



**AKRON COMMUNITY FOUNDATION  
AND SUBSIDIARIES  
(A NON-PROFIT ORGANIZATION)**

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CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019  
(With Summarized Comparative Information  
at March 31, 2018)

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**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

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**SIKICH.COM****INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Akron Community Foundation and Subsidiaries:

We have audited the accompanying consolidated financial statements of Akron Community Foundation and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of March 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 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 risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Akron Community Foundation and Subsidiaries as of March 31, 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.

## **Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, the Organization adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Financial Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited Akron Community Foundation and Subsidiaries' 2018 financial statements and we expressed an unmodified opinion on those statements in our report dated September 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Sikich LLP*

Akron, Ohio  
September 5, 2019

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****March 31, 2019****(With summarized comparative financial information at March 31, 2018)****(Amounts in thousands)**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 6,269	\$ 6,628
Accrued investment income	234	217
Contributions receivable, net	80	117
Prepaid expenses	118	83
Cash surrender value of life insurance	40	38
Note receivable	710	828
Investments	165,691	170,092
Property and equipment, net	1,410	1,325
Long-term investments	34,420	27,607
Trust accounts	11,186	11,500
Real property held for investment	552	552
	<u>\$ 220,710</u>	<u>\$ 218,987</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Grants approved for future payment	\$ 1,032	\$ 752
Accounts payable and other liabilities	585	472
Funds held as agency endowment obligations	25,130	24,870
Total liabilities	<u>26,747</u>	<u>26,094</u>
Net assets:		
Without donor restriction	111,474	100,695
With donor restriction	82,489	92,198
Total net assets	<u>193,963</u>	<u>192,893</u>
	<u>\$ 220,710</u>	<u>\$ 218,987</u>

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

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

for the year ended March 31, 2019

(With summarized comparative financial information for the year ended March 31, 2018)

(Amounts in thousands)

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>	
Revenues and other support:				
Contributions	\$ 6,553	\$ 4,333	\$ 10,886	\$ 14,017
Investment income, net	3,527	2,309	5,836	4,890
Net appreciation (depreciation) on investments and trust accounts	(674)	(676)	(1,350)	14,339
Less amounts for agency endowments:				
Contributions	(910)	-	(910)	(386)
Investment income	(618)	-	(618)	(479)
Net depreciation in investments	231	-	231	(1,756)
Net assets released from restrictions	<u>15,675</u>	<u>(15,675)</u>	<u>-</u>	<u>-</u>
 Total revenues and other support	 <u>23,784</u>	 <u>(9,709)</u>	 <u>14,075</u>	 <u>30,625</u>
Expenses:				
Grants and other distributions	10,858	-	10,858	13,258
Administrative expenses	2,935	-	2,935	2,586
Less amounts for agency endowments:				
Grants and other distributions	<u>(788)</u>	<u>-</u>	<u>(788)</u>	<u>(839)</u>
 Total expenses	 <u>13,005</u>	 <u>-</u>	 <u>13,005</u>	 <u>15,005</u>
 Increase in net assets	 10,779	 (9,709)	 1,070	 15,620
Net assets, beginning of year	<u>100,695</u>	<u>92,198</u>	<u>192,893</u>	<u>177,273</u>
Net assets, end of year	<u>\$ 111,474</u>	<u>\$ 82,489</u>	<u>\$ 193,963</u>	<u>\$ 192,893</u>

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

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

for the year ended March 31, 2019

(With summarized comparative financial information for the year ended March 31, 2018)

(Amounts in thousands)

	Program Services	Supporting Services		Total Supporting Services	2019	2018
		Management and General	Development and Fundraising			
Grants and other distributions	\$ 10,858	\$ -	\$ -	\$ -	\$ 10,858	\$ 13,258
Less: grants and other distributions from agency endowments	(788)	-	-	-	(788)	(839)
Total grants and other distributions	10,070	-	-	-	10,070	12,419
Salaries and related expenses	876	586	798	1,384	2,260	1,931
Professional fees	6	4	7	11	17	15
Office supplies	6	4	34	38	44	8
Telephone	6	4	5	9	15	12
Postage and shipping	3	2	3	5	8	9
Utilities and building maintenance	18	12	16	28	46	45
Equipment rental and maintenance	54	36	49	85	139	121
Printing and publications	23	15	96	111	134	155
Travel	5	3	4	7	12	14
Conferences, conventions and meetings	7	5	7	12	19	13
Interest expense	5	4	6	10	15	14
Depreciation	31	21	34	55	86	79
Insurance	7	5	7	12	19	18
Dues and subscriptions	8	11	10	21	29	46
Advertising	-	-	64	64	64	52
Miscellaneous	-	-	28	28	28	54
Total administrative expenses	1,055	712	1,168	1,880	2,935	2,586
Total functional expenses	\$ 11,125	\$ 712	\$ 1,168	\$ 1,880	\$ 13,005	\$ 15,005

