

# Consolidated Financial Statements



June 30, 2019



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

Board of Governors  
International Community Foundation  
National City, California

We have audited the accompanying consolidated financial statements of the International Community Foundation (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, 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, 2018, consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 19, 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.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements of financial position and activities on page 16 and 17 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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.



WEST RHODE & ROBERTS

San Diego, California  
October 7, 2019

**INTERNATIONAL COMMUNITY FOUNDATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

**(With Summarized Financial Information for June 30, 2018)**

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|                                       | <u>2019</u>          | <u>2018</u><br><u>(Note 12)</u> |
|---------------------------------------|----------------------|---------------------------------|
| <b>ASSETS</b>                         |                      |                                 |
| Cash and cash equivalents             | \$ 4,632,846         | \$ 5,265,388                    |
| Accounts receivable:                  |                      |                                 |
| Contributions                         | 452,863              | 274,948                         |
| Other                                 | 4,754                | 4,000                           |
| Deposits and prepaid expenses         | 233,251              | 34,932                          |
| Program related investment            | 658,089              | 469,149                         |
| Property and equipment                | 2,927,663            | 2,919,165                       |
| Investments                           | 17,819,346           | 16,303,223                      |
| Total assets                          | <u>\$ 26,728,812</u> | <u>\$ 25,270,805</u>            |
| <b>LIABILITIES AND NET ASSETS</b>     |                      |                                 |
| Liabilities:                          |                      |                                 |
| Accounts payable and accrued expenses | \$ 218,223           | \$ 180,403                      |
| Grants payable                        | 1,971,974            | 2,078,674                       |
| Total liabilities                     | <u>2,190,197</u>     | <u>2,259,077</u>                |
| Net assets:                           |                      |                                 |
| Without donor restriction             | 10,401,012           | 8,956,619                       |
| With donor restriction                | 14,137,603           | 14,055,109                      |
| Total net assets                      | <u>24,538,615</u>    | <u>23,011,728</u>               |
| Total liabilities and net assets      | <u>\$ 26,728,812</u> | <u>\$ 25,270,805</u>            |

