636,656)
Depreciation	149,875	196,134
Noncash contributions	(1,124,500)	(595,015)
Decrease (increase) in:		
Contributions receivable	(1,421,398)	2,341,498
Other assets	(25,465)	10,357
Increase (decrease) in:		
Grants payable	5,170,958	1,622,006
Charitable gift annuity payable	23,424	285,027
Other liabilities	62,324	242,915
Funds held for others	<u>1,322,081</u>	<u>1,071,643</u>
Net cash provided by operating activities	<u>10,013,468</u>	<u>111,310,555</u>
<u>Investing activities</u>		
Proceeds from sale of certificates of deposit	188,823	-
Purchase of certificates of deposit	(14,244)	(15,503)
Purchase of property and equipment	(20,336)	(20,000)
Proceeds from sale of investments	210,002,168	228,536,716
Purchases of investments	<u>(220,486,489)</u>	<u>(341,131,511)</u>
Net cash used for investing activities	<u>(10,330,078)</u>	<u>(112,630,298)</u>
<u>Financing activities</u>		
Payments on capital lease obligations	<u>(45,180)</u>	<u>(37,940)</u>
<u>Cash and cash equivalents</u>		
Net decrease	(361,790)	(1,357,683)
Beginning of year	<u>1,760,580</u>	<u>3,118,263</u>
End of year	<u>\$ 1,398,790</u>	<u>\$ 1,760,580</u>

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENT OF CASH FLOWS, CONTINUED
Year ended June 30, 2019
With Comparative Information for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
<u>Supplemental cash flow information</u>		
Cash paid for interest	\$ 4,721	\$ 4,788
<u>Non-cash investing and financing activities</u>		
Collateral received (returned) under securities lending program in exchange for increase (decrease) in payable under securities lending program, net	\$ (42,032,574)	\$ 18,448,922
Contributions of noncash other investments	1,124,500	595,015
Equipment acquired under capital leases	65,510	64,155

See notes to consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Community Foundation for the Fox Valley Region, Inc. and Supporting Organizations (the Foundation) is a not-for-profit organization consisting of a community foundation and nine supporting organizations. The Foundation's stated purpose is to serve a broad range of philanthropic interests benefiting the communities in the Fox Valley and surrounding area. The Foundation is supported primarily through donor contributions.

The Community Foundation was established in 1986 to enhance the quality of life for all citizens of the Fox Valley region by using funds entrusted to the Foundation's stewardship to address community problems and opportunities. Its mission, therefore, is:

- To act as a vehicle to receive and manage philanthropic assets created by charitable gifts and bequests from individuals, foundations and corporations;
- To make prudent, sensitive and creative grants, both restricted and unrestricted, to address the changing needs of the communities which it serves;
- To exercise leadership and act as a catalyst in the identification and the sharing of information with other foundations, corporations and organizations in the nonprofit and public sectors regarding important community problems and opportunities.

The supporting organizations are:

Appleton Education Foundation, Inc. (AEF), established in 1997 by parents and community leaders to improve the well-being of children, teachers, and the community by enhancing the quality of education. Grants support creative projects in reading, science, math, fine arts and more that would not otherwise be possible because of district budget limitations. In December 2013, AEF received a gift of all of the stock of Winagamie Golf Course and made the entity a wholly owned (for profit) subsidiary. The golf course continues to operate as a public golf course and is also used as a hands-on learning facility for hundreds of local students through classes provided by the Appleton Area School District and Fox Valley Technical College.

Community Real Estate and Personal Property Foundation, Inc., established in 2004 to promote philanthropy by the acceptance and disposition of real estate and personal property for charitable purposes.

Robert & Patricia Endries Family Foundation, Ltd., established in 2005 to benefit their family's charitable interests.

Mielke Family Foundation, Inc., established in 1963 by Dr. Edward F. Mielke and his wife, Beula, and his sisters, Ruth and Sarah Mielke to support the arts, health, youth, and aging populations in Appleton and Shawano through education. In 1996, it reorganized to become a supporting organization within the Community Foundation for the Fox Valley Region, Inc.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

A. Nature of activities, continued

Doug & Carla Salmon Foundation, Inc., established in 2002 to support the couple's charitable interests, which include educational scholarships and not-for-profit organizations that serve needy residents in the Fox Valley.

