

**SOUTHWEST FLORIDA COMMUNITY  
FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2019 and 2018**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
CONSOLIDATED FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 28



**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Southwest Florida Community Foundation, Inc.  
Fort Myers, Florida

We have audited the accompanying consolidated financial statements of the Southwest Florida Community Foundation, Inc. (a Florida not-for-profit corporation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

**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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the consolidated financial position of the Southwest Florida Community Foundation, Inc. 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.

### **Report on Summarized Comparative Information**

We have previously audited the Southwest Florida Community Foundation, Inc.'s consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein 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.

*Hughes, Snell & Co., P.A.*

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida  
November 12, 2019

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Consolidated Statements of Financial Position  
June 30, 2019 and 2018

	<u>ASSETS</u>	
	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 563,546	\$ 1,122,179
Contributions and other receivables	1,257,440	4,080,512
Prepaid expenses	44,701	7,590
Investments	97,212,337	86,643,249
Split interest agreements and remainder interests		
Interest in remainder and lead trusts	23,541,626	22,322,888
Charitable gift annuities	733,849	1,431,784
Other remainder interests	248,481	200,031
Property and equipment, net of accumulated depreciation	10,299,182	4,892,605
Restricted cash for construction	954,084	6,003,164
Other assets	96,324	63,837
Total Assets	\$ 134,951,570	\$ 126,767,839
 <u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 255,621	\$ 93,106
Deferred revenue	-	17,672
Grants payable	1,283,377	1,236,950
Funds held as agency endowment	2,614,455	2,672,152
Annuity obligations	373,248	824,744
Loans payable	10,149,000	10,149,000
Total Liabilities	14,675,701	14,993,624
 <b>NET ASSETS</b>		
Without donor restrictions	94,323,149	86,564,851
With donor restrictions	25,952,720	25,209,364
Total Net Assets	120,275,869	111,774,215
Total Liabilities and Net Assets	\$ 134,951,570	\$ 126,767,839

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

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Activities and Changes in Net Assets  
 Year Ended June 30, 2019  
 (with Summarized Comparative Totals for 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 11,651,436	\$ 231,666	\$ 11,883,102	\$ 13,852,713
Collaboratory and community programs support	1,317,564	\$ -	1,317,564	542,365
Miscellaneous income	339,068	-	339,068	2,902,349
Net investment return	3,312,937	2,127	3,315,064	4,944,229
Net assets released from restrictions	511,186	(511,186)	-	-
<b>Total Revenues and Other Support</b>	<b>17,132,191</b>	<b>(277,393)</b>	<b>16,854,798</b>	<b>22,241,656</b>
<b>EXPENSES</b>				
Programs				
Grants	4,734,193	-	4,734,193	5,431,742
Scholarships	770,281	-	770,281	735,542
Collaboratory	772,416	-	772,416	-
Community programs	1,471,371	-	1,471,371	1,265,808
Administrative	1,256,605	-	1,256,605	974,066
Development	359,147	-	359,147	278,215
<b>Total Expenses</b>	<b>9,364,013</b>	<b>-</b>	<b>9,364,013</b>	<b>8,685,373</b>
Payments and change in value of split interest agreements and interest in remainder and lead trusts	(9,880)	1,020,749	1,010,869	948,842
Change in net assets	7,758,298	743,356	8,501,654	14,505,125
Net Assets Beginning of Period	86,564,851	25,209,364	111,774,215	97,269,090
<b>Net Assets End of Period</b>	<b>\$ 94,323,149</b>	<b>\$ 25,952,720</b>	<b>\$120,275,869</b>	<b>\$ 111,774,215</b>

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

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2019  
(with Summarized Comparative Totals for 2018)

	2019					2018	
	Program Services			Supporting Services		Total	Total
	Grants & Scholarships	SWFL Collaboratory	Community Programs	Administrative	Development		
Grants and other assistance	\$ 4,734,193	\$ -	\$ 7,718	\$ -	\$ -	\$ 4,741,911	\$ 5,481,742
Scholarships	770,281	-	-	-	-	770,281	735,542
Personnel costs	-	314,286	562,407	496,242	281,203	1,654,138	1,203,051
Fees for services	-	13,562	627,810	166,845	2,601	810,818	493,532
Office expenses	-	38,106	1,807	40,189	8,024	88,126	66,172
Information technology	-	47,038	20,175	107,809	11,605	186,627	201,809
Occupancy expenses	-	104,986	-	62,073	4,979	172,038	119,567
Travel	-	10	8,323	14,619	1,628	24,580	24,350
Professional development	-	-	11,857	28,362	3,798	44,017	82,520
Insurance	-	19,274	-	34,915	-	54,189	31,228
Relationships	-	-	15,528	20,036	10,439	46,003	15,148
Dues, subscriptions, and memberships	-	3,256	3,541	24,973	5,210	36,980	38,405
Other expenses	-	312	19,560	32,724	2,492	55,088	41,872
Direct program expenses	-	-	150,169	-	-	150,169	107,427
	<u>5,504,474</u>	<u>540,830</u>	<u>1,428,895</u>	<u>1,028,787</u>	<u>331,979</u>	<u>8,834,965</u>	<u>8,642,365</u>
Interest	-	190,193	-	143,860	-	334,053	-
Depreciation and amortization	-	41,393	42,476	83,958	27,168	194,995	43,008
Total Functional Expenses	<u><u>5,504,474</u></u>	<u><u>772,416</u></u>	<u><u>1,471,371</u></u>	<u><u>1,256,605</u></u>	<u><u>359,147</u></u>	<u><u>9,364,013</u></u>	<u><u>8,685,373</u></u>