**INTERNATIONAL COMMUNITY FOUNDATION**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

**(With Summarized Financial Information for the Year Ended June 30, 2018)**

|  | Without Donor<br>Restriction | With Donor<br>Restriction | 2019<br>Total        | 2018<br>(Note 12)    |
|--|------------------------------|---------------------------|----------------------|----------------------|
| <u>Operating Activities:</u>                               |                              |                           |                      |                      |
| <b>SUPPORT AND REVENUES</b>                                |                              |                           |                      |                      |
| Gifts and support  | \$ 8,018,194                 | \$ 4,706,888              | \$ 12,725,082        | \$ 14,276,963        |
| Other income   | 83,908                       | -                         | 83,908               | 57,993               |
| Net assets released from restrictions                      | 5,245,258                    | (5,245,258)               | -                    | -                    |
| Total support and revenues                                 | <u>13,347,360</u>            | <u>(538,370)</u>          | <u>12,808,990</u>    | <u>14,334,956</u>    |
| <b>EXPENSES</b>  |                              |                           |                      |                      |
| Program services   |                              |                           |                      |                      |
| Program grants:  |                              |                           |                      |                      |
| Environment  | 3,710,180                    | -                         | 3,710,180            | 4,861,358            |
| Education  | 2,320,499                    | -                         | 2,320,499            | 2,083,945            |
| Health and human services                                  | 1,323,552                    | -                         | 1,323,552            | 1,120,318            |
| Community and economic development                         | 489,934                      | -                         | 489,934              | 332,867              |
| Civic engagement   | 371,072                      | -                         | 371,072              | 364,454              |
| Disaster relief  | 317,451                      | -                         | 317,451              | 1,190,853            |
| Arts and culture   | 274,601                      | -                         | 274,601              | 604,660              |
| Total program grants                                       | <u>8,807,289</u>             | <u>-</u>                  | <u>8,807,289</u>     | <u>10,558,455</u>    |
| Program expenses   | 1,639,759                    | -                         | 1,639,759            | 1,669,712            |
| Olivewood Gardens  | 653,198                      | -                         | 653,198              | 699,406              |
|  | <u>11,100,246</u>            | <u>-</u>                  | <u>11,100,246</u>    | <u>12,927,573</u>    |
| Support services:  |                              |                           |                      |                      |
| Operating and administrative                               | 609,221                      | -                         | 609,221              | 527,340              |
| Development and fundraising                                | 416,212                      | -                         | 416,212              | 343,380              |
| Total program and supporting services                      | <u>12,125,679</u>            | <u>-</u>                  | <u>12,125,679</u>    | <u>13,798,293</u>    |
| Cost of direct benefits to donors                          | 48,745                       | -                         | 48,745               | 33,343               |
| Total operating expenses                                   | <u>12,174,424</u>            | <u>-</u>                  | <u>12,174,424</u>    | <u>13,831,636</u>    |
| Operating excess (deficit)                                 | <u>1,172,936</u>             | <u>(538,370)</u>          | <u>683,311</u>       | <u>536,663</u>       |
| <u>Nonoperating Activities:</u>                            |                              |                           |                      |                      |
| Investment income, net                                     | 174,016                      | 221,602                   | 395,618              | 294,873              |
| Realized and unrealized gains                              | 106,546                      | 390,157                   | 496,703              | 129,564              |
| Total non-operating activities                             | <u>280,562</u>               | <u>611,759</u>            | <u>892,321</u>       | <u>424,437</u>       |
| <b>CHANGE IN NET ASSETS BEFORE<br/>DONOR ADVISED GRANT</b> |                              |                           |                      |                      |
| Donor advised grant to endowment                           | 1,453,498                    | 73,389                    | 1,526,887            | 927,757              |
|  | <u>(9,105)</u>               | <u>9,105</u>              | <u>-</u>             | <u>-</u>             |
| <b>CHANGE IN NET ASSETS</b>                                | 1,444,393                    | 82,494                    | 1,526,887            | 927,757              |
| <b>NET ASSETS</b>  |                              |                           |                      |                      |
| BEGINNING OF YEAR  | 8,956,619                    | 14,055,109                | 23,011,728           | 22,083,971           |
| END OF YEAR  | <u>\$ 10,401,012</u>         | <u>\$ 14,137,603</u>      | <u>\$ 24,538,615</u> | <u>\$ 23,011,728</u> |

**INTERNATIONAL COMMUNITY FOUNDATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2019**

*(With Summarized Financial Information for the Year Ended June 30, 2018)*

|                                     | Program<br>Services  | Supporting Services             |                   | 2019<br>Total        | 2018<br>(Note 12)    |
|-------------------------------------|----------------------|---------------------------------|-------------------|----------------------|----------------------|
|                                     |                      | Operating and<br>Administrative | Fundraising       |                      |                      |
| Salaries                            | \$ 638,878           | \$ 266,079                      | \$ 249,371        | \$ 1,154,328         | \$ 1,012,711         |
| Payroll taxes and employee benefits | 134,333              | 57,876                          | 54,521            | 246,730              | 199,830              |
|                                     | <u>773,211</u>       | <u>323,955</u>                  | <u>303,892</u>    | <u>1,401,058</u>     | <u>1,212,541</u>     |
| Grants                              | 8,807,289            | -                               | -                 | 8,807,289            | 10,558,455           |
| Charitable expenses                 | 1,159,710            | -                               | -                 | 1,159,710            | 1,245,850            |
| Contract services                   | 89,568               | 55,361                          | 28,417            | 173,346              | 158,888              |
| Property expenses                   | 130,434              | 20,063                          | 2,832             | 153,329              | 169,449              |
| Professional fees                   | 24,694               | 82,622                          | 3,416             | 110,732              | 107,412              |
| Information technology              | 12,291               | 65,880                          | 10,313            | 88,484               | 84,515               |
| Travel and conferences              | 39,762               | 6,088                           | 24,549            | 70,399               | 58,791               |
| Insurance                           | 21,077               | 27,756                          | -                 | 48,833               | 58,006               |
| Communications and development      | 5,834                | 380                             | 34,616            | 40,830               | 59,038               |
| Office expenses                     | 9,954                | 17,042                          | 7,312             | 34,308               | 40,316               |
| Other expenses                      | 26,422               | 10,074                          | 865               | 37,361               | 45,032               |
|                                     | <u>\$ 11,100,246</u> | <u>\$ 609,221</u>               | <u>\$ 416,212</u> | <u>\$ 12,125,679</u> | <u>\$ 13,798,293</u> |