William & Barbara Schmidt Family Foundation, Inc., established in 1997 to benefit their family's charitable interests.

Myra M. & Robert L. Vandehey Foundation, Ltd., established in 1989 to support the couple's charitable interests. In 2004, it reorganized to become a supporting organization within the Community Foundation for the Fox Valley Region, Inc.

Women's Fund for the Fox Valley Region, Inc., established in 2005 to create, promote and support programs that help women and girls manage and enhance their lives.

The Boldt Family Fund, Inc., established in 2015 to benefit their family's charitable interests.

B. Consolidated financial statements

The financial statements include the accounts of the Community Foundation for the Fox Valley Region, Inc., the supporting organizations listed above and AEF's wholly owned subsidiary. The supporting organizations are separately incorporated charitable organizations that are administered by the Foundation. AEF's wholly owned subsidiary is separately incorporated as a taxable entity and is administered independently with AEF's oversight. The financial statements are consolidated since the Community Foundation has both an economic interest in the supporting organizations and control of the supporting organizations through a majority voting interest in their governing boards. All significant inter-organizational transactions and accounts have been eliminated.

C. Basis of accounting

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

D. Basis of presentation

The Foundation is required to report information regarding its financial position and its activities in the following two classes of net assets:

Net assets without donor restrictions - net assets available for use in general operations and not restricted by donor-imposed stipulations.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

D. Basis of presentation, continued

Net assets with donor restrictions - net assets that result from contributions whose use by the Foundation is limited by donor-imposed stipulations. Some are temporary in nature and can either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Other donor-imposed stipulations are perpetual in nature and cannot expire by passage of time nor can be fulfilled and removed by actions of the Foundation. The Foundation had no restrictions that were perpetual in nature at June 30, 2019 as discussed below.

Accounting principles generally accepted in the United States of America provide that, if a 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 Board of Directors of the Foundation has that ability (variance power); however, they would intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, the Foundation's consolidated financial statements classify substantially all funds, including the principal of endowment funds, as net assets without donor restrictions, but segregate for internal management and endowment recordkeeping the portion that is held as endowment from the funds that are currently available for grants. In addition, to ensure that the Foundation observes the limitations and restrictions placed on the funds by the donors, the accounts of the Foundation are managed as individual charitable funds.

E. Estimates

Management uses estimates and assumptions in preparing consolidated 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. Actual results could differ from those estimates.

F. Cash equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less, except those held by investment managers, to be cash equivalents.

G. Contributions receivable

Unconditional promises to give are recognized as revenue and as assets in the period the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Intentions to give are not recognized as revenue unless they are legally enforceable.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

H. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the consolidated statement of financial position. Quoted market prices in active markets are used as the basis for measurement.

Investments in funds that do not have readily determinable fair values including private investment funds, hedge funds, real estate funds and venture capital funds are recorded at their net asset value as provided by the external investment managers. The valuations for these investments necessarily involve estimates, appraisal, assumptions and methods which are reviewed by management.

Other investments, such as investments in real estate and closely held partnerships, are recorded at the lower of the fair value as of the dates the investments were donated to the Foundation (cost) or market.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

I. Derivative financial instruments

The Foundation owns derivative instruments in its portfolio in an indirect way through investments in commingled pools. The underlying portfolio managers of these pools may use derivative instruments to gain financial exposure to individual commodities or to manage currency or duration risk of an actual portfolio of stocks or bonds owned in the respective portfolios they manage. The use of derivative instruments allows the Foundation's portfolio to be fully invested with no more risk than if the cash were actually invested in physical commodities, stocks or bonds.

J. Property, equipment and depreciation

All acquisitions and improvements of property and equipment in excess of \$5,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

K. Funds held for others

In accordance with accounting standards, if a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds.

The Foundation maintains legal ownership of agency funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with this standard, a liability has been established for the fair market value of the funds.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

L. Contribution recognition

Unconditional contributions are recognized as revenue when they are promised or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in net assets with donor restrictions. If a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation.

M. Spending policy

The Community Foundation for the Fox Valley Region, Inc. has adopted a spending policy for the endowment funds. There are certain funds that, based upon the donor's intent, are not subject to this spending policy. Under the spending policy, the amounts distributed for grants are determined independent of the cash yield and appreciation of investments in that year. The Community Foundation has adopted this spending policy to stabilize annual spending levels and to preserve the real value of the fund portfolio over time. Currently, the spending policy calls for distributions to be 4.5% of the market value of the fund, which is based on an average daily value over the most recent 3-year period ending December 31. Money not distributed during the current fiscal year is carried forward and added to the next year's amount available for distribution.

