

# FINANCIAL REPORT



JUNE 30, 2013



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## ***INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS***

Board of Governors  
International Community Foundation  
and Supporting Organization  
National City, California

We have audited the accompanying consolidated financial statements of the International Community Foundation and Supporting Organization (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 risks 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion** – In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the International Community Foundation and Supporting Organization as of June 30, 2013, and the changes in its net assets and its 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 International Community Foundation's June 30, 2012 financial statements, and our report dated September 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matter** – Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated statements of financial position and activities on page 15 and 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Christopher M. Roberts, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
September 13, 2013

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**June 30, 2013**  
*(With summarized financial information for June 30, 2012)*

	2013	2012 (Note 12)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,089,661	\$ 2,355,899
Accounts receivable		
Contributions	31,575	69,522
Other	518	645
Deposits and prepaid expenses	10,804	14,218
Program related investment (Note 5)	243,089	-
Property and equipment (Note 4)	3,088,479	2,827,917
Investments (Note 2)	<u>12,728,456</u>	<u>11,465,318</u>
Total assets	<u>\$ 18,192,582</u>	<u>\$ 16,733,519</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 112,503	\$ 86,565
Grants payable	1,163,720	983,653
Line of credit	<u>40,212</u>	<u>59,954</u>
Total liabilities	<u>1,316,435</u>	<u>1,130,172</u>
 Net assets:		
Unrestricted	7,764,473	6,903,575
Temporarily restricted (Note 7)	4,455,638	4,048,636
Permanently restricted	<u>4,656,036</u>	<u>4,651,136</u>
Total net assets	<u>16,876,147</u>	<u>15,603,347</u>
Total liabilities and net assets	<u>\$ 18,192,582</u>	<u>\$ 16,733,519</u>

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2013**

*(With summarized financial information for the year ended June 30, 2012)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 (Note 11)</u>
<b>REVENUE</b>					
Gifts and support	\$ 6,759,124	\$ 1,008,149	\$ 4,900	\$ 7,772,173	\$ 7,196,056
Gifts and support (to) from funds	(35,176)	35,176	-	-	-
Investment income	394,320	326,319	-	720,639	123,317
Other income	58,091	-	-	58,091	31,055
Net assets released from restriction	<u>962,642</u>	<u>(962,642)</u>	-	-	-
Total revenue gains and other support	<u>8,139,001</u>	<u>407,002</u>	<u>4,900</u>	<u>8,550,903</u>	<u>7,350,428</u>
<b>EXPENSES</b>					
Program grants					
Environment	3,424,599	-	-	3,424,599	3,107,769
Community and economic development	804,355	-	-	804,355	581,245
Health and human services	844,245	-	-	844,245	551,255
Education	88,663	-	-	88,663	529,828
Arts and culture	<u>5,000</u>	-	-	<u>5,000</u>	<u>6,978</u>
Total program grants	5,166,862	-	-	5,166,862	4,777,075
Charitable expenses	626,840	-	-	626,840	499,646
Olivewood garden	693,860	-	-	693,860	675,863
Administrative expenses:					
Operating	679,431	-	-	679,431	712,469
Fundraising	<u>111,110</u>	-	-	<u>111,110</u>	<u>180,077</u>
Total expenses	<u>7,278,103</u>	-	-	<u>7,278,103</u>	<u>6,845,130</u>
<b>CHANGES IN NET ASSETS</b>	860,898	407,002	4,900	1,272,800	505,298
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>6,903,575</u>	<u>4,048,636</u>	<u>4,651,136</u>	<u>15,603,347</u>	<u>15,098,049</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 7,764,473</u>	<u>\$ 4,455,638</u>	<u>\$ 4,656,036</u>	<u>\$ 16,876,147</u>	<u>\$ 15,603,347</u>