**INTERNATIONAL COMMUNITY FOUNDATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019**

**(With Summarized Financial Information for the Year Ended June 30, 2018)**

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|   | <u>2019</u>         | <u>2018</u><br>(Note 12) |
|---|---------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                     |                          |
| Change in net assets  | \$ 1,526,887        | \$ 927,757               |
| Adjustment to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                          |
| Depreciation  | 71,215              | 76,262                   |
| Realized and unrealized gain on investments   | (496,703)           | (129,352)                |
| Change in allowance for program related investment  | 100,000             | -                        |
| Contributions restricted for endowments   | (9,105)             | -                        |
| Loss on disposal of assets  | 1,350               |                          |
| Change in operating assets and liabilities:   |                     |                          |
| Accounts receivable   | (178,669)           | (234,649)                |
| Deposits and prepaid expenses   | (198,319)           | (10,737)                 |
| Accounts payable and accrued expenses   | 37,820              | (9,528)                  |
| Grants payable  | (106,700)           | 56,389                   |
| Net cash provided by operating activities   | <u>747,776</u>      | <u>676,142</u>           |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                     |                          |
| Purchase of property and equipment  | (81,063)            | (91,864)                 |
| Net change of program related investment  | (288,940)           | (244,736)                |
| Net proceeds from sale of investments   | 548,928             | 6,223,354                |
| Purchase of investments   | (1,568,348)         | (7,175,449)              |
| Net cash used in investing activities   | <u>(1,389,423)</u>  | <u>(1,288,695)</u>       |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                     |                          |
| Contributions restricted for endowments   | <u>9,105</u>        | -                        |
| Net cash provided by financing activities   | <u>9,105</u>        | -                        |
| Change in cash and cash equivalents   | (632,542)           | (612,553)                |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | 5,265,388           | 5,877,941                |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | <u>\$ 4,632,846</u> | <u>\$ 5,265,388</u>      |



## **Note 1. Organization and Significant Accounting Policies**

### **Organization and Activities**

International Community Foundation (the Foundation) is a nonprofit organization founded in 1990 and is committed to working with donors to expand charitable giving internationally with a focus on Mexico and Latin America. The Foundation is focused in the areas of environment, community and economic development, education, health and human services, arts and culture, disaster relief, and civic engagement.

The Foundation 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 (the Foundation) in accordance with the Internal Revenue Code. The Foundation transferred its National City land totaling 6.75 acres and buildings at 2505 N Avenue and 2525 N Avenue to the Garden in October, 2009. The Garden operates the Olivewood Gardens school garden program and maintains the property which includes the historic Noyes House.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

### **Significant Accounting Policies**

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

**Basis of Presentation** – The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of International Community Foundation's management and board of directors. Net assets without donor restriction are available for the following purposes.

- Amounts 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 advised 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.
- Land Conservation Funds represent amounts for which grant recommendations of the respective donors are accepted to be used for Land Conservation, subject to final approval by the Foundation's Board of Governors. The Foundation's by-laws give variance power which under certain unanticipated circumstances, allow for redirection of funds.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Measure of Operations** – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation’s ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities of a nonrecurring nature.