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

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Consolidated Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,501,654	\$ 14,505,125
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	194,995	43,008
Noncash contributions	(2,911,690)	(2,184,120)
Net realized and unrealized (gain) loss on investments	(1,815,622)	(3,430,158)
(Increase) decrease in:		
Contributions and other receivables	2,823,072	(2,454,157)
Prepaid expenses	(37,111)	4,098
Other assets	(32,487)	(15,498)
Split interest agreements and interest in remainder and lead trusts	(569,253)	(926,307)
Increase (decrease) in:		
Accounts payable and accrued expenses	162,515	14,082
Deferred revenue	(17,672)	(23,878)
Grants payable	46,427	65,375
Funds held as agency endowment	(57,697)	(17,368)
Annuity obligations	(451,496)	(30,413)
Net Cash Provided by (Used in) Operating Activities	5,835,635	5,549,789
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(5,462,335)	(3,669,459)
Purchase of investments	(41,545,589)	(28,106,261)
Proceeds from sale of investments	35,564,576	23,483,648
Net Cash Provided by (Used in) Investing Activities	(11,443,348)	(8,292,072)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Cash Provided by (Used in) Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(5,607,713)	(2,742,283)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	7,125,343	9,867,626
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 1,517,630	\$ 7,125,343
<b>Reconciliation to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 563,546	\$ 1,122,179
Restricted cash for construction	954,084	6,003,164
Total cash, cash equivalents, and restricted cash for construction	\$ 1,517,630	\$ 7,125,343
<b>Supplementary Information</b>		
Cash paid for interest	\$ 455,563	\$ 321,475

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



## SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

#### **NOTE A – PURPOSE OF FOUNDATION**

The Southwest Florida Community Foundation, Inc. (the “Foundation”) is a Florida not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Foundation is a public charity as described in the Code.

The Foundation's mission is to cultivate regional change for the common good. Rooted in philanthropy, the Foundation focuses on improving the quality of life for everyone who lives, works, learns and plays in Southwest Florida. The Foundation does this through inspiring collective leadership, serving as a concierge of philanthropy, identifying and monitoring the Foundation's work through research and outcomes, and providing capacity building grants and training to nonprofit partners.

The Foundation's work is inclusive. It involves people from business, education, government, nonprofits, philanthropists, community leaders and residents across our five-county service area (Lee, Charlotte, Collier, Hendry and Glades Counties). While performing traditional community foundation activities, the Foundation is developing into the community foundation for the future. It is this new philanthropic approach that led the Foundation to rethink its role in the community and to take its expanded identity into consideration when seeking a new physical office space and location on the site of the Atlantic Coast Line Railroad Depot (“Depot”), in Fort Myers, Florida.

During fiscal year 2017, the Foundation set up a Florida not-for-profit organization called the SWFLCF Support Organization, Inc. (“Support Organization”). The Support Organization was organized as a Section 509(a)(3) of the Code and qualifies as a Type I Supporting Organization exempt under Section 501(c)(3) of the Code. Its purpose is to acquire by lease, rehabilitate and restore the Depot and construct a Collaboratory adjacent to the Depot.

#### **NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

##### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and the Support Organization and are collectively referred to herein as the Foundation. All significant inter-organizational transactions and balances have been eliminated in the consolidated financial statements.

##### Basis of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred. Unrealized gains and losses resulting from changes in market values of investment securities are included in net investment earnings in the period in which the change occurs. Investments in marketable securities with readily determinable fair values are stated at fair market value in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation

In accordance with the *Not-for-Profit Entities* (Topic 958) of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent funds available for grantmaking and general operations which are not otherwise limited by donor restrictions. Net asset previously referred to as unrestricted net assets are now referred to as net assets without donor restrictions.

Net asset with donor restrictions consists of funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time. Net assets previously reported as temporarily restricted and permanently restricted net assets are now referred to as net assets with donor restrictions.

The statement of activities and changes in net assets includes certain prior year 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 GAAP. 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.

Board Designated Funds

The funds of the Foundation are generally classified as net assets without donor restrictions, because the governing instruments of the Foundation allow for the Foundation to exercise its variance power to modify any restrictions if such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community.

Portions of the funds without donor restrictions of the Foundation have been designated by the Trustees for specific uses. The Foundation’s policy is to use its best efforts to carry out the purpose, intent, and spirit of each donor’s gift. If a gift is not controlled by a gift instrument, then the final decision as to the distributions of these designated funds may be made solely by the Trustees of the Foundation.

The following is a schedule of Board Designated funds by type:

<u>Fund Type</u>	<u>Market Value June 30, 2019</u>	<u>Market Value June 30, 2018</u>
Advised	\$ 24,402,566	\$ 19,301,963
Designated	18,296,730	17,968,261
Designated Principal	1,157,186	1,049,709
Field of Interest	24,728,124	19,701,228
Scholarship	15,473,839	15,291,504
Total board designated funds	<u>\$ 84,058,445</u>	<u>\$ 73,312,665</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions

The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities and changes in net assets as net assets released from restrictions. When gifts with donor restrictions are received, and the restrictions are met within the same reporting period, the gifts are recorded as without donor restrictions.