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2013**

**(With summarized financial information for the year ended June 30, 2012)**

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	<u>2013</u>	<u>2012</u> (Note 11)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,272,800	\$ 505,298
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	60,647	59,227
Program related investment provision for doubtful accounts	150,000	-
Net unrealized (gain) loss on investments	(414,751)	117,472
Contribution to permanently restricted endowment	(4,900)	(59,172)
(Increase) decrease in operating assets		
Accounts receivable	38,074	(44,567)
Deposits and prepaid expenses	3,414	(1,369)
Increase (Decrease) in operating liabilities		
Accounts payable and accrued expenses	25,938	(8,291)
Grants payable	<u>180,067</u>	<u>(250,328)</u>
Net cash provided by operating activities	<u>1,311,289</u>	<u>318,270</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(321,209)	(25,760)
Disbursements for program related investment	(393,089)	-
Proceeds from sale of investments	682,399	2,972,225
Net purchase of investments	<u>(1,530,786)</u>	<u>(3,488,348)</u>
Net cash used in investing activities	<u>(1,562,685)</u>	<u>(541,883)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Withdrawals on line of credit	25,000	85,000
Payments on line of credit	(44,742)	(25,046)
Proceeds from contributions permanently restricted	<u>4,900</u>	<u>59,172</u>
Net cash (used in) provided by financing activities	<u>(14,842)</u>	<u>119,126</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(266,238)	(104,487)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,355,899</u>	<u>2,460,386</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 2,089,661</u>	<u>\$ 2,355,899</u>

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Foundation and Supporting Organization**

The International Community Foundation (ICF) is a nonprofit organization founded in 1990 and committed to working with donors to expand charitable giving internationally. While we are currently focused in Mexico and Latin America, we are committed to expanding U.S. charitable giving internationally, by working with donors to increase their commitment to make a difference abroad. The Foundation is focused in the areas of environment, community, economic development, education, health, and human services.

ICF formed a Type 1 supporting organization named the ICF Center for Cross-Border Philanthropy, dba Olivewood Gardens (the Garden) in 2008 which is operated, supervised, and/or controlled by the supported organization (ICF) in accordance with the Internal Revenue Code. ICF transferred its National City lands and buildings at 2505 N Avenue and 2525 N Avenue to the Garden on October 12, 2009. The Garden operates the Olivewood Gardens school garden program.

**Principles of Consolidation** – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include accounts of the International Community Foundation and the ICF Center for Cross-Border Philanthropy, dba Olivewood Gardens. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

**Method of Accounting** – The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

**Financial Statement Presentation** – The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Cash Equivalents** – Cash equivalents are highly liquid debt instruments with original maturities of three months or less.

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Accounts Receivable** – Management believes that all accounts receivable as of June 30, 2013 and 2012 were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

**Property and Equipment** – Property and equipment are carried at cost for purchased assets or fair value at date of gift for donated assets. Items which cost or have a fair value at the date of the gift of \$500 or more are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2013 was \$60,647.

**Program Related Investment (PRI)** – In accordance with Section 4944 of the Internal Revenue Code, the Foundation is permitted to make investments that further some aspect of its charitable mission. In the year ended June 30, 2013, the Foundation made a PRI. This investment is anticipated to have lower-than-market returns on a risk-adjusted basis.

**Grants Payable** – The Foundation records a liability for grants when they have been approved by the Board of Governors. Grants which are conditional are recorded as liabilities when the conditions to the grants have been met.



**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. A summary of the net asset categories included in the accompanying financial statements is as follows:

**Unrestricted** – Unrestricted net assets represent amounts that are available for various activities including:

- Amounts that are available for the support of the Foundation's operational functions and to support community activities at the discretion of the Board of Governors.
- Donor-advised funds represent amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation's Board of Governors. The Foundation's By-laws give variance power, which under certain unanticipated circumstances, allows for redirection of funds.
- Donor-designated funds represent amounts for which grant recommendations are specific to one organization, subject to final approval by the Foundation's Board of Governors. The Foundation's By-laws give variance power, which under certain unanticipated circumstances, allows for redirection of funds.

**Temporarily Restricted** – Contributions received that are subject to donor restrictions are recorded as temporarily restricted funds. Restrictions are satisfied when the special purpose is accomplished, at which time the amounts are reclassified as unrestricted.

**Permanently Restricted** – The Foundation's commitment is to hold all endowment principal in perpetuity in accordance with the request of the donor. The income from endowment assets is allocated for distribution to program grants, in accordance with the request of the donor. Realized and unrealized gains and losses on these assets are recorded as unrestricted net assets and do not impact the original corpus of the permanently restricted assets. However, the Foundation's By-laws give variance power, which under certain unanticipated circumstances, allow the redirection of principal. Permanently restricted assets are reported at their original value at the time of gift.

