

**THE COMMUNITY FOUNDATION OF
NORTH FLORIDA, INC.**

FINANCIAL STATEMENTS



For the Years Ended December 31, 2018 and 2017

CARROLL and COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Community Foundation of North Florida, Inc.
Tallahassee, Florida

We have audited the accompanying financial statements of The Community Foundation of North Florida, Inc. (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
The Community Foundation of North Florida, Inc.
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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 The Community Foundation of North Florida, Inc. as of December 31, 2018 and 2017, 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.

Carroll and Company

July 29, 2019

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,064,560	\$ 1,950,753
Accounts receivable	-0-	250
Investments	58,077,751	58,291,131
Prepaid expenses	1,593	4,933
Pledges receivable	8,550	22,650
Beneficial interest in charitable remainder trust	262,728	-0-
Property and equipment, net	79,478	102,730
Other assets	25,464	23,365
Investments held on behalf of others	5,812,382	6,436,832
Investments restricted for endowment purposes	<u>861,745</u>	<u>964,614</u>
TOTAL ASSETS	<u>\$67,194,251</u>	<u>\$67,797,258</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 573	\$ 976
Amounts held on behalf of others	<u>5,812,382</u>	<u>6,436,832</u>
TOTAL LIABILITIES	<u>5,812,955</u>	<u>6,437,808</u>

NET ASSETS

Without donor restrictions		
Undesignated	59,859,268	60,087,101
Designated by Board for operating reserve	<u>397,555</u>	<u>307,735</u>
	60,256,823	60,394,836
With donor restrictions		
Time-restricted	262,728	-0-
Perpetual in nature	<u>861,745</u>	<u>964,614</u>
	1,124,473	964,614
TOTAL NET ASSETS	<u>61,381,296</u>	<u>61,359,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$67,194,251</u>	<u>\$67,797,258</u>

See accompanying notes.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 7,526,575	\$ 262,728	\$ 7,789,303
Administrative fees and other	101,240	-0-	101,240
Investment return, net	<u>(4,077,190)</u>	<u>(102,869)</u>	<u>(4,180,059)</u>
TOTAL REVENUE AND SUPPORT	<u>3,550,625</u>	<u>159,859</u>	<u>3,710,484</u>
EXPENSES			
Program services			
Grants and scholarships	3,084,783	-0-	3,084,783
Other program expenses	407,694	-0-	407,694
Supporting services			
General and administrative	170,012	-0-	170,012
Fundraising expenses	<u>26,149</u>	<u>-0-</u>	<u>26,149</u>
TOTAL EXPENSES	<u>3,688,638</u>	<u>-0-</u>	<u>3,688,638</u>
CHANGE IN NET ASSETS	(138,013)	159,859	21,846
NET ASSETS, BEGINNING OF YEAR	<u>60,394,836</u>	<u>964,614</u>	<u>61,359,450</u>
NET ASSETS, END OF YEAR	<u>\$60,256,823</u>	<u>\$ 1,124,473</u>	<u>\$61,381,296</u>

See accompanying notes.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
For the Years Ended December 31, 2018 and 2017

2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 13,124,113	\$ -0-	\$ 13,124,113
Investment return, net	5,187,486	64,310	5,251,796
Administrative fees and other	103,908	-0-	103,908
Net assets released from restrictions	<u>35,695</u>	<u>(35,695)</u>	<u>-0-</u>
TOTAL REVENUE AND SUPPORT	<u>18,451,202</u>	<u>28,615</u>	<u>18,479,817</u>
EXPENSES			
Program services			
Grants and scholarships	2,864,915	-0-	2,864,915
Other program expenses	366,269	-0-	366,269
Supporting services			
General and administrative	157,326	-0-	157,326
Fundraising expenses	<u>57,895</u>	<u>-0-</u>	<u>57,895</u>
TOTAL EXPENSES	<u>3,446,405</u>	<u>-0-</u>	<u>3,446,405</u>
CHANGE IN NET ASSETS	15,004,797	28,615	15,033,412
NET ASSETS, BEGINNING OF YEAR	<u>45,390,039</u>	<u>935,999</u>	<u>46,326,038</u>
NET ASSETS, END OF YEAR	<u>\$60,394,836</u>	<u>\$ 964,614</u>	<u>\$61,359,450</u>