Fund Giving Policy

All funds under management of the Foundation, except for funds classified as donor advised or designated principal, are subject to the Foundation's stated giving policy. Giving policies of funds classified as donor advised or designated principal are dictated by their respective fund agreements. The amount to be distributed (given) from all other Foundation assets will be reviewed no less frequently than annually by the Foundation's Finance Committee and appropriate recommendations made to the Board of Trustees. It is expected that the annual amount to be distributed from Foundation invested assets will be between 3% and 5% of the average market values of the funds for the previous twelve (12) quarters. In addition, the Finance Committee will review and consider the appropriate amount of assets to be held in highly liquid investments each year to ensure adequate cash flow.

Contributions and Other Receivables

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions and other receivables consisted of contributions receivable of \$562,017 and other receivables of \$695,333 as of June 30, 2019 and contributions receivable of \$1,164,921 and other receivables of \$2,915,591 as of June 30, 2018.

Contributions and other receivables are expected to be received within one (1) year and management has determined the contributions and other receivables are fully collectible.

Cash and Equivalents

For purposes of these financial statements, the Foundation considers bank accounts, money market funds and short-term investments with a maturity of three months or less when purchased, except for those managed as part of investment strategies, to be cash equivalents. The Foundation maintains bank accounts which, at times, may exceed federally insured limits.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

Investment securities are stated at fair value. Donated investments are recorded at fair value at the time the contribution is received.

The Foundation's current policy states that the Foundation's investments shall be diversified to limit the specific risk associated with any single security or class of securities. The diversification is to be both by asset class and, within asset classes, by economic sector, industry, and market capitalization. Concentrations in one specific industry sector and concentrations in stock must not exceed 25%, or in fixed income investments, 4% for any one issuer (excluding US Government issues).

Concentration of Credit Risk

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist principally of temporary cash investments, receivables, and investments. The Foundation places its temporary cash and other investments with high-credit quality financial institutions and investment managers. Temporary cash and other investments may at times exceed federally and privately insured amounts.

The contributions and other receivable balance consisted of receivables from three parties as of June 30, 2019 and two parties as of June 30, 2018.

Property and Equipment

The Foundation records its property and equipment at cost and depreciates such assets over the estimated useful lives of the related assets. The Foundation capitalizes all property and equipment expenditures in excess of \$5,000. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is computed for financial reporting purposes using the straight-line method.

Functional Expense Classification

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. Such expenses are further categorized as:

- (a) program services, including grants and scholarships; services to other nonprofits; philanthropic, civic, and collaborative leadership through SWFL Collaboratory; and other collective impact programs;
- (b) supporting activities, including administrative support; facilities operations, and maintenance; and development and fundraising costs.

The financial statements report categories of costs attributable to programs and supporting activities. Direct costs are allocated to each program or activity. Indirect costs are allocated to each program based upon estimates of time spent on each of the activities for personnel expenses and by square footage for occupancy expenses.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under the Internal Revenue Code and has been classified as an organization that is not a private foundation under the Internal Revenue Code.

Currently, the prior three tax periods for fiscal years ended June 30, 2016 through June 30, 2018 are open and subject to examination by the Internal Revenue Service. The Foundation is not currently under audit.

Based on an evaluation of the Foundation's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded.

Agency Endowment Funds

Financial Accounting Standards have requirements that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of such fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency endowment funds.

The Foundation maintains variance power and legal ownership of the agency endowment funds and reports the funds as assets of the Foundation equal to the fair value of the funds and a corresponding liability in the accompanying statement of financial position. The consolidated financial statements are presented net of the activity in these funds.

The transactions of the agency endowment funds are recorded as changes in the asset account. The corresponding liability account is adjusted for the net activity recorded in the asset account.

At June 30, 2019 and 2018, the Foundation had 86 and 87 agency endowment funds totaling \$2,614,455 and \$2,672,152, respectively.

The following table summarizes the activity in the agency endowment funds for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Agency Endowment Fund Balance – Beginning of Year	\$ 2,672,152	\$ 2,689,520
Contributions	13,755	10,050
Distributions	(164,010)	(205,293)
Net investment return	92,558	177,875
Agency Endowment Fund Balance – End of Year	<u>\$ 2,614,455</u>	<u>\$ 2,672,152</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

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

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profits Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information and about liquidity and availability of resources, and lack of understanding in the type of information provided about expenses and investment return. The Foundation adopted ASU 2016-14 beginning with the year ended June 30, 2019 and has been applied retrospectively to all periods presented.

Reclassifications

Certain reclassifications have been made to the presentation of the financial statements for the year ended June 30, 2018 to correspond to the current year's format. Investment expenses of \$199,559 have been reclassified from expenses to net investment return and partner support revenue of \$542,365 has been reclassified from program expenses to collaboratory and community programs support on the statement of activities and changes in net assets. Total net assets and the change in net assets remain unchanged.

Subsequent Events

Subsequent events have been evaluated through November 12, 2019, the date which the consolidated financial statements were available to be issued.