**Use of Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** – Certain 2012 financial statement accounts have been reclassified to conform to the 2013 presentation. These classifications have no effect on the reported change in net assets or cash flows.

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

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2. INVESTMENTS**

Investments at June 30, 2013 consist of:

	<u>Market</u>	<u>Cost</u>
At fair value:		
Mutual funds and corporate stock	\$ 6,904,619	\$ 6,853,551
Money market accounts	2,183,750	2,183,750
Certificate of deposits	<u>3,640,087</u>	<u>3,640,087</u>
	<u>\$ 12,728,456</u>	<u>\$ 12,677,388</u>

**NOTE 3. FAIR VALUE OF INVESTMENTS**

The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification No. 820 (ASC 820), Fair Value Measurements, which establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about 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 (an 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:** Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Foundation's statement of financial position includes investments which have been considered Level I assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. All of the Foundation's investments are based upon the quoted market prices at June 30, 2013.

The management of the Foundation is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility the management of the Foundation has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with GAAP.

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2013 consist of the following:

Land	\$ 1,769,009
Buildings	1,035,000
Improvements	561,925
Office equipment	<u>63,373</u>
	3,429,307
Less accumulated depreciation	<u>340,828</u>
	<u>\$ 3,088,479</u>

During the year ended June 30, 2011, the Foundation's property was reassessed by the County of San Diego based on new zoning for institutional use. The property was zoned SR-1 residential when purchased, and now is zoned for institutional use.

**NOTE 5. PROGRAM RELATED INVESTMENT**

The Program Related Investment (PRI) in the statement of financial position represents a below-market rate loan totaling \$393,089 as of June 30, 2013. Interest rate on the loan is 1%, with payments beginning on July 1, 2013. The loan's maturity date is February 15, 2013, at which time the 3<sup>rd</sup> party has the option to refinance the remaining portion of the loan. Management has evaluated the recoverability of the loan and has recorded an allowance of \$150,000 related to this PRI. The loan is scheduled for collection as follows for the years ending June 30:

2014	\$ 23,175
2015	23,408
2016	23,643
2017	23,881
2018	24,121
Thereafter	<u>274,861</u>
	393,089
Less allowance	<u>150,000</u>
	<u>\$ 243,089</u>

**NOTE 6. LINE OF CREDIT**

The Foundation has a line of credit with Union Bank for \$150,000 that expires in April, 2014. At June 30, 2013 there was \$40,212 outstanding on the line of credit.

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

International Community Foundation Center	\$ 2,959,231
ICF special projects	669,898
Permanently restricted funds in excess of corpus	655,332
San Ignacio Lagoon Conservation Easement	<u>171,177</u>
	<u>\$ 4,455,638</u>

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS (continued)**

International Community Foundation Center for Cross-Border Philanthropy, dba Olivewood Gardens (the Garden):

The Garden located in National City, California was contributed to ICF in 2006. The National City building and improvements have been recorded as temporarily restricted net assets and are being depreciated over their useful lives. In the unlikely event that the Garden was to sell the property, the property gift agreement provides for the proceeds of the sale less expenses and the value of facility improvements to the property, to be transferred to a donor advised fund at ICF. Similarly, the Walton Family Foundation (WFF) may direct ICF: (a) to use the Garden's Endowment, or any portion thereof, for an additional purpose or purposes to support ICF's charitable activities (which may include, for example, funding a donor-advised fund at ICF); or (b) to transfer the Endowment, or any portion thereof, to one or more other public charities described in section 509(a)(1), (2) or (3) of the Internal Revenue Code as designated by the WFF, if the WFF in its sole discretion determines that any one or more of the following events has occurred: The Garden disposes of the property or any portion thereof; ICF and/or the Garden fail to use the property in accordance with the terms of Endowment Agreement; or ICF fails to administer the Endowment in accordance with the Endowment Agreement.

San Ignacio Lagoon Conservation Easement:

On October 21, 2005, the Foundation entered into a long-term conservation easement with Maijanu, A.C. and members of Ejido Luis Echevarria Alvarez with the aim of providing long-term stewardship for 120,847 acres of sensitive coastal wetlands located on communal Ejido lands in San Ignacio Lagoon, Baja California Sur near the breeding grounds of the California Grey Whale. The Mexican non-profit organization, Maijuanu, A.C. has been designated as the local fiscal sponsor for this conservation easement.