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

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

for the years ended March 31, 2019

(with summarized financial information at March 31, 2018)

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,070	\$ 15,620
Reconciliation of change in net assets to net cash from operating activities:		
Net depreciation (appreciation) in investments and trust accounts	1,350	(14,339)
Depreciation	86	80
Noncash contributions	(2,139)	(1,855)
Change in net present value of pledges receivable	(4)	-
Bad debt expense (recovery)	(2)	-
(Increase) decrease in operating assets:		
Accrued investment income	(17)	(49)
Contributions receivable, net	43	50
Prepaid expenses	(35)	4
Cash surrender value of life insurance	(1)	23
Increase (decrease) in operating liabilities:		
Grants approved for future payment	280	104
Accounts payable and other liabilities	113	(12)
	<u>744</u>	<u>(374)</u>
Cash flows from investing activities:		
Purchases of investments	(79,772)	(52,269)
Proceeds from sales and maturities of investments	78,722	49,623
Payments received from notes receivable	118	116
Expenditures for property and equipment	(171)	(24)
	<u>(1,103)</u>	<u>(2,554)</u>
Net decrease in cash and cash equivalents	(359)	(2,928)
Cash and cash equivalents, beginning of year	<u>6,628</u>	<u>9,556</u>
Cash and cash equivalents, end of year	<u>\$ 6,269</u>	<u>\$ 6,628</u>

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



## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2019

(with summarized comparative information as of March 31, 2018)

(amounts in thousands)

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#### 1. Nature of Activities:

Akron Community Foundation (the Foundation) is a nonprofit organization which was organized in 1955. Its primary mission is to improve the quality of life in the greater Akron area by building permanent endowments and providing philanthropic leadership that enables donors to make lasting investments in the community. The Foundation is committed to enriching the life of the community through grant making in distinct areas: arts and culture, education, health and human services and civic affairs/community services.

#### 2. Summary of Significant Accounting Policies:

**Basis of Accounting** – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

**Principles of Consolidation** – The consolidated financial statements include the accounts of Akron Community Foundation, ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC. ACF Properties, LLC holds certain donated and acquired real property which is included on the consolidated statements of financial position as real property held for investment. All significant transactions between these entities have been eliminated from the consolidated amounts.

**Financial Statement Presentation** – The Foundation presents information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restriction* include general and board-designated net assets of the Foundation and are not subject to donor-imposed restrictions. The net assets without donor restriction of the Organization may be used at the discretion of management to support the Foundation's purposes and operations.

*Net assets with donor restriction* are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the 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.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 2. Summary of Significant Accounting Policies, Continued:

**Cash and Cash Equivalents** – Cash and cash equivalents primarily include amounts held for grants and other disbursements and amounts received from contributions which are held pending investment. Cash and cash equivalents include cash on hand and cash in checking and money market accounts and all highly liquid investments with an original maturity when purchased of three months or less.

**Concentrations of Credit Risk** – The Foundation maintains their cash in accounts that at times exceed federally insured limits. At March 31, 2019 and 2018, the Foundation's cash accounts exceeded federally insured limits by approximately \$171 and \$51, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Investments** – The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. In addition, the Foundation holds certain funds in alternative investments which are carried at the funds' net asset value. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and interest and dividends are recognized as revenue in the period earned. Realized gains and losses are determined on the specific identification method. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statement of activities. Investment income is reported net of investment fees in the statements of activities. Income that is restricted by the donor is reported as increases in net assets without donor restriction if the restriction expires in the fiscal year the income is recognized.