Some of the supporting organizations have adopted their own spending policies. These policies are similar to the Community Foundation's policy but have different distribution rates. Currently the distribution rates under these policies range from 4.5% - 6% of the market value of the fund.

N. Promotion costs

Promotion costs are charged to activities when incurred. Promotion expense for the year ended June 30, 2019 was approximately \$167,000.

O. Functional allocation of expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. These consolidated statements report expenses that are attributed to program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Wages and benefits are allocated on the basis of estimates of time and effort. Payroll taxes, technology, travel and meetings, office expenses, education, insurance, occupancy, depreciation, and miscellaneous are allocated on the basis of the related wages.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

P. Income tax status

The Community Foundation for the Fox Valley Region, Inc. and the Supporting Organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organizations qualify for the charitable contribution deduction and have been classified as organizations other than private foundations. All of the Organizations are also exempt from Wisconsin income taxes. However, the Organizations are subject to income taxes on any unrelated business taxable income, pursuant to Section 511(a).

Winagamie, Inc. is a separately incorporated C-Corporation and is subject to Federal and Wisconsin income taxes based on its taxable income. No income tax provision has been recorded in the consolidated financial statements because management has determined the provision to be an immaterial amount.

Q. Summarized comparative information

The consolidated financial statements include certain summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

R. Change in accounting principles

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to the comparative information. The adoption of ASU 2016-14 required the reclassification of investment manager fees to be net with the investment return, but did not cause a restatement of net asset balances or changes in net assets.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which amends current financial statement presentation and disclosure requirements. This ASU eliminates certain fair value disclosures for nonpublic companies. The Foundation has elected to early adopt ASU 2018-13 and as a result, has eliminated certain fair value disclosures. The adoption of ASU 2018-13 did not have a material impact on the Foundation's consolidated financial statements.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 1 - Nature of activities and significant accounting policies, continued

S. Recent accounting pronouncement

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. This standard is effective for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of ASU 2018-08 on the Foundation's consolidated financial statements.

T. Reclassifications

Certain amounts in the prior-year summarized comparative information have been reclassified to conform with the current-year presentation. Such reclassifications had no effect on previously reported net assets or changes in net assets.

U. Subsequent events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 31, 2019, the date on which the consolidated financial statements were available to be issued.

Note 2 - Liquidity and availability

For purposes of analyzing resources available to meet general expenditures within one year, the Foundation considers all expenditures related to its ongoing activities of providing grants and resources to address important community problems and opportunities as well as conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,398,790
Certificates of deposit	602,485
Contributions receivable in less than one year for the short-term pool	1,975,880
Investments - cash and cash equivalents	<u>22,455,864</u>
	<u>\$ 26,433,019</u>

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 2 - Liquidity and availability, continued

The Foundation manages its liquidity for grant purposes and for the return of funds held for others by classifying funds as non-permanent funds or endowment funds based on the purpose for which the funds were established. See Note 4 for the Foundation's investment strategy. Non-permanent funds are invested in a short-term, intermediate-term or long-term investment pool based on the expected payment of the grants or the return of funds held for others. Funds held in the short-term investment pool are subject to withdrawal at any time. At June 30, 2019, approximately \$8,600,000 was held in the short-term investment pool. The majority of the funds held in the intermediate-term or long-term investment pools are expected to be withdrawn more than one year from the consolidated statement of financial position date.

Endowment funds are ordinarily subject to an annual spending policy of 4.5% of the average daily balance in these funds for the three previous calendar years. The spending policy amount is available for spending as of July 1 of each fiscal year. At July 1, 2019, approximately \$10,000,000 was available for spending. In unusual circumstances, the Foundation Board could approve distributions in excess of the annual spending policy amount. The Foundation intends to spend only the annual spending policy amount for grants or the return of funds held for others from the endowment funds in the next year.

At times, donors will make promises to contribute to specific funds at the Foundation. These promises are recorded as contributions receivable. The contributions are invested in the funds' respective investment pools when they are collected. Amounts expected to be collected within the next year that will be invested in the short-term investment pool are included in the financial assets shown above.