See accompanying notes.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017

2018

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants and Scholarships</u>	<u>Other Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	
Grants to charitable organizations	\$ 3,084,783	\$ -0-	\$ -0-	\$ -0-	\$ 3,084,783
Payroll expenses	-0-	293,519	97,988	-0-	391,507
Rent	-0-	51,516	12,461	-0-	63,977
Seminar and meeting expenses	-0-	21,137	5,113	-0-	26,250
Depreciation expense	-0-	-0-	23,252	-0-	23,252
Donor development expenses	-0-	-0-	-0-	20,356	20,356
Software lease expenses	-0-	13,972	3,380	-0-	17,352
Professional fees	-0-	-0-	15,570	-0-	15,570
Insurance	-0-	6,418	1,553	-0-	7,971
Telephone and internet expenses	-0-	6,225	1,506	-0-	7,731
Membership dues	-0-	5,403	1,307	-0-	6,710
Office expenses	-0-	4,673	1,130	-0-	5,803
Printing and publication expenses	-0-	-0-	-0-	5,793	5,793
Fundholder retention	-0-	4,022	973	-0-	4,995
Board meeting expenses	-0-	-0-	4,208	-0-	4,208
Postage and delivery	-0-	809	196	-0-	1,005
Miscellaneous expenses	-0-	-0-	775	-0-	775
Licenses and filing fees	-0-	-0-	600	-0-	600
	<u>\$ 3,084,783</u>	<u>\$ 407,694</u>	<u>\$ 170,012</u>	<u>\$ 26,149</u>	<u>\$ 3,688,638</u>

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the Years Ended December 31, 2018 and 2017

2017

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Grants and Scholarships</u>	<u>Other Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising Expenses</u>	
Grants to charitable organizations	\$ 2,864,915	\$ -0-	\$ -0-	\$ -0-	\$ 2,864,915
Payroll expenses	-0-	266,077	89,641	-0-	355,718
Rent	-0-	42,553	10,566	-0-	53,119
Donor development expenses	-0-	-0-	-0-	42,127	42,127
Office expenses	-0-	17,067	4,237	-0-	21,304
Depreciation expense	-0-	-0-	19,084	-0-	19,084
Software lease expenses	-0-	13,547	3,364	-0-	16,911
Printing and publication expenses	-0-	-0-	-0-	15,768	15,768
Professional fees	-0-	-0-	15,043	-0-	15,043
Insurance	-0-	6,450	1,601	-0-	8,051
Telephone and internet expenses	-0-	6,402	1,590	-0-	7,992
Board meeting expenses	-0-	-0-	5,855	-0-	5,855
Seminar and meeting expenses	-0-	4,129	1,025	-0-	5,154
Project expenses	-0-	4,995	-0-	-0-	4,995
Membership dues	-0-	3,837	953	-0-	4,790
Moving expense	-0-	-0-	3,095	-0-	3,095
Postage and delivery	-0-	1,212	301	-0-	1,513
Licenses and filing fees	-0-	-0-	575	-0-	575
Miscellaneous expenses	-0-	-0-	396	-0-	396
	<u>\$ 2,864,915</u>	<u>\$ 366,269</u>	<u>\$ 157,326</u>	<u>\$ 57,895</u>	<u>\$ 3,446,405</u>

See accompanying notes.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 21,846	\$ 15,033,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,252	19,084
Noncash contributions	(859,155)	(451,112)
Investment income reinvested	(713,056)	(1,211,022)
Net realized gains on sale of investments	(1,964,856)	(208,768)
Net unrealized losses (gains) on investments	6,865,054	(3,659,296)
(Increase) decrease in:		
Accounts receivable	250	(165)
Prepaid expenses	3,340	(3,929)
Pledges receivable	14,100	17,671
Increase (decrease) in:		
Accounts payable	(403)	512
Amounts held on behalf of others	<u>(1,065,297)</u>	<u>1,274,113</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,325,075</u>	<u>10,810,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-0-	(114,141)
Purchase of investments	(81,448,650)	(24,538,128)
Proceeds from sale of investments	79,502,209	11,542,200
Increase in other assets	<u>(2,099)</u>	<u>(783)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,948,540)</u>	<u>(13,110,852)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Beneficial interest in charitable remainder trust	<u>(262,728)</u>	<u>-0-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>113,807</u>	<u>(2,300,352)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,950,753</u>	<u>4,251,105</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,064,560</u>	<u>\$ 1,950,753</u>

See accompanying notes.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Nature of the Organization

The Community Foundation of North Florida, Inc. (the Foundation) is a not-for-profit corporation organized in the State of Florida on March 20, 1997. The Foundation is responsible for charitable funds and the income generated by funds of many donors. The Foundation is committed to promoting the well being of mankind and to serving the general charitable, educational, and scientific needs of the inhabitants of North Florida through charitable grants at the discretion of the Board of Directors.

