

**The Community Foundation Serving  
Boulder County**

**Consolidated Financial Statements**

**December 31, 2019**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

## **Independent Auditor's Report**

### **Board of Trustees The Community Foundation Serving Boulder County**

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The Community Foundation Serving Boulder County, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

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

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

#### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation Serving Boulder County as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Kundinger, Corder & Engle, P.C.*

July 15, 2020

**The Community Foundation Serving Boulder County**  
**Consolidated Statement of Financial Position**  
**December 31, 2019**

**Assets**

|                                                                 |                      |
|-----------------------------------------------------------------|----------------------|
| Cash and cash equivalents                                       | \$ 159,528           |
| Investments (note 3)                                            | 81,407               |
| Beneficial interest in assets held by Greater Horizons (note 4) |                      |
| Cash and cash equivalents                                       | 6,224,865            |
| Investments (note 3)                                            | 57,868,659           |
| Contributions receivable (note 5)                               | 255,216              |
| Accounts receivable                                             | 10,291               |
| Investment proceeds receivable                                  | 551,098              |
| Notes receivable - program related investments, net (note 6)    | 346,455              |
| Charitable remainder trust (notes 3 and 7)                      | 133,618              |
| Property and equipment, net (notes 8 and 10)                    | 4,723,759            |
| Prepaid expenses and other                                      | 23,664               |
|                                                                 | <u>70,378,560</u>    |
| Total assets                                                    | <u>\$ 70,378,560</u> |

**Liabilities and Net Assets**

**Liabilities**

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Accounts payable and accrued liabilities              | \$ 333,735       |
| Grants payable                                        | 20,100           |
| Liabilities under charitable remainder trust (note 7) | 63,322           |
| Notes payable (note 10)                               | 2,940,197        |
| Assets held for others (note 9)                       | 4,211,997        |
|                                                       | <u>7,569,351</u> |
| Total liabilities                                     | <u>7,569,351</u> |

**Net assets**

|                                              |                   |
|----------------------------------------------|-------------------|
| Net assets without donor restrictions        | 62,604,313        |
| Net assets with donor restrictions (note 11) | 204,896           |
|                                              | <u>62,809,209</u> |
| Total net assets                             | <u>62,809,209</u> |

**Commitments (notes 10, 12 and 13)**

|                                  |                      |
|----------------------------------|----------------------|
| Total liabilities and net assets | <u>\$ 70,378,560</u> |
|----------------------------------|----------------------|

See the accompanying notes to the consolidated financial statements.

**The Community Foundation Serving Boulder County**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2019**

|                                                 | <u>Without<br/>donor<br/>restrictions</u> | <u>With<br/>donor<br/>restrictions</u> | <u>Total</u>             |
|-------------------------------------------------|-------------------------------------------|----------------------------------------|--------------------------|
| <b>Revenue</b>                                  |                                           |                                        |                          |
| Contributions                                   | \$ 8,103,608                              | –                                      | 8,103,608                |
| Net investment return                           | 8,916,637                                 | –                                      | 8,916,637                |
| In-kind donations                               | 48,963                                    | –                                      | 48,963                   |
| Program revenue and other income                | 128,684                                   | –                                      | 128,684                  |
| Investment management fees                      | 40,709                                    | –                                      | 40,709                   |
| Rental income (note 13)                         | 257,424                                   | –                                      | 257,424                  |
| Change in value of charitable remainder trust   | –                                         | 18,506                                 | 18,506                   |
| Net assets released from restrictions (note 11) | 97,850                                    | (97,850)                               | –                        |
| Total revenue and support                       | <u>17,593,875</u>                         | <u>(79,344)</u>                        | <u>17,514,531</u>        |
| <b>Expenses</b>                                 |                                           |                                        |                          |
| Program services                                |                                           |                                        |                          |
| Grant making                                    | 6,875,507                                 | –                                      | 6,875,507                |
| Education and outreach                          | 673,438                                   | –                                      | 673,438                  |
| Total program services                          | <u>7,548,945</u>                          | <u>–</u>                               | <u>7,548,945</u>         |
| Supporting services                             |                                           |                                        |                          |
| Management and general                          | 730,133                                   | –                                      | 730,133                  |
| Fundraising                                     | 961,052                                   | –                                      | 961,052                  |
| Total supporting services                       | <u>1,691,185</u>                          | <u>–</u>                               | <u>1,691,185</u>         |
| Total expenses                                  | <u>9,240,130</u>                          | <u>–</u>                               | <u>9,240,130</u>         |
| <b>Change in net assets</b>                     | 8,353,745                                 | (79,344)                               | 8,274,401                |
| <b>Net assets at beginning of year</b>          | <u>54,250,568</u>                         | <u>284,240</u>                         | <u>54,534,808</u>        |
| <b>Net assets at end of year</b>                | <u><u>\$ 62,604,313</u></u>               | <u><u>204,896</u></u>                  | <u><u>62,809,209</u></u> |