**NOTE C – INVESTMENTS**

The market value and cost of investments as of June 30 are as follows:

	2019		2018	
	Market Value	Cost	Market Value	Cost
SEI Investments	\$ 89,791,766	\$ 92,360,801	\$ 86,156,633	\$ 81,798,417
Wellington Management	6,233,983	6,000,000	-	-
Lucas Capital Mgt.	133,430	115,693	144,285	120,708
Investors' Security Trust	350,658	300,494	342,331	301,514
Subtotal Investment Securities	\$ 96,509,837	\$ 98,776,988	\$ 86,643,249	\$ 82,220,639
Real property	702,500	772,000	-	-
Total Investments	\$ 97,212,337	\$ 99,548,988	\$ 86,643,249	\$ 82,220,639

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE C – INVESTMENTS (continued)**

The primary long-term investment objective of the Foundation is to preserve real (inflation-adjusted) purchasing power of Foundation assets and earnings, after accounting for investment returns, fees, spending and inflation. The Foundation Board of Trustees sets investment policies to supervise, monitor and evaluate the investment of Foundation assets. The established policies are reviewed no less than annually and modified as needed.

To provide better diversification of investments across a representative array of asset classes, the investment policy allows for investments in equities equal to 55% of the total portfolio, fixed income and cash equal to 30% of the total portfolio, and alternative investments equal to 15% of the total portfolio. These percentages may vary by +/- 15%, +/- 15%, and +/- 10% respectively.

The Foundation had alternative investments in diversified mutual funds at June 30, 2019, with a market value of \$2,743,318 and a cost of \$2,872,855. The alternative investments in diversified mutual funds at June 30, 2018 was \$2,718,225 market value with a cost of \$2,872,855. The difference between the original cost and the market value has been included as unrealized gains (losses) on investments in net investment earnings.

**NOTE D – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Financial Accounting Standards are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE D – FAIR VALUE MEASUREMENTS (continued)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Direct holdings: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and exchange traded funds: Valued at the net asset value ("NAV") of the shares held at year end as a readily determinable market value.

Alternative Investments - Hedge fund: Valued at NAV as a practical expedient. Value of the fund is determined using the fair value of the portfolio. The fair value of the portfolio is calculated independently by the fund's administrator and includes a valuation of the underlying investment funds net of management and other fees.

Split Interest Agreements:

Interest in remainder and lead trusts: Value is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables, an assumed growth rate of 5.0% and a 2.8% discount rate.

Charitable gift annuities: Valued at the fair value of the donated assets which consist of publicly traded mutual funds.

Other remainder interests: Value is calculated as the cash value of the insurance policy less the surrender charge.

Annuity obligations: Consist of the present value of the expected future payments, based on the expected mortality and earnings rate.

Real property: Valued based on appraisal and subsequent sale of property.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, 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 fair value measurement at the reporting date.



SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE D – FAIR VALUE MEASUREMENTS (continued)**

The following table sets forth by level within the fair value hierarchy, the Foundation's financial instruments at fair value with a reconciliation of investments measured at net asset value and annuity obligations at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 2,510	\$ -	\$ -	\$ 2,510
Direct holdings				
Domestic equity	31,290	-	-	31,290
International equity	6,197	-	-	6,197
Exchange traded funds	43,417	-	-	43,417
Mutual funds				
Money market funds	6,595,726	-	-	6,595,726
Domestic equity	33,937,299	-	-	33,937,299
International equity	29,190,783	-	-	29,190,783
Fixed income	23,959,297	-	-	23,959,297
Real property	-	702,500	-	702,500
Total investments				
in the fair value hierarchy	<u>93,766,519</u>	<u>702,500</u>	<u>-</u>	94,469,019
Investments at net asset value				
Alternative Investments – Hedge fund				<u>2,743,318</u>
Total investments at fair value				<u><u>97,212,337</u></u>
Total investments				
in the fair value hierarchy from above	<u>93,766,519</u>	<u>702,500</u>	<u>-</u>	<u>94,469,019</u>
Split interest agreements				
Interest in remainder and lead trusts	-	-	23,541,626	23,541,626
Charitable gift annuities	-	733,849	-	733,849
Other remainder interests	-	-	248,481	248,481
Total split interest agreements				
in the fair value hierarchy	<u>-</u>	<u>733,849</u>	<u>23,790,107</u>	<u>24,523,956</u>
Annuity obligations				
in the fair value hierarchy	<u>-</u>	<u>-</u>	<u>(373,248)</u>	<u>(373,248)</u>
Total in the fair value hierarchy	<u>\$ 93,766,519</u>	<u>\$ 1,436,349</u>	<u>\$ 23,416,859</u>	<u>\$ 118,619,727</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE D – FAIR VALUE MEASUREMENTS (continued)**