### Revenue Recognition

Contributions – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Organization reports contributions as restricted 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, contributions with donor restrictions reclassified to unrestricted revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as net assets with donor restrictions. The income earned from such assets is generally restricted to the purpose designated by the donor. Gifts not designated for a specific purpose are reported as increases in net assets without donor restrictions.

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

**Contributions Receivable** – Contributions are recognized upon the earlier of the receipt of a donor’s unconditional promise to give or upon receipt of the contribution. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts related to pledges receivable are recognized over the period of the promise as contribution revenue. Management has reviewed the collectability of receivables and determined that an allowance for uncollectability is not needed.

**Investments** – Investments are made in accordance with investment policies adopted by the Foundation’s Board. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

**Property and Equipment** – Property and equipment are carried at cost for purchased assets or fair value at the date of gift for donated assets. Items which cost or have a fair value at the date of the gift of \$1,000 or more are capitalized. Property and equipment is depreciated on a straight-line basis as follows:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 30 years     |
| Furniture and equipment    | 3 to 7 years |

Depreciation expense for the year ended June 30, 2019, was \$71,215.

**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. The Foundation made 3 program related investments and these investments are anticipated to have lower-than-market returns on a risk-adjusted basis.

**Cost of Direct Benefits to Donors** – The costs of special events that represent a direct benefit to donors are separately reported.

**Grants Payable** – Unconditional grants are recognized as an expense when they have been approved by the Board of Governors.

**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 consolidated statement of financial position.

**Functional Allocation of Expenses** – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of programs or supporting service. Depreciation expense is allocated based on square footage.

**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.

**Income Taxes** – The Foundation and its supporting organization are 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 (ASC) 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 it has no uncertain tax positions requiring accrual or disclosure.

**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 October 7, 2019, 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.

**New Accounting Pronouncement** – In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current nonprofit reporting model and enhances nonprofit organizations required disclosures. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. International Community Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Note 2. Liquidity and Availability of Resources**

International Community Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

|  |                     |
|--|---------------------|
| Financial Assets   |                     |
| Cash and cash equivalents  | \$ 4,632,846        |
| Contributions receivable   | 452,863             |
| Other receivables  | 4,754               |
| Investments  | <u>17,819,346</u>   |
| Total financial assets available within one year                                       | <u>22,909,809</u>   |
| Less amounts unavailable for general expenditures within one year, due to:             |                     |
| Restricted by donors with purpose restrictions   | 2,429,231           |
| Restricted by donors in perpetuity   | <u>9,111,178</u>    |
| Total amounts unavailable for general expenditure within one year                      | 11,540,409          |
| Less amounts unavailable to management without Board approval:                         |                     |
| Donor advised funds  | <u>9,699,054</u>    |
| Total financial assets available to management for general expenditure within one year | <u>\$ 1,670,346</u> |

International Community Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 3. Fair Value Measurements**

Due to the short-term nature of cash equivalents, receivables, deposits and prepaid expenses, accounts payable and grants payable, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that Foundation would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available:

**Level 1:** Quoted prices 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.

INTERNATIONAL COMMUNITY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Foundation's consolidated 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, 2019.

The management of the Foundation is responsible for making the fair value measurements and disclosures in the consolidated 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 U.S. GAAP.

**Note 4. Investments**

Investments at June 30, 2019, consist of:

|   | <u>Market</u>        | <u>Cost</u>          |
|---|----------------------|----------------------|
| At fair value:                              |                      |                      |
| Mutual funds and corporate stock            | \$ 11,508,925        | \$ 9,908,996         |
| Money market and short term U.S. Treasuries | 6,310,421            | 6,290,634            |
|   | <u>\$ 17,819,346</u> | <u>\$ 16,199,630</u> |

Investment income at June 30, 2019 is made up of \$417,217 in interest and dividends, \$21,599 in investment fees and \$496,703 in realized and unrealized gains.