See the accompanying notes to the consolidated financial statements.

**The Community Foundation Serving Boulder County**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2019**

|                                       | Program services    |                        |                        | Supporting services    |                |                           | Total            |
|---------------------------------------|---------------------|------------------------|------------------------|------------------------|----------------|---------------------------|------------------|
|                                       | Grant-making        | Education and outreach | Total program services | Management and general | Fund raising   | Total supporting services |                  |
| Grants                                | \$ 6,545,618        | –                      | 6,545,618              | –                      | –              | –                         | 6,545,618        |
| Salaries, payroll taxes, and benefits | 255,906             | 266,217                | 522,123                | 321,244                | 490,744        | 811,988                   | 1,334,111        |
| Office expenses                       | 45,912              | 47,762                 | 93,674                 | 57,634                 | 88,044         | 145,678                   | 239,352          |
| Meetings and events                   | 1,241               | 12,273                 | 13,514                 | –                      | 35,668         | 35,668                    | 49,182           |
| Consultant and contract employees     | 2,239               | 274,585                | 276,824                | 101,853                | 92,376         | 194,229                   | 471,053          |
| Advertising and marketing             | –                   | 41,994                 | 41,994                 | –                      | 124,139        | 124,139                   | 166,133          |
| Printing and publications             | –                   | 5,984                  | 5,984                  | 11,967                 | 5,984          | 17,951                    | 23,935           |
| Professional fees                     | 317                 | 329                    | 646                    | 78,181                 | 78,391         | 156,572                   | 157,218          |
| Interest expense                      | –                   | –                      | –                      | 88,722                 | –              | 88,722                    | 88,722           |
| Conference and travel                 | 922                 | –                      | 922                    | 950                    | 922            | 1,872                     | 2,794            |
| Other                                 | 503                 | 524                    | 1,027                  | 632                    | 966            | 1,598                     | 2,625            |
| Property taxes                        | –                   | –                      | –                      | 40,267                 | –              | 40,267                    | 40,267           |
| Depreciation                          | 22,849              | 23,770                 | 46,619                 | 28,683                 | 43,818         | 72,501                    | 119,120          |
|                                       | <u>\$ 6,875,507</u> | <u>673,438</u>         | <u>7,548,945</u>       | <u>730,133</u>         | <u>961,052</u> | <u>1,691,185</u>          | <u>9,240,130</u> |

See the accompanying notes to the consolidated financial statements.

**The Community Foundation Serving Boulder County**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019**

|                                                                                               |                            |
|-----------------------------------------------------------------------------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                                                   |                            |
| Change in net assets                                                                          | \$ 8,274,401               |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                            |
| Net realized and unrealized gain on investments                                               | (7,740,765)                |
| Depreciation                                                                                  | 119,120                    |
| Change in charitable remainder trust                                                          | 126,121                    |
| Transfer of program related investment                                                        | 542,579                    |
| Changes in operating assets and liabilities                                                   |                            |
| Contributions receivable                                                                      | (22,766)                   |
| Accounts receivable                                                                           | (190)                      |
| Investment proceeds receivable                                                                | (551,098)                  |
| Program related investments                                                                   | (889,034)                  |
| Other assets                                                                                  | (5,395)                    |
| Accounts payable and accrued liabilities                                                      | 227,701                    |
| Grants payable                                                                                | (594,817)                  |
| Assets held for other not-for-profit organizations                                            | 1,462,633                  |
|                                                                                               | <u>948,490</u>             |
| Net cash provided by operating activities                                                     | <u>948,490</u>             |
| <b>Cash flows from investing activities</b>                                                   |                            |
| Net purchases of investments                                                                  | (2,691,645)                |
| Purchases of property and equipment                                                           | (3,000)                    |
|                                                                                               | <u>(2,694,645)</u>         |
| Net cash used in investing activities                                                         | <u>(2,694,645)</u>         |
| <b>Cash flows from financing activities</b>                                                   |                            |
| Repayments of bank loan                                                                       | (58,346)                   |
|                                                                                               | <u>(58,346)</u>            |
| Net cash used in financing activities                                                         | <u>(58,346)</u>            |
| <b>Net decrease in cash and cash equivalents</b>                                              | (1,804,501)                |
| <b>Cash and cash equivalents at beginning of year</b>                                         | <u>8,188,894</u>           |
| <b>Cash and cash equivalents at end of year</b>                                               | <u><u>\$ 6,384,393</u></u> |
| <b>Supplemental Disclosure</b>                                                                |                            |
| Interest paid                                                                                 | <u><u>88,722</u></u>       |
| <b>Reconciliation of cash and cash equivalents at end of year</b>                             |                            |
| Cash and cash equivalents                                                                     | \$ 159,528                 |
| Beneficial interest in cash and cash equivalents held by Greater Horizons                     | 6,224,865                  |
|                                                                                               | <u><u>\$ 6,384,393</u></u> |