As part of the Foundation's liquidity management to provide funding of services undertaken to support the programs of the Foundation, the Board of Directors has established an operating reserve fund. The Foundation maintains an operating reserve fund equal to three months of the Foundation's budgeted operating expenses. The fund is invested in cash or certificates of deposit to ensure liquidity. The fund will be replenished or increased from operating surpluses or future gifts without donor restrictions as necessary. Draws from the fund will be reviewed and approved as part of the annual budget process or as needed. At June 30, 2019, the operating reserve fund had a balance of approximately \$1,100,000.

To provide for future capital expenditures related to the Foundation's building and equipment, the Board of Directors has also established a capital reserve fund. The fund shall not be less than \$100,000 and may be significantly more based on anticipated capital needs. The fund is invested in cash or certificates of deposit to ensure liquidity. The fund will be replenished or increased from operating surpluses or future gifts without donor restrictions as necessary. The Foundation President/CEO or CFO have the authority to approve capital expenditures of up to \$25,000 without prior Committee or Board approval. Amounts are reported to the Audit & Budget Committee for review on a quarterly basis. Draws from the fund in excess of \$25,000 will be reviewed and approved as part of the annual budget process or as needed. At June 30, 2019, the capital reserve fund had a balance of approximately \$500,000.

Through a gift of a donor, the Board of Directors also established a designated fund in the name of that donor. The fund is available at the discretion of the Board of Directors. Historically, the Board has used this fund to cover operating deficits and to provide loans to other funds and supporting organizations to meet cash flow needs. Although the fund could be spent in the next fiscal year, the Foundation has not budgeted for its use next year and has invested the funds in the intermediate-term investment pool. At June 30, 2019, the designated fund had a balance of approximately \$1,100,000.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 2 - Liquidity and availability, continued

Ongoing funding of services undertaken to support the programs of the Foundation is provided through administrative endowment funds and administrative fees. The Foundation has nine named funds designated by donors as administrative endowment funds. Similar to other endowment funds, administrative endowment funds are ordinarily subject to an annual spending policy of 4.5% of the average daily balance in these funds for the three previous calendar years. The spending policy amount is available for spending as of July 1 of each fiscal year. At July 1, 2019, approximately \$291,000 was available for spending. In unusual circumstances, the Foundation Board could approve distributions in excess of the annual spending policy amount. The Foundation intends to spend only the annual spending policy amount from the administrative endowment funds in the next year.

The Foundation charges administrative fees to all funds based on the funds' average daily balance for the previous month to cover the Foundation's general operating expenses. Fees range from .3% to 2.0% depending on the fund type and balance. Estimated administrative fee income for the fiscal year ending June 30, 2020 is \$2,800,000. Fees are withdrawn monthly from the funds' respective investment pool.

The Foundation maintains investments in cash and cash equivalents in each pool to provide for expected future distributions. In unusual circumstances, certain investments could be sold to meet liquidity needs. See Note 15 for investments with redemption restrictions. The Foundation has also established various lines of credit totaling \$1,250,000 as of June 30, 2019 to meet short-term liquidity needs. See Note 7.

Note 3 - Contributions receivable

Contributions receivable are primarily due from individuals and organizations located in the Fox Valley region. Amounts receivable from one individual account for approximately 42% of the balance at June 30, 2019. Unconditional contributions receivable as of June 30, 2019 consists of:

Receivable in less than one year	\$ 4,587,323
Receivable in one to five years	4,110,087
Receivable in more than five years	<u>1,414,853</u>
Total contributions receivable	10,112,263
Less discount at rates of 3% to 5%	<u>(437,000)</u>
Present value of contributions receivable	<u>\$ 9,675,263</u>

An allowance for uncollectible amounts was deemed not necessary by management.

The contributions receivable balance includes an estimated \$3.8 million to be received from two estates. Management has estimated the value of the receivables based on representations of the estates' trustees. It is at least reasonably possible that the estimated amount of these receivables will change in the near term as the underlying assets in the estates are liquidated.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 4 - Investments

Investments at June 30, 2019 consist of the following:

Equities	\$ 239,980,129
Fixed income	74,927,726
Real estate	932,576
Venture capital and partnerships	17,490,330
Commodity linked funds	1,162,393
Hedge funds	66,856,621
Cash and cash equivalents	<u>22,455,864</u>
Total investments recorded at fair value	423,805,639
Other - recorded at lower of cost or market	<u>3,287,725</u>
Total	<u>\$ 427,093,364</u>

During the year ended June 30, 2019, there were no gains or losses from investments recorded at lower of cost or market.