**Third Party Trusts** – The Foundation is the sole or joint beneficiary to the income of certain trusts held by third parties. The Foundation records these trust accounts at the fair value of the trust assets available for distribution to the Foundation, as the Foundation has determined that the fair value of the trust assets generally approximates the present value of expected future cash receipts. Distributions the Foundation receives from the trusts are recorded as investment income in the consolidated statement of activities.

**Pooled Life Income Funds** – Upon death of the donors, the Foundation is the beneficiary to the residual value of certain pooled life income funds. Deferred revenue is the difference between the fair value of the pooled life income funds at the time of receipt of the gift and the present value of the estimated future cash flows and is included in accounts payable and other liabilities.

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 2. Summary of Significant Accounting Policies, Continued:

**Contributions Receivable** – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for uncollectible pledges is provided based on experience and anticipated collection efforts and is adjusted for current conditions as deemed appropriate. Noncash bequests, gifts, and donations are recorded at the fair market value of the asset at the date of donation.

**Note Receivable** – During December 2015, the Foundation received a donation of closely-held stock and in accordance with the Foundation's policy, the stock was sold in January 2016 to be invested in accordance with their investment policy. The donated closely-held stock was sold to an organization in exchange for a note receivable totaling \$1,086 to be paid over 9-years in monthly installments of \$11 including interest at a rate of 1.81%. The note is stated at its unpaid principal balance. The note is collateralized by a pledge agreement of the closely-held stock to the Foundation. Interest on the note receivable is recognized over the term of the note and is calculated using the interest method on principal amounts outstanding. The term of the note will expire in November 2024. The Foundation's credit quality indicators are performing and nonperforming. Performing loans are those with one or more payments made during the fiscal year. Nonperforming loans are those with no payments made during the fiscal year. The note receivable is considered performing and current as of March 31, 2019 and 2018 and accordingly, no allowance for doubtful accounts is required at March 31, 2019 and 2018.

**Property and Equipment** – Property and equipment acquisitions with a cost of \$1 or more and that have an estimated useful life greater than one year are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 30 years. Repairs and maintenance costs are expensed as incurred.

**Grants** – The Board of Directors has established a spending policy based upon the quarterly market value of assets. The spending policy provides guidelines for amounts to be expended for grants and other expenses. All grants and other distributions are approved by the Board of Directors. Unconditional grants are recognized when approved. Grants approved by the Board of Directors that are payable upon performance of specified conditions by the grantee are recognized in the consolidated statement of activities when the specified conditions are substantially satisfied.

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 2. Summary of Significant Accounting Policies, Continued:

**Functional Expenses** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries and wages, employee benefits and payroll taxes, supplies, utilities, equipment rental and maintenance, travel, conferences, conventions and meetings which are allocated based on time and effort. All other expenses are charged directly to the corresponding function by account.

**Comparative Financial Information** – The consolidated 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s consolidated financial statements for the year ended March 31, 2018, from which the summarized information was derived.

**Income Taxes** – The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. The Foundation is not a private foundation. ACF Properties, LLC and Akron Digital Media Center/Akronist.com, LLC are limited liability companies and are not tax paying entities for federal or state income tax purposes. Therefore, no provisions for federal and state income taxes have been recorded in the consolidated financial statements.

**Funds Held as Agency Endowments** – *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others* establishes accounting and reporting standards for transactions in which a donor transfers assets to a not-for-profit organization that accepts the assets from the donor and agrees to transfer those assets, the return on investment, or both, to the donor or another entity specified by the donor. Pursuant to this pronouncement, certain agency endowment funds received by the Foundation are considered liabilities, rather than net assets of the Foundation.

**New Accounting Pronouncements** – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities”, which amended the requirements for financial statements and notes in Topic 958, Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information provided about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly. The ASU has been retrospectively to all periods presented with the exception of liquidity disclosure which is presented in year of adoption only. Investment management fees totaling \$681, net of agency endowment obligations (\$767 less \$86) were reclassified to interest income in the 2018 statement of activities.

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 2. Summary of Significant Accounting Policies, Continued:

***New Accounting Pronouncements, continued*** – In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers”, as amended by ASU 2015-14, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time and will expand disclosures about revenue. ASU 2014-09, as amended, is effective for non-public companies for annual reporting periods beginning after December 15, 2018 and interim periods within the annual period beginning after December 15, 2019. The Foundation is currently assessing the impact of this new standard.