See the accompanying notes to the consolidated financial statements.

# The Community Foundation Serving Boulder County

## Notes to Consolidated Financial Statements

December 31, 2019

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### (1) Summary of Significant Accounting Policies

#### (a) Organization

The Community Foundation Serving Boulder County (the Foundation) was established in 1991. The Foundation receives, administers and disburses funds for public, charitable, educational, scientific, literary, environmental, health and human services, and other benevolent purposes. The Foundation finances its operations largely through donations and investment earnings. The Foundation exists to encourage and strengthen philanthropy, enhance the structure and capacity of local not-for-profit agencies, provide opportunities to improve the quality of life in Boulder County communities, and to benefit future generations.

Program services provided by the Foundation include the following:

##### Grant Making

The Foundation is enabled through donors to make contributions to various charitable organizations. This process includes soliciting funding requests, evaluating the requests, and awarding the grants.

##### Education and Outreach

The Foundation is committed to promoting a culture of giving in Boulder County through education and information. The Foundation conducts seminars and meetings for contributors to educate them about emerging needs, developing values about giving, and helping family members discuss philanthropy. The Foundation also provides training for donor advisors on discussing philanthropic tax issues and charitable giving with their clients.

##### Greater Horizons

The Foundation partners with Greater Horizons (GH), a wholly-owned nonprofit subsidiary of the Greater Kansas City Community Foundation, which provides the Foundation with back office administration, accounting, and access to institutional quality pooled investment funds. GH provides these services to community foundations throughout the country. To provide its customers with assurance regarding its accounting and internal control systems, GH completes an annual internal control audit (SOC 1) and a financial statement audit.

The Foundation granted variance power to GH, allowing GH to make final decisions regarding distributions from the Foundation's assets. However, if GH intends to exercise its variance power, it must notify the Foundation in advance and allow the Foundation to terminate the arrangement and withdraw its assets. See note 4.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(b) Financial Statement Presentation**

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries described below. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

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

Financial Statement Presentation

The Foundation is required to present 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 Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

*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, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation did not have any net assets required to be maintained in perpetuity as of December 31, 2019.

**(c) Organizational Structure**

For liability protection and management of certain gifts, the Foundation formed the following subsidiaries:

- 1123 Spruce Street LLC, a Colorado limited liability company which owns the office building where the Foundation conducts its operations.
- TCFSO, a Colorado nonprofit corporation that is wholly owned by the Foundation; a supporting organization that wholly owns the following LLCs:
  - Pledge 1% Colorado LLC (Pledge 1%), a Colorado limited liability company which holds donated stock warrants and other securities of privately held companies.
  - Willard, LLC, a Colorado limited liability company which holds a real estate remainder interest.



**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include money market accounts and certificates of deposit. For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid instruments with original maturities of three months or less and which are not held as part of the investment portfolio to be cash equivalents.

**(e) Concentrations**

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and notes receivable - program-related investments. The Foundation places its cash and cash equivalents with creditworthy, high-quality financial institutions. A significant portion of the cash funds are not insured by the FDIC. Credit risk with respect to notes receivable – program-related investments varies based on the creditworthiness and past collection experience of the organizations to which the Foundation provides the loans.