Investment strategy - endowment funds

The Foundation's investment strategy for endowment funds incorporates a diversified asset allocation approach to earn a sufficient long-term return with as little volatility as possible while preserving the purchasing power of the assets after withdrawals. Given an inflation assumption of 1-2%, administrative fees of 1%, and a spending policy of 4.5%, the long-term return goal of the Foundation, net of investment management fees, is at least 7%.

As a long-term investor, the Foundation may experience short-term fluctuations in the fair value of its investments due to volatility in the stock market. Marketable and private investments are exposed to various risks that may cause the reported value of the Foundation's investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. The following issues are significant factors in the prudent allocation of the Foundation's assets:

- In order to achieve a rate of return that will support the spending policy while protecting the assets from inflation, the Foundation must be willing to take some investment risk with respect to the investment portfolio.
- The investment committee believes that the most effective way to establish an appropriate volatility level for the Portfolio is through its asset allocation (i.e. stocks, bonds and cash). Long-term investment return and volatility depend on the Portfolio's strategic asset allocation. In consultation with its external investment consultant, a strategic asset allocation policy has been adopted which best balances the opportunity for achieving the investment return objectives as set forth in this Policy with an acceptable volatility level.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 4 - Investments, continued

Investment strategy - endowment funds, continued

- The Foundation believes there is significant evidence that long-term investors do not benefit from attempting to earn returns through short-term asset class forecasts or market timing. As a result, the Foundation has adopted a strategic long-term asset allocation for its Portfolio. Over time, the Portfolio will remain invested in percentages that are fairly close to those called for in the strategic allocation.
- The Foundation strongly believes in the long-term benefits of diversifying its Portfolio into a number of different asset classes and investment strategies. While each asset class and strategy is carefully selected, the focus of the investment process is always on the overall Portfolio.
- In order to achieve the long-term benefits of a widely diversified Portfolio, the Foundation has adopted strategic targets for each asset class that it utilizes. The Foundation expects that the Portfolio weight for each class will remain within minimum and maximum percentages.
- Within each asset class, the Foundation seeks to earn the most efficient rate of return possible (after investment expenses). Investments will be well diversified by investment style and strategy. Style/strategy diversification will increase the probability over five- to seven-year time periods that the Foundation will achieve its investment goals and reduce volatility. The Foundation has adopted specific requirements and restrictions for each asset class.

Investment strategy - non-permanent funds

The Foundation's investment strategy for non-permanent funds involves an effort to align the non-permanent funds with related grant-making plans. The Board has established three separate pools from which a fund may be invested in – short-term pool, intermediate-term pool and long-term pool. The purpose of the short-term pool is to provide a high level of liquidity for funds with short-term grant making strategies. The purpose of the intermediate-term pool is to balance mild liquidity needs with a reasonable level of expected appreciation over full market cycles. The purpose of the long-term pool is to mimic the endowment strategy as close as possible with the intention of maintaining assets within the pool for a long time frame.

Note 5 - Property and equipment

Property and equipment consist of the following as of June 30, 2019:

	<u>Golf course</u>	<u>Other</u>	<u>Total</u>
Land and land improvements	\$ 1,521,171	\$ 404,148	\$ 1,925,319
Buildings	865,866	2,591,308	3,457,174
Equipment	<u>463,713</u>	<u>574,385</u>	<u>1,038,098</u>
	2,850,750	3,569,841	6,420,591
Less accumulated depreciation	<u>580,188</u>	<u>1,557,572</u>	<u>2,137,760</u>
	<u>\$ 2,270,562</u>	<u>\$ 2,012,269</u>	<u>\$ 4,282,831</u>

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 6 - Grants payable

The Foundation records unconditional grants payable when approved or when the recipient is notified. Grants subject to conditions or renewal terms are not recorded until the conditions or renewal terms are substantially met.