The following table sets forth by level within the fair value hierarchy, the Foundation's financial instruments at fair value with a reconciliation of investments measured at net asset value and annuity obligations at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 20,807	\$ -	\$ -	\$ 20,807
Direct holdings				
Domestic equity	900,864	-	-	900,864
International equity	74,205	-	-	74,205
Exchange traded funds	51,361	-	-	51,361
Mutual funds				
Money market funds	2,297,267	-	-	2,297,267
Domestic equity	36,021,979	-	-	36,021,979
International equity	23,137,124	-	-	23,137,124
Fixed income	<u>21,421,417</u>	<u>-</u>	<u>-</u>	<u>21,421,417</u>
Total investments in securities in the fair value hierarchy	<u>83,925,025</u>	<u>-</u>	<u>-</u>	83,925,025
Investments in securities at net asset value				
Alternative Investments – Hedge fund				<u>2,718,225</u>
Total investments in securities at fair value				<u>86,643,249</u>
Total investments in securities in the fair value hierarchy from above	<u>83,925,025</u>	<u>-</u>	<u>-</u>	<u>83,925,025</u>
Split interest agreements				
Interest in remainder and lead trusts	-	-	22,322,888	22,322,888
Charitable gift annuities	-	1,431,784	-	1,431,784
Other remainder interests	<u>-</u>	<u>-</u>	<u>200,031</u>	<u>200,031</u>
Total split interest agreements in the fair value hierarchy	<u>-</u>	<u>1,431,784</u>	<u>22,522,919</u>	<u>23,954,703</u>
Annuity obligations in the fair value hierarchy	<u>-</u>	<u>-</u>	<u>(824,744)</u>	<u>(824,744)</u>
Total in the fair value hierarchy	<u>\$ 83,925,025</u>	<u>\$ 1,431,784</u>	<u>\$ 21,698,175</u>	<u>\$ 107,054,984</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE D – FAIR VALUE MEASUREMENTS (continued)**

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation’s level 3 instruments for the year ended June 30, 2019:

	Interest in Remainder and Lead Trusts	Annuity Obligations	Other Remainder Interests
Balance, beginning of year	\$ 22,322,888	\$ (824,744)	\$ 200,031
Payments and change in value	1,218,738	552,509	19,330
Purchases, sales, issuances and settlements (net)	-	(101,013)	29,120
Balance, end of year	<u>\$ 23,541,626</u>	<u>\$ (373,248)</u>	<u>\$ 248,481</u>

The table below sets forth a summary of changes in the fair value of the Foundation’s level 3 instruments for the year ended June 30, 2018:

	Interest in Remainder and Lead Trusts	Annuity Obligations	Other Remainder Interests
Balance, beginning of year	\$ 21,354,848	\$ (855,157)	\$ 172,643
Payments and change in value	745,245	130,887	(1,732)
Purchases, sales, issuances and settlements (net)	222,785	(100,474)	29,120
Balance, end of year	<u>\$ 22,322,888</u>	<u>\$ (824,744)</u>	<u>\$ 200,031</u>

The following table sets forth a summary of the Foundation’s investments for which fair value is estimated using the net asset value per share as a practical expedient:

Fair Value Estimated Using Net Asset Value at June 30, 2019				
Mutual Funds	Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ <u>2,743,318</u>	\$ <u>-</u>	Quarterly	95 days

Fair Value Estimated Using Net Asset Value at June 30, 2018				
Mutual Funds	Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Hedge fund	\$ <u>2,718,225</u>	\$ <u>-</u>	Quarterly	95 days

## SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

#### **NOTE D – FAIR VALUE MEASUREMENTS (continued)**

The hedge fund comprises direct or indirect investment in offshore hedge funds of funds with an investment objective to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle. The valuation techniques used to measure fair value attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. Considerable judgment is required to interpret the factors used to develop estimates of the fair value. Valuations of the underlying investment funds are obtained and reviewed. The securities that are valued by the funds are interests in the investment funds and not the underlying holdings of such investment funds. Thus, the inputs used to value the investments in each of the underlying funds may differ from the inputs used to value the underlying holdings of such funds. In determining the fair value of a security, the fund managers may consider any information that is deemed relevant regarding the portfolio security.

#### **NOTE E – SPLIT INTEREST AGREEMENTS AND REMAINDER INTERESTS**

##### Interests in Remainder Trusts

The Foundation is designated as a remainder beneficiary under various trusts, many of which are charitable remainder trusts. Under the terms of these agreements, the income beneficiaries receive distributions for a given term or life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust, which represent the remainder interest of the Foundation, will be transferred to the Foundation. The Foundation is neither the trustee nor does it exercise any control over the assets. The beneficial interest in these assets has been recorded at the present value of the estimated future benefits to be received, based on expected mortality and earnings rate.

##### Interests in Lead Trusts

The Foundation is a beneficiary under various lead trusts. Under the terms of these agreements, the Foundation receives income distributions for a given term or life of the donor. At the end of the term or upon the death of the donor, the Foundation no longer receives income distributions and is not entitled to trust assets. The Foundation is neither the trustee nor does it exercise any control over the assets. The beneficial interest in the income distributions has been recorded at the present value of the estimated future benefits to be received, based on the given term or expected mortality and earnings rate.

##### Charitable Gift Annuities

The Foundation has received donations to issue charitable gift annuities. The charitable gift annuity is a combination of a gift to the Foundation and an annuity for the designated beneficiary. The donor transfers property to the Foundation and the Foundation promises to pay a given amount at the end of each selected payment period to the designated income beneficiary for life or the designated term of the annuity. At the end of the annuity period, the remainder is transferred to the Foundation with no probate cost.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE E – SPLIT INTEREST AGREEMENTS AND REMAINDER INTERESTS (continued)**

Charitable Gift Annuities (continued)

The assets received are recorded at their fair value and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of the expected future payments, based on the expected mortality and earnings rate.