Investments are under the guidance of the Foundation’s investment committee and independent advisors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Foundation believes that the investment policy is prudent for the long-term welfare of the Foundation.

**(f) Investments**

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(g).

Occasionally, the Foundation receives noncash donations, such as real estate or equity securities of privately held companies, which do not have readily determinable market values. Donations of such investments are reported at fair value, estimated based upon evaluation of individual assets and sales of comparable assets. The Foundation holds warrants for stock and other ownership interests in privately held companies. No value is included for these assets unless there is a liquidity event to establish the market value.

It is the Foundation’s policy to sell contributed publicly traded securities upon receipt. In cases where the security contains restrictions, the security is liquidated as soon as possible.

Investment return consists of the Foundation’s distributive share of interest, dividends, and capital gains and losses generated from investments, as well as the change in fair value of those investments.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(g) Fair Value Measurements**

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1     Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2     Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3     Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Because of inherent uncertainties of the valuation of alternative investments, the recorded market values of such investments may differ significantly from realizable values.

**(h) Contributions and Contributions Receivable**

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. The Foundation's bylaws and all donor agreements grant variance power to the Foundation's Board. Variance power allows the Board to modify or vary donor restrictions if they become incapable of fulfillment or are inconsistent with the charitable needs of the community. The Foundation strives to honor donor's charitable intent and accepts grant recommendations from donors. However, by virtue of its variance power the Foundation generally reports contributions as having no donor restrictions.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(h) Contributions and Contributions Receivable, Continued**

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation records contributions with donor restrictions as having no donor restrictions if the restrictions are met in the same reporting period.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year, less an allowance for doubtful accounts. Management uses the allowance method to determine uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2019, management considers all contributions receivable to be fully collectible.

**(i) Notes Receivable – Program-related Investments**

The Foundation makes loans as program related investments for charitable purposes. The notes are made at varying interest rates over varying terms. Loans with below market interest rates are not discounted to net present value because the discount would not be significant to the financial statements. Loans receivable are carried at the unpaid principal balances. Past due status is determined based on contractual terms. Loans are evaluated for collectibility if full principal or interest payments are not anticipated in accordance with contractual terms. If a loan is deemed uncollectible, it is charged against their allowance or expensed in the period it is deemed uncollectible. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal outstanding.

**(j) Charitable Remainder Trust**

The Foundation occasionally receives gifts from donors who establish charitable remainder trusts naming the Foundation as trustee. Such trusts require the Foundation to make lifetime distributions to designated beneficiaries. The payments are made from the income or principal of the assets donated pursuant to the trust agreement. Upon the death of the beneficiary, assets remaining in such trusts will be transferred to the Foundation or another designated entity.

The Foundation records assets held in such trusts at fair value and records liability at the estimated present value of the amounts due to the beneficiaries. The excess of the gift's fair value over the corresponding liability is recognized as support in the year of the gift. In subsequent years, gains or losses from changes in actuarial assumptions, accretions of the discount, and investment gains or losses are recorded as increases or decreases in the value of split-interest agreements in the statement of activities.

# The Community Foundation Serving Boulder County

## Notes to Consolidated Financial Statements, Continued

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### **(1) Summary of Significant Accounting Policies, Continued**

#### **(k) Property and Equipment**

Property and equipment is recorded at cost if purchased or fair value at the date of donation. The Foundation capitalizes all property and equipment with a cost of \$1,000 or more. Depreciation of owned assets is calculated using the straight-line method over estimated useful lives of the assets ranging from 3 to 40 years.

#### **(l) Grants**

Grants are recorded as an expense when approved for payment. Grants authorized but unpaid at year-end are reported as liabilities in the accompanying statement of financial position.

#### **(m) In-Kind Contributions**

In-kind contributions are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation, or capitalized if they meet certain criteria. Donated services are recognized when they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

#### **(n) Functional Allocation of Expenses**

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, or estimates of time and effort incurred by personnel.

#### **(o) Estimates**

The preparation of financial statements in conformity with 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(1) Summary of Significant Accounting Policies, Continued**

**(p) Income Taxes**

The Foundation is a not-for-profit organization and is generally exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. The Foundation's wholly-owned subsidiary TCF SO has been designated a Type 2 supporting organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to income tax on unrelated business income derived from rental income from a debt-financed office building. However, the Foundation had no taxable income to report for 2019 from these activities.