As part of the agreement, the Foundation commits to make an annual grant payment to Maijanu, A.C. totaling 4% of the Maijanu Fund for re-granting to community based and productive employment projects benefiting Ejido Luis Echevarria Alvarez. The Foundation also commits to grant Pronatura Noreste Mar de Cortes, A.C. up to \$9,600 per year (\$4,800 per site visit) from the Baja Stewardship Fund (formally known as the Laguna San Ignacio Stewardship Fund) to provide long-term stewardship and due diligence for the conservation easement in question.

On May 19, 2010, the Foundation Board approved the name change from the Laguna San Ignacio Stewardship Fund to the Baja Stewardship Fund in recognition of the added number of conservation easements being monitored by Pronatura Noreste Mar de Cortes, A.C. in both Laguna San Ignacio and Bahia de Los Angeles. On May 23, 2012, the Foundation transferred \$350,000 from the Laguna San Ignacio Conservation Fund to the Baja Stewardship Fund to support the long-term stewardship of the 80,000+ hectare UMA in Laguna San Ignacio being stewarded by Pronatura Noreste Mar de Cortes, A.C. As of June 30, 2013, the total fund balance of the Baja Stewardship Fund was \$722,129.

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS (continued)**

Bahia de Los Angeles Conservation Fund--Playa Unica Conservation Easement:

On July 14, 2004, the Foundation's grantee, Pronatura Noreste Mar de Cortes, A.C. entered into a conservation easement to protect and preserve 43.84 hectares of land in Playa Unica located in Bahia de Los Angeles, Baja California with an annual investment of \$200,000 to the Bahia de Los Angeles Conservation Fund. The Foundation committed to biannual payments of \$4,200 to Pronatura on June 30th and December 31st of each year through the Bahia de Los Angeles Conservation Fund. In March 2009, The Foundation was informed that the owners of the land at Playa Unica were in the process of selling their property violating the terms of the conservation easement. Accordingly, in 2009 the Foundation stopped its biannual payments for the conservation easement. On March 31, 2010, the Bahia de Los Angeles Conservation Fund was formally retired with the Foundation Board approving the re-allocation of 60% of the funds to one of the donor advised funds that had originally contributed to the fund's creation. Upon the recommendation of one of the original donors, 40% of the funding was re-allocated to the Baja Stewardship Fund.

**NOTE 8. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are for the benefit of the Center and other philanthropic purposes.

**NOTE 9. NET ASSETS RELEASED FROM RESTRICTION**

Net assets, totaling \$962,642 were released from restriction by satisfying program restrictions during the year ended June 30, 2013.

**NOTE 10. EARNINGS ON PERMANENTLY RESTRICTED ENDOWMENTS**

The Foundation's endowment consists of 14 individual funds with the majority of the funds under management held for the benefit of the ICF Center. The other funds are set up as donor advised, agency, and discretionary endowments. The Endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified based in the existence or absence of donor imposed restrictions. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

**Interpretation of Relevant Law** – The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**NOTE 10. EARNINGS ON PERMANENTLY RESTRICTED ENDOWMENTS (continued)**

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

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

**Funds with Deficiencies** – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2013.

**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 Foundation must hold in perpetuity. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

**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.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** – The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's permanently restricted market value from the previous 3 year average market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. It is the Foundation's policy to not make distributions in excess of the amount available in the temporarily restricted endowment.

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10. EARNINGS ON PERMANENTLY RESTRICTED ENDOWMENTS (continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 349,263	4,651,136	\$ 5,000,399
Investment return:				
Investment income	-	146,728	-	146,728
Net appreciation (realized and unrealized)	-	367,572	-	367,572
Total investment return	-	514,300	-	514,300
Distribution	-	(208,231)	-	(208,231)
Contributions	-	-	4,900	4,900
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 655,332</u>	<u>\$ 4,656,036</u>	<u>\$ 5,311,368</u>

**NOTE 11. CONCENTRATION OF CREDIT RISK**

At June 30, 2013, the Foundation maintains all of its cash and cash equivalents in bank deposits, money market accounts and short term certificates of deposit that are within federally insured deposit limits.

In addition, the Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, mutual funds, money market accounts and longer term certificates of deposit up to 12 months in duration. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect amounts reported on the financial statements.