In accordance with Florida Statute Chapter 627, the Foundation is required to maintain minimum reserves plus a specified surplus related to outstanding annuity agreements. The reserve requirement at June 30, 2019 and 2018 were \$495,319 and \$1,156,420, respectively. The Foundation maintained more than the required total reserve amounts totaling \$733,849 and \$1,431,784 as of June 30, 2019 and 2018, respectively.

Other Remainder Interests

The Foundation purchased a Joint and Survivor Life Insurance Policy on the lives of specified donors under an agreement for which they mutually understand the nature and purpose of the agreement. The gift made thereby is to provide an endowment fund. The face amount of the policy is \$1,500,000 and the present value of the Foundation's interest in the policy is \$248,481 and \$200,031 at June 30, 2019 and 2018, respectively.

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2019	2018
Land lease	\$ 183,978	\$ 183,978
Construction in progress	8,856	4,683,339
Software and equipment	681,642	124,750
Artwork collection	164,525	25,288
Leasehold improvements	9,455,176	-
Total Property and Equipment	10,494,177	5,017,355
Less: Accumulated depreciation and amortization	(194,995)	(124,750)
Total Property and Equipment, Net	\$ 10,299,182	\$ 4,892,605

Depreciation and amortization expense was \$194,995 and \$43,008 for the years ended June 30, 2019 and 2018, respectively. Construction in progress is not currently subject to depreciation.

Construction in progress relates to the rehabilitation and restoration of the 9,400 square foot Historic Depot and construction of a 13,160 square foot building adjacent to it. Upon completion on January 2, 2019, the facility became the new location of the Foundation and a resource for the community.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE F – PROPERTY AND EQUIPMENT (continued)**

The project budget totals \$10,353,179 of which \$9,399,095 and \$4,683,339 had been expended by the Support Organization as of June 30, 2019 and 2018, respectively.

The remaining amount of \$8,856 under construction in progress at June 30, 2019 consists of additional items paid by the Foundation for the completion of the building.

Subsequent to June 30, 2019, \$954,084 of project costs were approved and authorized for disbursement from restricted cash for construction.

**NOTE G – NEW MARKET TAX CREDIT FINANCING**

During fiscal year 2017, the Foundation entered into debt transactions whereby funds were available through the New Markets Tax Credit (“NMTC”) program for the financing of the construction of the new location. The SWFLCF Support Organization, Inc. was created as part of these transactions.

The NMTC program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (“QEIs”) in designated Community Development Entities (“CDEs”). These designated CDEs must use substantially all (85%) of the proceeds to make Qualified Low-Income Community Investments (“QLICs”). The investor is provided with a tax credit, which is claimed over a seven-year period.

On December 22, 2016, the Foundation borrowed \$7,300,000 from Whitney Bank with interest only monthly payments at the fixed rate of 4.29% per annum for seven years with the balance to be paid on December 22, 2023. The Foundation was able to lock in the fixed rate by using an interest rate swap agreement with Whitney Bank to reduce the impact of changes in interest rates on its floating rate long-term debt. The interest rate swap agreement matures on December 22, 2023. The mark-to-market valuation of the swap agreement was deemed to be immaterial by management for financial statement purposes. As collateral for the loan, the Foundation pledged part (\$9,125,000) of its securities investments and must maintain a loan to value ratio not to exceed 80%.

The Foundation also entered into a funding agreement with the City of Fort Myers whereby the City will provide the funds to repay the balance of the \$7,300,000 loan on December 22, 2023. In addition, the Foundation, the Community Redevelopment Agency (“CRA”) of Fort Myers, and the City of Fort Myers also entered into a subsidy agreement for the Atlantic Coast Line Railroad Depot. Over the course of five (5) years ending on October 30, 2021, the CRA and the City of Fort Myers will provide the Foundation \$100,000 each for renovation and improvements of the Depot.

On December 22, 2016, the Foundation loaned \$6,651,000 to the Twain Investment Fund (the “Twain Fund”) and contributed \$569,509 to the Support Organization. The Twain Fund also received equity (\$3,349,000) from a tax credit investor and then made a QEI (\$10,000,000) in FCNMF 19, LLC (the “CDE”), a wholly owned subsidiary of the Florida Loan Community Fund. The Twain Fund loan requires interest only to be paid at the rate of 1% per annum to the Foundation.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE G – NEW MARKET TAX CREDIT FINANCING (continued)**

The CDE made two loans to the Support Organization in the amount of \$6,651,000 (Facility A Loan) and \$2,849,000 (Facility B Loan) totaling \$9,500,000. Facility loans A and B require interest only to be paid at the rate of 1.434% per annum commencing on a semi-annual basis on June 1, 2017 and ending on June 1, 2024. After that time, semi-annual payments of interest and principal in arrears sufficient to fully amortize the principal balance over the remaining term of the loans are to be made ending on the maturity date of December 1, 2051, or an accelerated date based on the occurrence of any uncured event of default.

In making the Twain Fund loan, the Foundation entered into an agreement with U.S. Bancorp Community Development Corporation (“USBCDC”), owner of the Fund. This agreement allows USBCDC to put its interest in the Fund to the Foundation for a six-month period (“Put Option Period”) commencing on December 23, 2023.