Basis of Accounting

The Foundation's books are maintained on the accrual basis of accounting.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. As of December 31, 2018 and 2017, the governing board had designated, from net assets without donor restrictions, net assets for an operating reserve.

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.

Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation carries its investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Pledges Receivable

Pledges receivable are stated at net realizable value. The allowance for collection losses is established through charges to the provision for uncollectible pledges. The allowance is based on management's best estimate of the amounts that will not be collected.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Property and Equipment

Property and equipment are recorded at estimated fair market value at the date of donation or at cost if purchased. Additions, improvements, and other capital outlays that are over a threshold established by management and significantly extend the useful life of an asset are capitalized. If donors stipulate how long the donated assets must be used, contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed on the straight-line method and is based on estimated useful lives ranging from five to seven years.

Income Taxes

The Foundation is a not-for-profit tax-exempt organization under Internal Revenue Code Section 501(c)(3), and has been classified as an organization that is not a private foundation under Section 509(a)(1). Accordingly, there is no provision for income taxes in these financial statements.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other 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 based on management's assessment of staff time.

Grants

Grants are recorded as expenses when approved by the Board of Directors for payment.

Estimates

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

NOTE B – INVESTMENTS

Investments are stated at fair market value and consist of equities and mutual funds. Fair market values and unrealized appreciation (depreciation) as of December 31 are summarized below:

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE B – INVESTMENTS (Continued)

Description	2018			2017		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 20,246,862	\$ 18,579,204	\$ (1,667,658)	\$ 37,016,312	\$ 39,035,484	\$ 2,019,172
Equities	11,999,046	10,828,196	(1,170,850)	-0-	-0-	-0-
Private companies fund	7,552,471	6,797,391	(755,080)	-0-	-0-	-0-
Bonds	6,489,938	6,473,487	(16,451)	-0-	-0-	-0-
Hedge funds	6,208,561	6,318,981	110,420	7,286,901	7,502,976	216,075
Exchange traded funds	5,248,979	4,848,390	(400,589)	15,089,881	16,502,906	1,413,025
United States treasury bonds	4,482,274	4,563,064	80,790	-0-	-0-	-0-
Private equity fund	3,365,000	3,983,662	618,662	2,480,000	2,651,211	171,211
Mortgage backed securities	2,317,859	2,295,315	(22,544)	-0-	-0-	-0-
Real estate investment trusts	70,886	63,903	(6,983)	-0-	-0-	-0-
Rights	-0-	285	285	-0-	-0-	-0-
TOTAL	\$ 67,981,876	\$ 64,751,878	\$ (3,229,998)	\$ 61,873,094	\$ 65,692,577	\$ 3,819,483

Total investment return for the years ended December 31 consists of the following:

	2018	2017
Investment income, net	\$ 720,139	\$ 1,383,732
Net realized gains on sale of investments	1,964,856	208,768
Net unrealized (losses) gains on investments	(6,865,054)	3,659,296
TOTAL	\$ (4,180,059)	\$ 5,251,796

For the years ended December 31, 2018 and 2017, investment expenses in the amount of \$92,635 and \$72,359, respectively, are netted against investment income.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE C – FAIR VALUE MEASUREMENTS

The Foundation follows the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. This standard does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (or exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. These include quoted prices of similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

During the year ended December 31, 2017, the Foundation implemented the provisions of FASB Accounting Standards Update (ASU) 2015-7, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following table presents the financial instruments carried at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 18,579,204	–	–	\$ 18,579,204
Equities	10,828,196	–	–	10,828,196
Bonds	–	6,473,487	–	6,473,487
Exchange traded funds	4,848,390	–	–	4,848,390
United States treasury bonds	–	4,563,064	–	4,563,064
Mortgage backed securities	–	2,295,315	–	2,295,315
Beneficial interest in charitable remainder trust	–	–	262,728	262,728
Real estate investment trusts	63,903	–	–	63,903
Rights	–	285	–	285
Total assets in the fair value hierarchy				47,914,572
Investments measured at net asset value:				
Private companies funds				6,797,391
Hedge funds				6,318,981
Private equity fund				3,983,662
Assets at fair value				\$ 65,014,606

The following table presents the financial instruments carried at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 39,035,484	–	–	\$ 39,035,484
Exchange traded funds	16,502,906	–	–	16,502,906
Total assets in the fair value hierarchy				55,538,390
Investments measured at net asset value:				
Hedge funds				7,502,976
Private equity fund				2,651,211
Assets at fair value				\$ 65,692,577

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The fair value of financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, pledges receivable, other assets, accounts payable, and amounts held on behalf of others approximates carrying value, principally because of the short maturity of those items.