**Note 5. Property and Equipment**

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

|                               |                     |
|-------------------------------|---------------------|
| Land                          | \$ 1,769,104        |
| Buildings                     | 1,035,000           |
| Improvements                  | 754,935             |
| Office equipment              | <u>124,074</u>      |
|                               | 3,683,113           |
| Less accumulated depreciation | <u>755,450</u>      |
|                               | <u>\$ 2,927,663</u> |

**Note 6. Program Related Investment**

The Program Related Investments (PRI) in the consolidated statement of financial position represent three below-market rate loans totaling \$908,089 as of June 30, 2019. Interest rates on the loans range between 1 percent and 7 percent. The loans have maturity dates of August 31, 2021, February 15, 2023, and January 1, 2026. Management has evaluated the recoverability of these loans and has recorded an allowance of \$250,000 related to the program related investments. The loans are scheduled for collection as follows for the years ending June 30:

|                |                   |
|----------------|-------------------|
| 2020           | \$ 31,550         |
| 2021           | 55,435            |
| 2022           | 146,489           |
| 2023           | 347,615           |
| Thereafter     | <u>327,000</u>    |
|                | 908,089           |
| Less allowance | <u>250,000</u>    |
|                | <u>\$ 658,089</u> |

**Note 7. Net Assets without Donor Restrictions**

Net assets without donor restrictions are comprised of donor advised funds and undesignated funds. Net assets without donor restrictions at June 30, 2019 are comprised of the following:

|                     |                      |
|---------------------|----------------------|
| Donor advised funds | \$ 9,699,054         |
| Undesignated funds  | <u>701,958</u>       |
|                     | <u>\$ 10,401,012</u> |

**Note 8. Net Assets with Donor Restrictions**

Net assets with donor restrictions represent contributions and other inflows received by the Foundation, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions at June 30, 2019 are available for the following purposes or periods:

|  |                      |
|--|----------------------|
| Subject to expenditure for specified purpose   |                      |
| ICF Special Projects   | \$ 2,275,205         |
| Olivewood Garden Special Projects  | <u>154,026</u>       |
|  | 2,429,231            |
| Donor-restricted endowments subject to spending<br>policy and appropriation<br>(including net accumulated earnings of \$1,902,419) | 9,111,178            |
| Donor-restricted contribution of building and property<br>to be used in perpetuity.  | <u>2,597,194</u>     |
| Total net assets with donor restrictions at June 30, 2019  | <u>\$ 14,137,603</u> |

International Community Foundation Center for Cross-Border Philanthropy, dba Olivewood Gardens (the Garden) received a donation of land and buildings that have been recorded as net assets with donor restrictions 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 the Foundation.

Funds held in perpetuity at the endowment are for the benefit of the Garden and other philanthropic purposes.

The Foundation received an endowment to support The Garden. If the Advisor in its sole discretion determines that any one or more of the following events has occurred: (a) ICF and/or The Garden disposes of the property or any portion thereof; (b) ICF and/or The Garden fail to use the property in accordance with the terms of Endowment Agreement; or (c) if ICF fails to administer the Endowment in accordance with the Endowment Agreement, then the Advisor may advise the Foundation to (a) use the Garden's Endowment, or any portion thereof, for an additional purpose or purposes to support the Foundation's charitable activities (which may include, for example, funding a donor-advised fund at the Foundation); or (b) transfer the Endowment, or any portion thereof, to one or more other public charities described in Section 501(a)(1), (2) or (3) of the Internal Revenue Code, as designated by the Advisor.

**Note 9. Net Assets Released from Restriction**

Net assets totaling \$5,245,258 were released from restriction by satisfying program restrictions during the year ended June 30, 2019.

**Note 10. Endowments**

The Foundation's endowment portfolio consists of 15 individual funds with the majority of the assets under management held for the benefit of the Garden. The other funds are set up as donor advised, agency, and discretionary endowments. The endowment includes only donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified based on 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 net assets with donor restrictions (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.

**Endowment Investment and Spending Policies** – 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. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

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.

The Foundation's spending policy is approved by the board each year. For the year ended June 30, 2019, the amount to be distributed was equal to 4 percent of its endowment fund, based on the average value each quarter. It is also the Foundation's policy not to take distributions from an endowment's permanently restricted value.