Unconditional grants approved by the Foundation directors as of June 30, 2019 are scheduled for payment as follows:

Year ending <u>June 30,</u>	
2020	\$ 5,705,098
2021	3,546,039
2022	1,400,933
2023	694,000
2024	<u>649,802</u>
Total grants payable	11,995,872
Less discount at a rate of 3.0%	<u>(287,000)</u>
Present value of grants payable	<u>\$ 11,708,872</u>

Conditional grants payable as of June 30, 2019 totaled approximately \$1,836,000.

Note 7 - Lines of credit

The Community Foundation for the Fox Valley Region, Inc. has a line of credit with Johnson Bank for \$1,000,000. The line is secured by the assets of the Foundation with an interest rate of LIBOR plus 2%. At June 30, 2019, there was no outstanding balance on this line of credit. Unpaid interest and principal is due November 20, 2019.

The Community Real Estate and Personal Property Foundation, Inc. has a line of credit with Johnson Bank for \$200,000 with an interest rate of LIBOR plus 2%. At June 30, 2019, there was no outstanding balance on this line of credit. Unpaid interest and principal is due November 20, 2019. The Community Foundation for the Fox Valley Region, Inc. is the guarantor for any outstanding balances on this line of credit.

Winagamie, Inc. has a line of credit with Community First Credit Union for \$50,000. The line is secured by real estate owned by Winagamie with an interest rate of 5.5%. At June 30, 2019, there was no outstanding balance on this line of credit. Unpaid interest and principal is due April 1, 2021.

There was no interest expense incurred with the lines of credit during the year ended June 30, 2019.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 8 - Capital leases obligation

Winagamie, Inc. leases certain equipment under capital leases. The following balances are included in the consolidated statement of financial position for these leases as of June 30, 2019:

Property and equipment	\$ 303,944
Less accumulated depreciation	<u>110,544</u>
Net equipment	<u>\$ 193,400</u>
Capital lease obligations	<u>\$ 131,001</u>

Depreciation charged to operations relating to capital leases amounted to \$36,297 for the year ended June 30, 2019.

Future minimum lease payments under capital leases as of June 30, 2019 are as follows:

Year ending <u>June 30,</u>	
2020	\$ 49,336
2021	38,158
2022	24,629
2023	18,129
2024	<u>12,399</u>
Total minimum lease payments	142,651
Less amount representing interest	<u>11,650</u>
Present value of net minimum lease payments	<u>\$ 131,001</u>

Note 9 - Charitable gift annuity agreements

The Foundation has entered into charitable gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries over a specified number of years. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their fair value for agreements where the Foundation is the trustee. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. At June 30, 2019, the Foundation has assets of \$2,569,842 included in investments and liabilities of \$1,061,686 in association with the charitable gift annuities. During the year ended June 30, 2019, the Foundation recorded contributions totaling \$127,490 from one new charitable gift annuity agreement. In addition, the Foundation recorded a loss from changes in the value of charitable gift annuity payable totaling \$121,104, which is included in investment return in the consolidated statement of activities.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 10 - Net assets without donor restrictions

Net assets without donor restrictions at June 30, 2019 consist of the following:

Undesignated	\$ 357,986,148
Operating reserve	1,121,995
Capital reserve	476,885
Designated fund	1,077,375
Administrative endowment funds	<u>6,763,188</u>
 Net assets without donor restrictions	 <u>\$ 367,425,591</u>

Note 11 - Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following time restrictions:

Contributions receivable	\$ 9,675,263
Charitable gift annuities	<u>1,508,156</u>
 Net assets with donor restrictions	 <u>\$ 11,183,419</u>

Net assets for the year ended June 30, 2019 were released from donor restrictions by occurrence of the passage of time related to contributions receivable.

Note 12 - Operating lease (lessor)

The Community Real Estate and Personal Property Foundation, Inc. leases condominium space to two unrelated organizations under operating leases expiring in December 2019 and December 2022. The leased assets, which have a cost of approximately \$1,445,000 and accumulated depreciation of \$373,000 at June 30, 2019, are included in property and equipment on the consolidated statement of financial position.

The Appleton Education Foundation, Inc. leases condominium space to the Appleton Area School District under an operating lease expiring in August 2021. The leased asset, which has a cost of \$300,000 and accumulated depreciation of \$28,000 at June 30, 2019, is included in property and equipment on the consolidated statement of financial position.