While 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 estimate of fair value as of the reporting date.

The table below presents information about investments measured at net asset value:

Assets	Private companies funds	Hedge funds	Private equity fund	Total
Beginning balance at December 31, 2016	\$ -0-	\$ 7,943,807	\$ 1,791,376	\$ 9,735,183
Purchases	-0-	-0-	800,000	800,000
Distributions	-0-	(713,099)	(120,000)	(833,099)
Total gains (losses) for the period	-0-	272,268	179,835	452,103
Ending balance at December 31, 2017	-0-	7,502,976	2,651,211	10,154,187
Purchases	7,552,471	-0-	1,305,000	8,857,471
Distributions	-0-	(1,078,340)	(420,000)	(1,498,340)
Total gains (losses) for the period	(755,080)	(105,655)	447,451	(413,284)
Ending balance at December 31, 2018	\$ 6,797,391	\$ 6,318,981	\$ 3,983,662	\$ 17,100,034

The following table describes the valuation techniques used for investments measured at net asset value as of December 31, 2018:

	Quantitative Information about Net Asset Fair Value Measurements			
	Fair value	Unfunded Commitment	Redemption frequency	Redemption notice period
Private companies funds (c)	\$ 6,797,391	\$ -0-	Monthly/Quarterly	30 – 60 days
Hedge funds (a)	\$ 6,318,981	\$ -0-	2 x year	65 – 95 days
Private equity fund (b)	\$ 3,983,662	\$ 95,000	N/A	

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following table describes the valuation techniques used for investments measured at net asset value as of December 31, 2017:

	Quantitative Information about Net Asset Fair Value Measurements			
	Fair value	Unfunded Commitment	Redemption frequency	Redemption notice period
Hedge funds (a)	\$ 7,502,976	\$ -0-	2 x year	65 – 95 days
Private equity fund (b)	\$ 2,651,211	\$ 1,400,000	N/A	

- (a) The Foundation’s investment portfolio includes two (2) hedge funds. One of the funds is a non-diversified, closed-end management investment company with an objective to allocate assets while diversifying risk across a number of specific investment strategies. The second fund is a non-diversified, closed-end management investment company with an investment objective to meet or exceed the return of the broad equity markets over a full market cycle with less volatility than the equity markets as measured by the MSCI World Index. The funds will not be listed on any securities exchange and it is not anticipated that a secondary market will develop. The fair value of the fund is calculated using the net asset value per share, and may be subject to later adjustment or revision.
- (b) The Foundation’s investment in the private equity fund consists of a diversified portfolio including global private equity, special situations, and real estate funds. Funding of the purchase commitments is anticipated to occur within three to five years of entry into the fund and will be funded with proceeds from rebalancing the Foundation’s investment pool. The life cycle of the fund is estimated to be twelve years. Fair value of the fund is estimated using the net asset value.
- (c) The Foundation’s investment portfolio includes two private companies – Active Domestic Equity Series I and Active Domestic Equity Series II. The minimum initial investment in either series is \$1,000,000; however, the managing member may accept investments of a lesser amount. The fair value of the funds is estimated using the net asset value.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE D – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,064,560	\$ 1,950,753
Accounts receivable	-0-	250
Investments	58,077,751	58,291,131
Pledges receivable	8,550	22,650
Investments held on behalf of others	5,812,382	6,436,832
Investments restricted for endowment purposes	<u>861,745</u>	<u>964,614</u>
Total Financial Assets	66,824,988	67,666,230
Pledges receivable to be collected for agency fund held by the Foundation	(8,550)	(22,650)
Investments held on behalf of other nonprofit organizations	(5,812,382)	(6,436,832)
Investment in private equity fund	(3,983,662)	(2,651,211)
Donor-imposed restrictions:		
Endowment fund	<u>(861,745)</u>	<u>(964,614)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$56,158,649</u>	<u>\$57,590,923</u>

The Foundation holds \$59,196,605 and \$59,003,659 in charitable funds as of December 31, 2018 and 2017, respectively. These assets are generally used for grantmaking based on donor recommendations.