**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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2019.

Donor-restricted endowment net asset composition as of June 30, 2019, is as follows:

|  | <u>With donor<br/>restrictions</u> |
|--|------------------------------------|
| Endowment net assets, beginning of year    | \$ 8,903,097                       |
| Investment return:                         |                                    |
| Investment income                          | 206,719                            |
| Net appreciation (realized and unrealized) | <u>390,157</u>                     |
| Total investment return                    | 596,876                            |
| Distribution                               | (397,900)                          |
| Donor advised contribution                 | <u>9,105</u>                       |
| Endowment net assets, end of year          | <u>\$ 9,111,178</u>                |

**Note 11. Concentration of Credit Risk**

Non-interest bearing transaction accounts including checking and savings accounts are not fully insured by the Federal Deposit Insurance Corporation (FDIC). Accordingly, non-interest bearing transaction accounts fall under the standard deposit insurance amount of \$250,000 per depositor, per insured bank, for each account ownership category. For the period ending June 30, 2019, the Foundation held about 95 percent (\$10.3 million) of its cash, money market, CD, and cash equivalent assets in non-FDIC insured balances at Tier 1 banking institutions that adhere to the U.S. Federal Reserve capital adequacy guidelines. The remainder of the Foundation's cash, money market, CD, and cash equivalent assets are held within FDIC limits.

In addition, the Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, mutual funds, 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 consolidated financial statements.

**Note 12. June 30, 2018 Financial Information**

The financial statements include 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 generally accepted accounting principles. 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.

Certain reclassifications have been made to the summarized 2018 financial information to conform to the classifications adopted for the 2019 financial statements. These reclassifications had no effect on the change in net assets.



***SUPPLEMENTARY INFORMATION***

**INTERNATIONAL COMMUNITY FOUNDATION**

**SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

|  | <u>ICF</u>           | <u>Center</u>       | <u>Total</u>         | <u>Eliminating<br/>Entries</u> | <u>Total</u>         |
|--|----------------------|---------------------|----------------------|--------------------------------|----------------------|
| <b>ASSETS</b>                            |                      |                     |                      |                                |                      |
| Cash and cash equivalents                | \$ 4,237,354         | \$ 395,492          | \$ 4,632,846         | \$ -                           | \$ 4,632,846         |
| Accounts receivable:                     |                      |                     |                      |                                |                      |
| Contributions                            | 439,120              | 13,743              | 452,863              | -                              | 452,863              |
| Other                                    | 3,087                | 1,667               | 4,754                | -                              | 4,754                |
| Deposits and prepaid expenses            | 229,775              | 3,476               | 233,251              | -                              | 233,251              |
| Program related investment               | 658,089              | -                   | 658,089              | -                              | 658,089              |
| Property and equipment                   | 323,102              | 2,604,561           | 2,927,663            | -                              | 2,927,663            |
| Investments                              | <u>17,819,346</u>    | <u>-</u>            | <u>17,819,346</u>    | <u>-</u>                       | <u>17,819,346</u>    |
| Total assets                             | <u>\$ 23,709,873</u> | <u>\$ 3,018,939</u> | <u>\$ 26,728,812</u> | <u>\$ -</u>                    | <u>\$ 26,728,812</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                      |                     |                      |                                |                      |
| Accounts payable and<br>accrued expenses | \$ 160,651           | \$ 57,572           | \$ 218,223           | \$ -                           | \$ 218,223           |
| Grants payable                           | <u>1,971,974</u>     | <u>-</u>            | <u>1,971,974</u>     | <u>-</u>                       | <u>1,971,974</u>     |
| Total liabilities                        | <u>2,132,625</u>     | <u>57,572</u>       | <u>2,190,197</u>     | <u>-</u>                       | <u>2,190,197</u>     |
| Total net assets                         | <u>21,577,248</u>    | <u>2,961,367</u>    | <u>24,538,615</u>    | <u>-</u>                       | <u>24,538,615</u>    |
| Total liabilities and net assets         | <u>\$ 23,709,873</u> | <u>\$ 3,018,939</u> | <u>\$ 26,728,812</u> | <u>\$ -</u>                    | <u>\$ 26,728,812</u> |