Minimum future rental income to be received on the leases is as follows:

Year ending <u>June 30,</u>	
2020	\$ 189,087
2021	152,644
2022	55,066
2023	<u>17,737</u>
	<u>\$ 414,534</u>

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
AND SUPPORTING ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 13 - Retirement plan and deferred compensation

The Foundation has a 401(k) plan that covers substantially all employees of the Foundation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation made contributions of approximately \$54,000 to the plan during the year ended June 30, 2019.

The Foundation provides deferred compensation benefits for its officers under two 457 plans. One of the plans is funded with a life insurance policy on an employee covered by the plan. The deferred compensation liability under these plans totaled \$703,293 at June 30, 2019 and is included in other liabilities on the consolidated statement of financial position. The amount charged to expense under the plans was approximately \$47,000 during the year ended June 30, 2019.

Note 14 - Securities lending

The Foundation exited its participation in the securities lending program managed by its investment custodian in April 2019. Within the program, the Foundation loaned certain marketable securities included in its investment portfolio. The Foundation's investment custodian indemnified the Foundation against the counterparty risk. The custodian's loan agreements required the borrowers to maintain collateral in the form of cash or securities equal to 102% to 105% of the fair value of the securities loaned. The collateral was pooled and invested by the investment custodian in accordance with prescribed investment guidelines and was comprised of mainly cash equivalents, corporate bonds, and asset backed securities with a rating of A or better.

The Foundation shared in the profit earned on the collateral pool. During the year ended June 30, 2019, the Foundation's share of these earnings totaled \$93,216. The earnings are included in investment return on the consolidated statement of activities.

The Foundation had adopted a policy to record all income and losses associated with the securities lending program to the Foundation's operating accounts. None of the income or loss was allocated to donor established funds within the Foundation or the Supporting Organizations.

The Foundation maintained control over the collateral and also received interest or dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may have occurred during the term of the loan were applied to the account of the Foundation. The Foundation had the right under the lending agreement to recover the securities from the borrower on demand. The principal risks to the Foundation of the securities lending program were that the yield earned on the collateral may be insufficient to cover the rebate owed to the borrower and that an investment purchased via the collateral reinvestment process may become impaired.

Whereas this securities lending program was represented by both an asset and liability of \$42,032,574 in the consolidated financial statements at June 30, 2018, the Foundation's exit from the program removes the asset and liability from the consolidated financial statements in the fiscal year ended June 30, 2019. The Foundation's financial condition is not improved or reduced as a consequence of its exit from the program.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 15 - Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards have established a hierarchy of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets, Level 2 consists of inputs observable in the marketplace other than quoted prices in active markets for identical assets and Level 3 consists of significant inputs unobservable in the marketplace.

The following table presents the major classes of assets and liabilities measured and recorded at fair value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments recorded at fair value:				
Equities:				
Common stock	\$ 63,827,467	\$ -	\$ -	\$ 63,827,467
Common stock funds	116,777,424	-	-	116,777,424
Preferred stock	761,172	-	-	761,172
ETF funds	10,960,761	-	-	10,960,761
Equities measured at net asset value*	-	-	-	47,653,305
Fixed income:				
Government bonds	4,607,213	-	-	4,607,213
Government bond funds	104,746	-	-	104,746
Government agencies	2,430,520	-	-	2,430,520
Government agencies funds	5,731,651	-	-	5,731,651
Government mortgage backed securities	586,751	-	-	586,751
Municipal/provincial bonds	705,774	-	-	705,774
Corporate bonds	14,439,895	-	-	14,439,895
Corporate bond funds	9,534,533	-	-	9,534,533
Corporate convertible bond funds	123,464	-	-	123,464
ETF funds	14,290,573	-	-	14,290,573
Other	717,698	-	-	717,698
Fixed income measured at net asset value *	-	-	-	21,654,908
Real estate:				
Real estate funds	90,045	-	-	90,045
ETF funds	71,334	-	-	71,334
Real estate measured at net asset value*	-	-	-	771,197
Venture capital and partnerships measured at net asset value*	-	-	-	17,490,330
Commodity linked funds	1,162,393	-	-	1,162,393
Hedge funds measured at net asset value*	-	-	-	66,856,621
Cash and cash equivalents	<u>22,455,864</u>	<u>-</u>	<u>-</u>	<u>22,455,864</u>
Total investments recorded at fair value	<u>\$ 269,379,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,805,639</u>
Charitable gift annuity payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,061,686</u>	<u>\$ 1,061,686</u>