The Foundation follows *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Foundation to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The Foundation's tax returns for the previous three years are subject to examination by the IRS.

**(q) Subsequent Events**

The Foundation has evaluated subsequent events through July 15, 2020, the date the consolidated financial statements were available to be issued. The spread of the COVID-19 coronavirus throughout the United States may have a financial impact on the Foundation, although the potential impact is not known at this time.

Subsequent to year-end, the Foundation received a Paycheck Protection Program loan in the amount of \$225,009 under the 2020 CARES Act (Coronavirus Aid, Relief, and Economic Security) to cover payroll and other allowable expenses. The loan matures on April 21, 2022, and has an initial fixed interest rate of 1%. These funds are provided in the form of unsecured loans that may be subject to forgiveness provided the Foundation meets certain criteria.

**(r) New Accounting Pronouncement**

During 2019, the Foundation adopted ASU No. 2018-08 *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update was issued to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU No. 2018-08 in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2018-08.

# The Community Foundation Serving Boulder County

## Notes to Consolidated Financial Statements, Continued

### (2) Liquidity and Availability of Financial Assets

The Foundation's financial assets available to meet cash needs for general expenditure within one year exceeds \$60,000,000 as of December 31, 2019. This amount represents investments that are held in cash equivalents or are able to be liquidated within one year. None of these financial assets are subject to donor or other contractual agreements that make them unavailable for general expenditure. As described in note 4, the Foundation has the right to withdraw its assets held by Greater Horizons, and therefore considers the entire balance to be available for general expenditures.

The Foundation manages its financial assets to provide resources for the annual costs of its operations by strategically investing through a broadly diversified asset allocation model that meets the long-term expected needs of the Foundation. The Foundation expects to have sufficient cash flow for monthly obligations for the year ending December 31, 2020.

The Foundation has unrestricted cash equivalent reserves in excess of \$2,400,000 as of December 31, 2019, upon which it could draw if necessary.

The following represents the Foundation's financial assets at December 31, 2019:

|                                                                                                   |                      |
|---------------------------------------------------------------------------------------------------|----------------------|
| Financial assets at year-end                                                                      |                      |
| Cash and cash equivalents                                                                         | \$ 6,384,393         |
| Investments                                                                                       | 81,407               |
| Beneficial interest in investments held by GH                                                     | 57,868,659           |
| Contributions receivable, due in one year                                                         | 230,216              |
| Accounts receivable                                                                               | 10,291               |
| Investment proceeds receivable                                                                    | 551,098              |
| Notes receivable – program-related investments, due in one year                                   | <u>264,773</u>       |
| Financial assets at year-end                                                                      | 65,390,837           |
| Less amounts unavailable for general expenditures within one year due to contractual restrictions |                      |
| Required for debt service                                                                         | 55,878               |
| Required to meet debt covenant                                                                    | 1,000,000            |
| Agency endowment liabilities                                                                      | <u>4,211,997</u>     |
|                                                                                                   | <u>5,267,875</u>     |
| Financial assets available for general expenditures within one year                               | \$ <u>60,122,962</u> |

### (3) Investments

The Foundation's investment assets, which consist of publicly traded securities and beneficial interest in investments held by Greater Horizons, are dedicated to providing the financial resources needed to meet the Foundation's charitable objectives.

Marketable securities are exposed to various risks that may cause the reported value of the investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment. The value of certificates of deposit fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(3) Investments, Continued**

Investments are stated at their fair values and consist of the following at December 31, 2019:

|                                                             | <u>Total</u>         | <u>Level 1</u>    | <u>Level 2</u> |
|-------------------------------------------------------------|----------------------|-------------------|----------------|
| Publicly traded securities                                  | \$ <u>81,407</u>     | <u>81,407</u>     | <u>—</u>       |
| Beneficial interest in investments held by Greater Horizons | \$ <u>57,868,659</u> | <u>57,868,659</u> | <u>—</u>       |
| Charitable remainder trust                                  | \$ <u>133,618</u>    | <u>—</u>          | <u>133,618</u> |

Level 1 assets have been valued using the market approach. Level 2 assets have been valued using models or other methodologies. There were no changes in valuation techniques during the current year.