If USBCDC elects to exercise this put option, the Foundation will pay a purchase price of \$1,000 plus any transfer taxes or closing costs. If the put is not exercised, the Foundation can exercise a call option during the following six-month period to purchase USBCDC’s ownership interest in the fund at an amount equal to the fair market value of the ownership interest as determined by mutual agreement among the parties, or if there is no such agreement, then by a qualified independent appraiser.

Total interest incurred during the years ended June 30, 2019 and 2018, was \$455,563 and \$321,475, respectively, of which \$121,510 and \$321,475 was capitalized as of June 30, 2019 and 2018, respectively, and \$334,053 was expensed during the year ended June 30, 2019. No interest was expensed during the year ended June 30, 2018.

**NOTE H – GRANT COMMITMENTS**

The Foundation has approved grants payable in the following years:

Year Ending June 30,	
2020	\$ 1,104,677
2021	121,200
2022	37,200
2023	17,300
2024	2,000
Thereafter	1,000
	<u>\$ 1,283,377</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE I – LEASE COMMITMENTS**

The Foundation leased office space under a lease agreement dated and effective June 24, 2011, for a period of seven (7) years. The monthly base rent as of June 30, 2018, was \$4,745. Additionally, there was a monthly fee of \$2,311 added to the base rent for common area maintenance costs. The Foundation did not renew the lease at June 30, 2018. Rent expense for the year ended June 30, 2018 was \$77,570. The Foundation relocated to a temporary office space until completion of its new building. Temporary office rent expense for the years ended June 30, 2019 and 2018 was \$6,000 and \$8,600, respectively.

The Foundation also maintained a presence within its service areas in three satellite locations (Sanibel, LaBelle, and the Historic River District in Fort Myers) for the purposes of donor outreach under various agreements generally on a month-to-month basis cancellable with thirty (30) days notice. Expenses for the years ended June 30, 2019 and 2018 were \$4,224 and \$11,724, respectively.

The Support Organization entered into a lease and development agreement on December 12, 2016, to lease the Depot and the real property on which it is located for a term of forty (40) years with the right to renew the lease for five (5) additional ten (10) year terms. The rent for the term of the lease and any renewal periods is \$1.00 per annum. The Support Organization is required to substantially rehabilitate and restore the Historic Depot to its original design and character and construct a 13,162 square foot building adjacent to the Historic Depot.

The fair value the Foundation receives for the use of the facilities at a below-market rental rate is \$183,978 and was recorded as land as of June 30, 2018. The land is amortized over the term of the lease (forty (40) years).

On December 22, 2016, the Foundation entered into an operating lease agreement with the Support Organization to lease the property from the Support Organization for a period of forty (40) years beginning on June 1, 2018 and ending on June 1, 2046. The base rent is paid semi-annually in arrears on June 1 and December 1 of each calendar year. The rent for the period from June 1, 2018 to June 1, 2024, is \$157,000 per annum and for the period from June 1, 2024 to June 1, 2046, is \$445,000 per annum. The Foundation is responsible for insurance, repairs, maintenance, and utilities on the property.

The Foundation entered into an equipment lease agreement with the Support Organization to lease equipment to be purchased through the NMTC Financing beginning January 1, 2018 and ending on December 1, 2020. The Foundation shall make semi-annual rent payments of \$3,500 beginning on December 1, 2018. Upon the expiration of the term of this lease, the Foundation may purchase the equipment at fair market value as determined by an appraisal mutually acceptable to the Foundation and the Support Organization.



SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE J – RETIREMENT PLANS**

The Foundation adopted the 403(b) Thrift Plan for the Southwest Florida Community Foundation, Inc. (the “403(b) Plan”) as of January 1, 2015, for the benefit of its employees. All employees scheduled to work at least 1,000 hours per calendar year are eligible to participate as of the first of the month following or coincident with their dates of hire. Employees can contribute up to the amount allowed by the Internal Revenue Code and the Foundation will match up to 3% of the employees’ salaries. Participants in the Plan are 100% vested in the Foundation’s contributions. The Foundation’s contributions for the years ended June 30, 2019 and 2018 were \$33,759 and \$23,925, respectively.

The Foundation adopted, as of July 1, 2015, an Eligible 457(b) Deferred Compensation Plan and an Eligible 457(f) Deferred Compensation Plan for the President & Chief Executive Officer of the Foundation. The plans have a graduated vesting schedule whereby the President & Chief Executive Officer is 50% vested after five (5) years; 75% vested after seven (7) years and 100% vested after ten (10) years of service after the date of the inception of the plans. Contributions to these plans, made by the Foundation as determined by the Board of Trustees based upon the employee’s performance, totaled \$28,000 and \$21,580 for the years ended June 30, 2019 and 2018, respectively.

The plans’ total assets of \$96,324 and \$63,837 as of June 30, 2019 and 2018, respectively, are included on the Foundation’s statements of financial position as an asset and a corresponding liability.