**INTERNATIONAL COMMUNITY FOUNDATION**

**SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

|                                       | ICF                 | Center           | Total               | Eliminating<br>Entries | Total               |
|---------------------------------------|---------------------|------------------|---------------------|------------------------|---------------------|
| <u>Operating Activities:</u>          |                     |                  |                     |                        |                     |
| <b>SUPPORT AND REVENUES</b>           |                     |                  |                     |                        |                     |
| Gifts and support                     | \$ 12,209,343       | \$ 777,791       | \$ 12,987,134       | \$ (262,052)           | \$ 12,725,082       |
| Other income                          | 8,906               | 75,002           | 83,908              | -                      | 83,908              |
| Total operating support and revenues  | <u>12,218,249</u>   | <u>852,793</u>   | <u>13,071,042</u>   | <u>(262,052)</u>       | <u>12,808,990</u>   |
| <b>EXPENSES</b>                       |                     |                  |                     |                        |                     |
| Program services                      |                     |                  |                     |                        |                     |
| Program grants:                       |                     |                  |                     |                        |                     |
| Environment                           | 3,710,180           | -                | 3,710,180           | -                      | 3,710,180           |
| Education                             | 2,320,499           | -                | 2,320,499           | -                      | 2,320,499           |
| Health and human services             | 1,323,552           | -                | 1,323,552           | -                      | 1,323,552           |
| Community and economic development    | 489,934             | -                | 489,934             | -                      | 489,934             |
| Civic engagement                      | 371,072             | -                | 371,072             | -                      | 371,072             |
| Disaster relief                       | 317,451             | -                | 317,451             | -                      | 317,451             |
| Arts and culture                      | 274,601             | -                | 274,601             | -                      | 274,601             |
| Total program grants                  | <u>8,807,289</u>    | <u>-</u>         | <u>8,807,289</u>    | <u>-</u>               | <u>8,807,289</u>    |
| Program expenses                      | 1,639,759           | -                | 1,639,759           | -                      | 1,639,759           |
| Olivewood Gardens                     | 262,052             | 653,198          | 915,250             | (262,052)              | 653,198             |
|                                       | <u>10,709,100</u>   | <u>653,198</u>   | <u>11,362,298</u>   | <u>(262,052)</u>       | <u>11,100,246</u>   |
| Support services:                     |                     |                  |                     |                        |                     |
| Operating and administrative          | 545,291             | 63,930           | 609,221             | -                      | 609,221             |
| Development and fundraising           | 349,104             | 67,108           | 416,212             | -                      | 416,212             |
| Total program and supporting services | <u>11,603,495</u>   | <u>784,236</u>   | <u>12,387,731</u>   | <u>(262,052)</u>       | <u>12,125,679</u>   |
| Cost of direct benefits to donors     | -                   | 48,745           | 48,745              | -                      | 48,745              |
| Total operating expenses              | <u>11,603,495</u>   | <u>832,981</u>   | <u>12,436,476</u>   | <u>(262,052)</u>       | <u>12,174,424</u>   |
| <u>Nonoperating Activities:</u>       |                     |                  |                     |                        |                     |
| Investment income, net                | 395,510             | 108              | 395,618             | -                      | 395,618             |
| Realized and unrealized gains         | 496,703             | -                | 496,703             | -                      | 496,703             |
| Total non-operating activities        | <u>892,213</u>      | <u>108</u>       | <u>892,321</u>      | <u>-</u>               | <u>892,321</u>      |
| Change in net assets                  | <u>\$ 1,506,967</u> | <u>\$ 19,920</u> | <u>\$ 1,526,887</u> | <u>\$ -</u>            | <u>\$ 1,526,887</u> |