FASB has issued ASU 2018-08, Not-for-Profit-Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as a resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as a resource provider. Early adoption is permitted. The Foundation is currently assessing the impact of this new standard.

***Subsequent Events*** – Subsequent events are transactions that occur after year end but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

The Foundation has evaluated subsequent events through September 5, 2019, which was the date these financial statements were available for issuance and determined that there were no significant non-recognized subsequent events through that date.

#### 3. Cash and Cash Equivalents:

Cash and cash equivalents consist of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 46	\$ 117
Short-term investments	<u>6,223</u>	<u>6,511</u>
	<u>\$ 6,269</u>	<u>\$ 6,628</u>

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 4. Availability and Liquidity:

The following represents the Foundation's financial assets available for general expenditures within one-year of the statement of financial position at March 31, 2019.

	<u>2019</u>
Cash and cash equivalents	\$ 6,269
Accrued investment income	234
Contributions receivable, due within one-year	37
Note receivable, current portion	120
Investment of the Foundation available for use within one-year	165,691
Funds available from board-designated and donor- restricted assets for use within one-year based on spending policy	<u>20,784</u>
Total financial assets	193,135
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets	(82,489)
Less board-designated endowment funds	<u>(50,362)</u>
Amounts available for general expenditure within one-year	<u>\$ 60,284</u>

Board-designated endowment funds are shown as unavailable because it is the Foundation's intention to invest those resources for the long-term support of the Foundation's charitable mission. However, in the case of need, the Board of Directors could appropriate resources for use in general expenditure. In addition, the Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restriction. As described in Note 13, the Foundation has established a spending policy to provide guidelines for amounts available annually for distribution in the form of grants and operating expenses. The assets above include a spendable amount of \$20,784 to be made available for grant-making and operating expenses from board-designated and donor-restricted endowment funds within the next 12 months. The assets above also include \$48,000 in unrestricted donor advised endowment funds. The Foundation generally uses these assets for grant-making based on donor recommendations.

As part of the Foundation's liquidity management plan, it invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the board-designates a portion of any operating surplus to its operating reserve. The assets above include \$626 of operating cash reserves.

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
**for the year ended March 31, 2019**  
**(with summarized comparative information as of March 31, 2018)**  
**(amounts in thousands)**

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**5. Real Property Held for Investment:**

The Foundation has ownership in a real estate property through its status as a tenant- in-common in a development agreement (46% ownership by the Foundation). Revenue is restricted from the property to support a scholarship fund held as a fund of the Foundation. As a tenant-in-common, the Foundation does not take part in management of the business or affairs of the partnership and does not have the right or authority to act on behalf of the partnership. Further, the Foundation is not liable for any losses, debts or liabilities of the partnership. The property's value was \$552 at March 31, 2019 and 2018 and is valued using an income capitalization analysis.

**6. Contributions Receivable:**

Contributions receivable represent promises to pay recorded at the present value of estimated future cash flows using a risk-adjusted rate of 4.75%, which approximates the prevailing borrowing rate. Aggregate maturities of contributions receivable are as follows:

2020	\$	37
2021		26
2022		<u>25</u>
		88
Less: Discounts to net present value		6
Allowance for doubtful accounts		<u>2</u>
	\$	<u><u>80</u></u>

**7. Property and Equipment:**

Property and equipment consist of the following at March 31:

	<u>Useful Life</u>	<u>2019</u>	<u>2018</u>
Land	-	\$ 344	\$ 344
Building and improvements	3-30 years	997	996
Furniture and fixtures	5-7 years	460	438
Construction-in-progress	-	<u>129</u>	<u>-</u>
		1,930	1,778
Less accumulated depreciation		<u>520</u>	<u>453</u>
Property and equipment, net		<u><u>\$ 1,410</u></u>	<u><u>\$ 1,325</u></u>

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 7. Property and Equipment, Continued:

Construction-in-progress includes costs incurred on expansion of the Foundation's main office building and a re-design of the Foundation's website. Estimated costs to complete the website total \$57. At their February 2019 meeting, the Foundation's Board of Directors approved a \$1,650 budget to complete the office expansion. Costs to complete the expansion are estimated to be approximately \$1,544 as of March 31, 2019.

#### 8. Cash Surrender Value of Life Insurance:

The Foundation is the beneficiary of five individual life insurance policies with face values totaling \$193 at March 31, 2019 and 2018. The amount reported in the accompanying consolidated statements of financial position represents the cash surrender value of the policies as of fiscal year end.