The following table presents a reconciliation for the balances of the 457(b) and 457(f) plans for the years ended June 30, 2019 and 2018:

	457(b) Plan	457(f) Plan	Total Plans
Beginning balance, July 1, 2018	\$ 58,624	\$ 5,213	\$ 63,837
Employer contributions	18,000	10,000	28,000
Investment return	3,828	659	4,487
Ending balance, June 30, 2019	<u>\$ 80,452</u>	<u>\$ 15,872</u>	<u>\$ 96,324</u>
	457(b) Plan	457(f) Plan	Total Plans
Beginning balance, July 1, 2017	\$ 38,911	\$ 9,428	\$ 48,339
Employer contributions	18,000	3,580	21,580
Investment return	1,713	(7,795)	(6,082)
Ending balance, June 30, 2018	<u>\$ 58,624</u>	<u>\$ 5,213</u>	<u>\$ 63,837</u>

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE K - NET ASSET CLASSIFICATION**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for programs	\$ <u>240,406</u>	\$ <u>337,974</u>
Subject to the passage of time:		
Funds awaiting agreements	1,360	185,891
Split interest agreements and remainder trusts	24,150,705	23,129,959
Land lease	<u>181,557</u>	<u>183,978</u>
	<u>24,333,625</u>	<u>23,499,828</u>
Donor restricted endowment funds to be held in perpetuity for the following purposes:		
Field of interest	149,271	148,988
Advised	544,416	558,558
Scholarship	204,002	203,016
Designated	375,000	355,000
Designated principal	66,000	66,000
Operations	<u>40,000</u>	<u>40,000</u>
	<u>1,378,689</u>	<u>1,371,562</u>
Total net assets with donor restrictions	\$ <u>25,952,720</u>	\$ <u>25,209,364</u>

**NOTE L - ENDOWMENT FUNDS**

The Foundation follows authoritative guidance intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This guidance provides clarity on classifying the net assets associated with donor-restricted endowment funds held by an organization that is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

The guidance also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations.

Endowment Funds

The Foundation's endowment consists of 504 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

## SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

#### **NOTE L - ENDOWMENT FUNDS (continued)**

##### Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted FUPMIFA as requiring the preservation of the fair value of the original endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the fund. The remaining portion of the donor-restricted endowment fund is classified as without donor restriction until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

##### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. The primary objective of the Finance Committee is to provide for adequate, total investment return without undue exposure to market risk to enable the Foundation to accomplish its charitable purpose and to support programs on a continuing and reasonably consistent basis.

##### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE L - ENDOWMENT FUNDS (continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year between 3% and 5% of the average of its endowment funds' quarterly fair values over the prior twelve (12) quarters through the fiscal year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its net assets. This is consistent with the Foundation's objective to provide for adequate total investment return without undue exposure to market risk.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor required the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, at June 30, 2019, deficiencies of this nature that are reported as a reduction in net assets with donor restrictions were \$31,982, resulting from funds with original gift values of \$1,410,671 and fair values of \$1,378,689. At June 30, 2018, deficiencies of \$34,109 were reported resulting from funds with original gift values of \$1,405,671 and fair values of 1,371,562. These deficiencies resulted from unfavorable market fluctuations, minimum balances lower than required not met, and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Endowment Funds by Net Assets Classification

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 84,058,445	\$ -	\$ 84,058,445
Donor restricted	-	1,378,689	1,378,689
Total endowment funds	\$ 84,058,445	\$ 1,378,689	\$ 85,437,134
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated	\$ 73,312,665	\$ -	\$ 73,312,665
Donor restricted	-	1,371,562	1,371,562
Total endowment funds	\$ 73,312,665	\$ 1,371,562	\$ 74,684,227

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE L - ENDOWMENT FUNDS (continued)**

Changes in Endowment Funds

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 73,312,665	\$ 1,371,562	\$ 74,684,227
Contributions	13,429,585	5,000	13,434,585
Net investment return	2,932,839	2,127	2,934,966
Satisfaction of program restrictions	(5,616,644)	-	(5,616,644)
Endowment net assets, end of year	\$ 84,058,445	\$ 1,378,689	\$ 85,437,134
	2018		
	Without Donor Restrictions	With Donor Restricted	Total
Endowment net assets, beginning of year	\$ 67,567,108	\$ 1,237,858	\$ 68,804,966
Contributions	6,895,759	143,937	7,039,696
Net investment return	4,488,695	(10,233)	4,478,462
Satisfaction of program restrictions	(5,638,897)	-	(5,638,897)
Endowment net assets, end of year	\$ 73,312,665	\$ 1,371,562	\$ 74,684,227

**NOTE M - LIQUIDITY**

Financial assets available for distributions and operations within one year of the statements of financial position date, comprise the following at:

	2019	2018
Liquidity for distributions and operations		
Cash and cash equivalents	\$ 563,546	\$ 1,112,179
Contributions and other receivables	1,257,440	4,080,512
Money market funds and short-term investments	6,598,062	2,318,074
Spending-rate distributions	2,406,200	2,279,549
Operating appropriations	2,685,230	2,397,059
Financial assets available for expenditure within a year	\$ 13,510,478	\$ 12,187,373

The Foundation's board designated funds are subject to an annual spending-rate ranging from 3% to 5%. Although the Foundation does not intend to spend from the board-designated endowments (other than the spending-rate distributions and operating appropriations), these amounts could be made available if necessary.

SOUTHWEST FLORIDA COMMUNITY FOUNDATION, INC.

Notes to Consolidated Financial Statements  
June 30, 2019 and 2018

**NOTE M - LIQUIDITY (continued)**

As part of the Foundation's liquidity management, the Foundation's policy is to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in money market funds and other short-term investments.

Assets in endowed funds are pooled for investment with liquidity managed through the pools' target allocation of illiquid investments and periodic review of current illiquidity and any projected exposure to managers with lock-up provisions.