**NOTE 12. JUNE 30, 2012 FINANCIAL INFORMATION**

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by GAAP. The summarized financial information was derived from the Foundation's June 30, 2012 financial statements. Accordingly, the summarized information should be read in conjunction with the Foundation's complete financial statements for the year ended June 30, 2012.

**NOTE 13. INCOME TAX STATUS**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Foundation has reviewed its positions for all open tax years and has determined that no provision for income tax positions is required.

**NOTE 14. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 15. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after that date and before the consolidated financial statements are available to be issued.

The Foundation has evaluated subsequent events through September 13, 2013, which is the date the consolidated financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.



**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
*June 30, 2013*

	<u>ICF</u>	<u>Center</u>	<u>Total</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,816,342	\$ 273,319	\$ 2,089,661	\$ -	\$ 2,089,661
Accounts receivable					
Contributions	10,925	20,650	31,575	-	31,575
Other	2,586	-	2,586	(2,068)	518
Deposits and prepaid expenses	8,264	2,540	10,804	-	10,804
Program related investment	243,089	-	243,089	-	243,089
Property and equipment	322,332	2,766,147	3,088,479	-	3,088,479
Investments	<u>12,728,456</u>	<u>-</u>	<u>12,728,456</u>	<u>-</u>	<u>12,728,456</u>
Total assets	<u>\$ 15,131,994</u>	<u>\$ 3,062,656</u>	<u>\$ 18,194,650</u>	<u>\$ (2,068)</u>	<u>\$ 18,192,582</u>
<b>LIABILITIES AND NET ASSETS</b>					
Accounts payable and accrued expenses	\$ 70,989	\$ 43,582	\$ 114,571	\$ (2,068)	\$ 112,503
Grants payable	1,163,720	-	1,163,720	-	1,163,720
Line of credit	<u>40,212</u>	<u>-</u>	<u>40,212</u>	<u>-</u>	<u>40,212</u>
Total liabilities	<u>1,274,921</u>	<u>43,582</u>	<u>1,318,503</u>	<u>(2,068)</u>	<u>1,316,435</u>
Total net assets	<u>13,857,073</u>	<u>3,019,074</u>	<u>16,876,147</u>	<u>-</u>	<u>16,876,147</u>
Total liabilities and net assets	<u>\$ 15,131,994</u>	<u>\$ 3,062,656</u>	<u>\$ 18,194,650</u>	<u>\$ (2,068)</u>	<u>\$ 18,192,582</u>

**INTERNATIONAL COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION**  
**SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

	ICF	Center	Total	Eliminating Entries	Total
<b>REVENUE</b>					
Gifts and support	\$ 7,554,644	\$ 458,760	\$ 8,013,404	\$ (241,231)	\$ 7,772,173
Gifts and support (to) from funds	-	-	-	-	-
Investment income	719,853	786	720,639	-	720,639
Management fee	8,152	-	8,152	(8,152)	-
Rental income	-	33,000	33,000	(33,000)	-
Other income	40,250	17,841	58,091	-	58,091
Total revenue gains and other support	<u>8,322,899</u>	<u>510,387</u>	<u>8,833,286</u>	<u>(282,383)</u>	<u>8,550,903</u>
<b>EXPENSES</b>					
Program grants:					
Environment	3,424,599	-	3,424,599	-	3,424,599
Community and economic development	804,355	-	804,355	-	804,355
Health and human services	844,245	-	844,245	-	844,245
Education	88,663	-	88,663	-	88,663
ICF Center and Garden	208,231	-	208,231	(208,231)	-
Arts and culture	5,000	-	5,000	-	5,000
Total program grants	<u>5,375,093</u>	<u>-</u>	<u>5,375,093</u>	<u>(208,231)</u>	<u>5,166,862</u>
Charitable expenses	626,840	-	626,840	-	626,840
Olivewood garden	-	693,860	693,860	-	693,860
Administrative expenses:					
Operating	712,431	41,152	753,583	(74,152)	679,431
Fundraising	111,110	-	111,110	-	111,110
Total expenses	<u>6,825,474</u>	<u>735,012</u>	<u>7,560,486</u>	<u>(282,383)</u>	<u>7,278,103</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 1,497,425</u>	<u>\$ (224,625)</u>	<u>\$ 1,272,800</u>	<u>\$ -</u>	<u>\$ 1,272,800</u>