**(4) Beneficial Interest in Assets Held by Others**

Effective January 1, 2016, the Foundation transferred cash and investments totaling \$50,864,402 to Greater Horizons (GH) and named itself as the beneficiary. The Foundation granted variance power to GH. The Foundation retains a beneficial interest in those assets and can withdraw all or a portion of the assets (including appreciation) upon approval of the Foundation’s governing board.

In accordance with *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* accounting standard, the transfer was not considered to be a contribution from the Foundation to GH but rather was accounted for as a reciprocal transfer from the Foundation to GH. Therefore, the transfer is reflected in the consolidated statement of financial position as “beneficial interest in assets held by Greater Horizons” and is included in net assets without donor restriction.

The assets held by GH are in cash, certificates of deposit, marketable equity and fixed income securities, and co-mingled investment pools consisting of marketable investments. The Foundation reports its interest in the pool at fair value using information provided by GH. Investment return consists of the Foundation’s distributive share of any interest, dividends, and capital gains and losses generated from the investments, as well as the change in fair value of the investments.

**(5) Contributions Receivable**

Contributions are scheduled to be received as follows at December 31, 2019:

|                                |                   |
|--------------------------------|-------------------|
| Less than one year             | \$ 230,216        |
| Two to five years              | 20,000            |
| More than five years           | <u>5,000</u>      |
| Total contributions receivable | \$ <u>255,216</u> |

At December 31, 2019, the Foundation had conditional contributions receivable totaling \$180,000 that have not been recorded in the accompanying consolidated financial statements because the conditions have not been met.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(6) Notes Receivable – Program-related Investments**

Notes receivable – program-related investments are comprised of the following at December 31, 2019:

|                                                                                                            |                   |
|------------------------------------------------------------------------------------------------------------|-------------------|
| Note receivable, interest at 3.51% with quarterly interest and principal payments due through July 2021    | \$ 179,099        |
| Note receivable, interest at 0.00% with annual principal payments due through December 2021                | 190,000           |
| Note receivable, interest at 1.00% with monthly interest and principal payments due through September 2025 | 126,455           |
| Note receivable, interest at 1.00% with monthly interest and principal payments due through April 2021     | 125,000           |
| Note receivable, interest at 0.00% with annual principal payments due through December 2020                | <u>30,000</u>     |
|                                                                                                            | 650,554           |
| Less: allowance for doubtful accounts                                                                      | <u>(304,099)</u>  |
| Total notes receivable – program-related investments, net                                                  | \$ <u>346,455</u> |

The notes receivable – program-related investments are scheduled to mature as follows for the years ending December 31:

|            |                   |
|------------|-------------------|
| 2020       | \$ 264,773        |
| 2021       | 305,423           |
| 2022       | 23,396            |
| 2023       | 23,632            |
| 2024       | 23,868            |
| Thereafter | <u>9,462</u>      |
|            | \$ <u>650,554</u> |



**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(7) Charitable Remainder Trust**

The Foundation serves as trustee for a charitable remainder unitrust whose assets will be transferred to the Foundation's Open Door Fund upon the beneficiary's death. Each year of the beneficiary's lifetime the trust must pay to the beneficiary an amount equal to 10% of the net fair market value of the trust assets valued as of the last business day of the first calendar month of each taxable year

Trust liabilities are recorded using current interest rates and are adjusted annually for the beneficiary's estimated life expectancy. The accompanying consolidated statement of financial position includes estimated liabilities of \$63,322 at December 31, 2019.

**(8) Property and Equipment**

The Foundation's property and equipment consisted of the following at December 31, 2019:

|                                          |                     |
|------------------------------------------|---------------------|
| Land                                     | \$ 1,000,000        |
| Building                                 | 4,007,660           |
| Leasehold improvements                   | 3,001               |
| Office equipment, furniture, and signage | 63,401              |
| Software                                 | <u>116,942</u>      |
|                                          | 5,191,004           |
| Less accumulated depreciation            | <u>(467,245)</u>    |
| Net property and equipment               | \$ <u>4,723,759</u> |

**(9) Assets Held for Others**

The Foundation has arrangements with certain not-for-profit organizations (NPO's) whereby an NPO transfers assets to the Foundation and specifies itself as beneficiary. In such cases, the Foundation does not report the receipt of these assets as contributions. Even though the NPO has granted the Foundation variance power and the Foundation has legal title to the assets, under U.S. generally accepted accounting principles, such transfers are reported by the Foundation as increases in liabilities. Likewise, grant expense and investment income and expense (including unrealized gains or losses) relating to these funds are reported as changes to the liability. Assets held for others totaled \$4,211,997 at December 31, 2019.