*In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in Note 4.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 15 - Fair value measurements, continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of a financial instrument is based on price transparency and does not necessarily correspond to the Foundation's perceived risk of the instrument.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

The following is a reconciliation of beginning and ending balances for liabilities measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2019:

	<u>Charitable gift annuity payable</u>
Beginning balance - July 1, 2018	\$ 1,038,262
Issuances	72,510
Annuity payments	(170,190)
Change in value	121,104
Ending balance - June 30, 2019	\$ 1,061,686

The Foundation holds several investments in funds that do not have readily determinable fair values including private investment funds, hedge funds, real estate funds, and venture capital funds. These funds are reported on the consolidated statement of financial position at their net asset value. The fund managers provide the Foundation the net asset values of the funds each month. The funds are audited annually by funds' independent auditors. As permitted by ASC 820, the Foundation has concluded that the net asset values reported by the underlying funds are a practical expedient to fair value. Although secondary markets exist for these investments, they are not active and individual transactions are typically not observable. When transactions do occur in this limited market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant.

A few of these funds (representing approximately two percent of the investment balance) report their net asset values to the Foundation on a three-month lag. As such, the Foundation used the March 31, 2019 net asset values as an estimate of the June 30, 2019 values. Management believes the differences in fair value would be immaterial to the consolidated financial statements. Changes in estimated fair value are recognized in the period in which the actual net asset values are determined.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 15 - Fair value measurements, continued

The following table provides additional information for investments using net asset value as a practical expedient to fair value at June 30, 2019:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Equities:				
Common stock funds (a)	\$ 47,653,305	\$ -	monthly	5 - 30 days
Fixed income:				
Corporate bond funds (b)	12,943,300	32,164	bi-monthly	5 days
Corporate convertible bond funds (c)	8,711,608	-	monthly	10 days
Real estate (d)	771,197	709,339	N/A	N/A
Venture capital and partnerships (e)	17,490,330	14,736,385	monthly, N/A	30 days, N/A
Hedge funds (f)	<u>66,856,621</u>	<u>-</u>	monthly, quarterly, annually, three years	30 - 95 days
Totals	<u>\$ 154,426,361</u>	<u>\$ 15,477,888</u>		

- (a) This class includes investments in commingled funds, which invest in equities domiciled outside of the US, emerging market countries, and publicly traded mutual funds.
- (b) This class includes investments in a commingled fund that invests in government bonds throughout the world, with the majority being outside of the U.S. The fund will also hedge currencies and may do so with the use of futures.
- (c) This class includes investments in a commingled fund with fund of funds investors investing in U.S. high-yield bonds.
- (d) This class includes an investment in a limited partnership investing in private real estate. The underlying holdings are ill-liquid.
- (e) This class includes investments in commingled funds and limited partnerships, which invests in senior secured, floating-rate debt, distressed and opportunistic credit, private real estate, and commodities and energy related companies. The underlying holdings are ill-liquid. This class also includes investments in private equity funds, which invests in secondary transactions, bespoke, off-market opportunities in the digital economy, and companies experiencing organizational dysfunction. These investments cannot be redeemed with the funds. Instead, the nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the funds.
- (f) This class includes investments in hedge funds, which invest in long/short equity investing, long/short credit investing, and long-only equity strategy. Investments in those hedge funds cannot be redeemed in the first one to three years after acquisition. This class also includes investments in commingled funds, which invest in equities in emerging market countries, and equities domiciled outside of the US. The underlying holdings of those funds are liquid and marketable.

COMMUNITY FOUNDATION FOR THE FOX VALLEY REGION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
Year Ended June 30, 2019

Note 16 - Concentration of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation places substantially all of its cash and cash equivalents with three financial institutions, which at times exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Note 17 - Administrative endowment funds

As described in Note 2, the Foundation has nine named funds designated by donors as administrative endowment funds. These funds are classified and reported as net assets without donor restrictions and are included in investments on the consolidated statement of financial position. Composition of and changes in these fund net assets for the year ended June 30, 2019 were as follows:

Beginning of year	\$ 6,936,709
Investment income, net of fees	62,655
Net appreciation	49,168
Amount appropriated for expenditure	<u>(285,344)</u>
End of year	<u>\$ 6,763,188</u>