The Foundation maintains a donor-restricted endowment fund that seeks long-term growth of principal (see Note J).

The Foundation has also established an operating reserve fund designated by the governing board. The goal of this fund is long-term growth to assure the financial health of the Foundation and its continued general operations.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE E – PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give for an agency fund held by the Foundation. Pledges receivable as of December 31 are due as follows:

	2018	2017
Less than one year	\$ 2,750	\$ 12,200
One to five years	5,800	10,450
TOTAL	\$ 8,550	\$ 22,650

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31, 2018 and 2017:

	Estimated Useful Lives	2018	2017
Leasehold improvements	5 years	\$ 71,987	\$ 71,987
Furniture and equipment	5-7 years	51,652	51,652
		123,639	123,639
Less: Accumulated depreciation		(44,161)	(20,909)
PROPERTY AND EQUIPMENT, net		\$ 79,478	\$ 102,730

NOTE G – AMOUNTS HELD ON BEHALF OF OTHERS

Amounts held on behalf of others represent assets contributed to the Foundation directly from nonprofit organizations that name themselves as the beneficiary of the agency endowment fund created. In accordance with accounting principles generally accepted in the United States of America, community foundations receiving assets from a nonprofit entity that specifies itself as the beneficiary, even if the variance power is explicitly stated in the gift instrument, is deemed not a gift to the Foundation but instead a liability due back to the nonprofit organization.

As of December 31, 2018 and 2017, the Foundation held 93 and 91 agency endowment funds with a combined fair value of \$5,812,382 and \$6,436,832, respectively, which are presented as amounts held on behalf of others in the accompanying statements of financial position. Financial activity related to these funds for the years ended December 31, 2018 and 2017 is reflected in the net change in amounts held on behalf of others, and is therefore excluded in the accompanying statements of activities.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE G – AMOUNTS HELD ON BEHALF OF OTHERS (Continued)

The following table summarizes activity in these funds during the years ended December 31:

	2018	2017
Balance at beginning of year	\$ 6,436,832	\$ 5,827,808
Gifts	115,319	287,001
Net return on investments	(440,847)	665,089
Grants	(199,781)	(248,602)
Administrative fees	(99,141)	(94,464)
BALANCE AT END OF YEAR	\$ 5,812,382	\$ 6,436,832

NOTE H – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2018 and 2017. Uninsured bank balances as of December 31, 2018 and 2017 totaled \$1,562,681 and \$2,767,660, respectively.

NOTE I – NET ASSETS WITHOUT DONOR RESTRICTIONS

Included in net assets without donor restrictions as of December 31, 2018 and 2017 are the following:

	2018	2017
Donor advised	\$55,895,827	\$56,207,893
Agency	1,878,084	2,040,347
Unrestricted – other	756,368	857,519
Designated	636,115	464,558
Operating administration	566,578	533,658
Field of interest	360,758	107,171
Scholarship	159,718	180,315
Project fund	3,375	3,375
TOTAL	\$60,256,823	\$60,394,836

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE I – NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Directors. Thus, such funds represent net assets without donor restrictions to the Foundation.

NOTE J – ENDOWMENTS

Interpretation of Relevant Law

The Foundation's Board of Directors understands that the Uniform Prudent Management of Institutional Funds Act applies to all nonprofit organizations incorporated in the State of Florida as of July 1, 2012.

Unless a donor imposes a restriction to the contrary, all endowment funds at the Foundation adhere to the spending policy adopted by the Foundation's Board of Directors. The spending policy does not require preservation of the fair value of the original gift, but rather specifically states that spending may include income as well as principal.

With regard to donor restricted endowments where the donor expressly states that distributions shall not be made from principal, the Foundation respects and enforces the donor's restriction to preserve the historic gift value of the fund

Endowment Net Asset Composition

Endowment net assets consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Donor restricted endowment funds	\$ <u>861,745</u>	\$ <u>964,614</u>

Changes in Endowment Net Assets

Changes in endowment net assets during the years ended December 31, 2018 and 2017 were as follows:

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE J – ENDOWMENTS *(Continued)*

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 964,614	\$ 900,304
Investment return:		
Investment income, net	10,117	31,281
(Depreciation) Appreciation (realized and unrealized)	<u>(76,055)</u>	<u>69,989</u>
Total investment return	<u>(65,938)</u>	<u>101,270</u>
Contributions	-0-	-0-
Appropriation of endowment assets for expenditure	<u>(36,931)</u>	<u>(36,960)</u>
Balance at end of year	<u>\$ 861,745</u>	<u>\$ 964,614</u>

Endowment Spending Policy

The Foundation’s Board-adopted spending policy for endowments:

- is determined on a total return system,
- allows endowment funds to spend four percent (4%) of the twenty-quarter average market value as of December of the prior year, and
- does not require preservation of the fair value of the original gift, but rather specifically states that spending may include income as well as principal.