The table below shows the effects of agency endowments on the Foundation's contribution revenue and grant expense for 2019:

|                                            |                     |
|--------------------------------------------|---------------------|
| Total contributions received               | \$ 9,096,940        |
| Less amounts received as agency endowments | <u>(993,332)</u>    |
| Contributions revenue                      | \$ <u>8,103,608</u> |
| Total grants made                          | \$ 6,605,105        |
| Less grants made from agency endowments    | <u>(59,487)</u>     |
| Grants expense                             | \$ <u>6,545,618</u> |

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(10) Notes Payable**

In 2016 the Foundation formed 1123 Spruce Street LLC (a special purpose LLC) to acquire an office building in Boulder, Colorado. The Foundation conducts its operations in this building. The \$5 million purchase price was financed in part with a bank loan of \$2.1 million, a seller loan of \$1 million, and a \$500,000 internal loan from a donor-advised fund (DAF).

The \$2.1 million bank loan is payable over ten years and requires principal and interest payments of \$11,128 for 119 months and one payment of \$1,511,693 due on December 9, 2026. The loan bears interest at a fixed rate of 3.98% for the first 60 months. Thereafter, at the bank's option, the interest rate may be adjusted to the five-year LIBOR swap rate plus 2.15%. The loan is secured by a deed of trust on the property, an assignment of rents, and a blanket lien on Foundation assets. During the term of the loan the Foundation must maintain a debt service coverage ratio of 1.0 to 1.0 and unrestricted liquid assets of \$1 million at all times measured annually at year end. At December 31, 2019 the Foundation was compliant with these covenants.

The \$1 million seller loan requires a single principal payment of \$1 million on December 9, 2021. Interest accrues at 1.33% and is payable on each anniversary date of the note. The loan is secured by a deed of trust on the property and is subordinated to the bank loan.

In October 2019, the \$500,000 DAF loan was amended to reflect an outstanding principal of \$377,295. The loan is payable over five years and requires interest-only payments for 24 months, interest and principal payments for 36 months, and one payment of \$338,779 on November 1, 2024. The loan bears interest at a fixed rate of 1.34% and is secured by a deed of trust on the property.

Future maturities under these notes (except the internal DAF loan) were as follows as of December 31, 2019:

|            |                     |
|------------|---------------------|
| 2020       | \$ 55,878           |
| 2021       | 1,058,395           |
| 2022       | 60,796              |
| 2023       | 63,295              |
| 2024       | 65,704              |
| Thereafter | <u>1,636,129</u>    |
|            | <u>\$ 2,940,197</u> |

Total interest incurred on these notes in 2019 was \$88,722.

**(11) Net Assets with Donor Restrictions**

Donor-restricted net assets consisted of the following at December 31, 2019:

|                                                    |                   |
|----------------------------------------------------|-------------------|
| Contributions receivable                           | \$ 134,600        |
| Remainder interest from charitable remainder trust | <u>70,296</u>     |
|                                                    | <u>\$ 204,896</u> |

Net assets released from donor restrictions during 2019 consisted of \$97,850 of cash received against contributions receivable.

**The Community Foundation Serving Boulder County**  
**Notes to Consolidated Financial Statements, Continued**

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**(12) Retirement Plan**

The Foundation sponsors a 401(k) retirement plan (the Plan), which covers all employees with six consecutive months of service. Employees may elect to defer a portion of their compensation, subject to certain limits. The Plan also provides for a 5% safeharbor contribution, and discretionary matching and profit-sharing contributions by the Foundation. The Foundation contributed \$51,580 in 2019.

**(13) Rental Income**

The Foundation leases space to lessees under noncancelable operating leases with remaining terms through January 2023. Certain lessees have the option to extend the lease terms with advance notice. Future minimum rental income on noncancelable operating leases as of December 31, 2019 is:

|                                    |                   |
|------------------------------------|-------------------|
| 2020                               | \$ 134,937        |
| 2021                               | 97,597            |
| 2022                               | 91,028            |
| 2023                               | <u>6,483</u>      |
| Total future minimum rental income | \$ <u>330,045</u> |