Endowment Investment Policy

The endowment investment policy adopted by the Foundation’s Board of Directors seeks long-term growth of principal to preserve and grow Foundation assets, cover expenses, and maintain the approved spending rate of the funds. The Foundation maximizes the probability that the funds will meet or exceed an annualized target rate of return, adjusted for inflation over a five-year rolling period, by having a target rate of return equal to the Board-adopted spending policy’s percentage amount plus inflation plus expenses. The Board of Directors considers and seeks to minimize appropriate risks when managing the funds and selecting investment strategies. The strategies for achieving the Foundation’s investment objectives include a well-diversified portfolio, target allocations in each investment category, guidelines and restricted investments, benchmarks for performance of each asset class, low fees, performance measurement, regular monitoring, and detailed reports.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE K – ADMINISTRATIVE FEE REVENUE

The Foundation charges an annual administrative fee on individual funds maintained during the year, which is recorded as administrative fees by the Foundation’s operating fund. Total administrative fee revenue from all funds was \$579,616 and \$521,587 for the years ended December 31, 2018 and 2017, respectively. Administrative fees charged to agency endowment funds are reflected in the accompanying statements of activities and total \$99,141 and \$94,464 for the years ended December 31, 2018 and 2017, respectively (Note G). Administrative fees charged to other funds are not reflected in the accompanying statements of activities since they represent inter-fund transfers between the Foundation’s operating fund and the other individual funds owned by the Foundation.

NOTE L – DEFINED CONTRIBUTION PLAN

The Foundation maintains a defined contribution plan (Simple IRA Plan) covering all employees with annual compensation of \$5,000 or more. Employees can elect to defer annually up to the maximum amount of their compensation allowed by the Internal Revenue Service. The Foundation is required to make matching participant contributions to the Simple IRA Plan up to three percent (3%) of its individual participants’ compensation. Total contributions to the plan totaled \$10,435 and \$9,431 in 2018 and 2017, respectively

NOTE M – COMMITMENTS

In October 2016, the Foundation entered into a contract to lease office space under a non-cancelable operating lease expiring in March 2022. Future minimum payments required under the lease as of December 31, 2018 are as follows:

Year Ending December 31	
2019	\$ 65,313
2020	66,344
2021	67,671
2022	17,001
Total	\$ 216,329

Rent expense for the years ended December 31, 2018 and 2017 totaled \$63,977 and \$53,119, respectively.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE N – BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation has been named the remainder beneficiary in a charitable remainder trust, the assets of which are held by a third-party trustee. Two beneficiaries are to receive an amount equal to ten percent (10%) of the net fair market value of the trust assets each year during their lives. At the termination of the trust period, the remaining principal and interest is to be distributed to the contributors' fund held at the Foundation.

Contribution revenue and the related asset are recognized using the present value of assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of split-interest agreements as a component of investment return in the accompanying statements of activities.

The estimated fair market value of the beneficial interest in the charitable remainder trust is \$262,728 as of December 31, 2018, and is included in net assets with donor restrictions in the accompanying statement of financial position due to the donor-imposed time restriction on these funds.

NOTE O – UNCERTAIN TAX POSITIONS

Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status, and believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of and for the years ended December 31, 2018 and 2017.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Foundation believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2015.

NOTE P – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 29, 2019, the date which the financial statements were available to be issued.

NOTE Q – CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *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 financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2018

NOTE R – RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of the adoption of ASU 2016-01 on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on principle of whether or not the lease is effectively a financed purchase by the lessee. ASU 2016-02 will be effective for the Foundation for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which sets out to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 will be effective for the Foundation for fiscal years beginning after December 15, 2018 for contributions received and for fiscal years beginning after December 15, 2019 for contributions made. The Foundation is currently evaluating the impact of the adoption of ASU 2018-08 on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies the disclosure requirements for fair value measurements. ASU 2018-13 will be effective for the Foundation for fiscal years beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The Foundation is currently evaluating the impact of the adoption of ASU 2018-13 on its financial statements.