#### 9. Retirement Plans:

The Foundation offers a voluntary tax deferred plan under the provisions of Section 403(b) of the Internal Revenue Code, which permits employees to elect to invest a portion of their compensation until retirement. The plan is available to all full-time employees. The Foundation does not make contributions to this plan.

The Foundation also has a plan to provide supplemental retirement benefits to a former employee. Payments of approximately \$3 are made monthly and continue for 15 years or until the former employee's death. After 15 years, the payments increase by approximately \$1 per month. Benefit payments totaled approximately \$32 in 2019 and 2018.

During 2019, the Foundation adopted a non-qualified, tax- deferred compensation plan under Section 457(f) of the Internal Revenue Code (IRC) for the benefit of certain key managerial employees. Under this plan, the Foundation may make a discretionary employer contribution to the plan. Employer discretionary contributions made to the plan during 2019 totaled \$60. The Foundation also adopted during 2019, a non-qualified, tax-deferred compensation plan under Section 457(b) of the IRC for the benefit of certain key managerial employees. The plan allows for only employee contributions to this plan. The plans' investment assets and the related liabilities are included in the consolidated statement of financial position and totaled \$86 at March 31, 2019.



## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 10. Commitments:

The Foundation leases office equipment under non-cancelable operating leases expiring at various dates through March 2024. Lease expense totaled approximately \$4 in 2019 and \$3 in 2018.

The Foundation has entered into various non-cancelable licensing agreements for software programs that expire in March 2021. The minimum subscription fees are \$47 per annum with annual increases not to exceed 6% or 7%, depending on the licensing agreement. The subscription fees totaled \$47 in 2019 and 2018.

As of March 31, 2019, the future minimum lease payments are as follows:

2020	\$	52
2021		28
2022		3
2023		1
2024		<u>1</u>
	\$	<u>85</u>

#### 11. Fair Value Measurements:

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in active markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Levels 1, 2, or 3, but are separately reported.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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11. Fair Value Measurements, Continued:

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended March 31, 2019 and 2018.

U.S. domestic equity, mutual funds, fixed income and trusts comprise securities measured at Levels 1 and 2. Investments whose values are based on quoted market prices in active markets are classified within Level 1. These investments generally include equity and mutual fund securities traded on a national securities exchange or listed on the Nasdaq and U.S. government obligations. Corporate bonds, U.S. government agencies and municipal obligations are measured at Level 2 and are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Real property held for investment categorized as Level 3 (unobservable inputs), is reported at the fair value of the property at the time of the donation to the Foundation less any impairment losses. The fair value is based on a combination of capitalized income from the property as well as comparable direct sales.

Alternative investments comprise of investments in private equity and real estate funds measured using net asset value per share as the practical expedient. The fair value amounts presented in the fair value hierarchy table below are intended to permit reconciliation of the fair value hierarchy to amounts presented in the statement of financial position.

Recurring Measurements – Assets measured on a recurring basis as of March 31:

	<u>2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. domestic equity:				
Consumer discretionary \$	7,411	\$ -	\$ -	\$ 7,411
Consumer staples	2,278	-	-	2,278
Energy	2,575	-	-	2,575
Financials	11,237	-	-	11,237
Healthcare	5,909	-	-	5,909
Industrials	6,720	-	-	6,720
Information technology	12,817	-	-	12,817
Materials	2,023	-	-	2,023
Other equity	219	-	-	219
Telecommunications	1,322	-	-	1,322
Utilities	1,056	-	-	1,056
Total U.S. domestic equity	<u>53,567</u>	<u>-</u>	<u>-</u>	<u>53,567</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
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**11. Fair Value Measurements, Continued:**

	2019			Total
	Level 1	Level 2	Level 3	
U.S. domestic equity mutual funds	72,802	-	-	72,802
International equity mutual funds	17,266	-	-	17,266
Fixed income:				
Corporate bonds	-	9,925	-	9,925
Fixed income mutual funds	17,507	-	-	17,507
Municipal obligations	-	96	-	96
U.S. government agencies	-	1,958	-	1,958
U.S. treasury obligations	-	13,613	-	13,613
Total fixed income	17,507	25,592	-	43,099
Trusts accounts	11,186	-	-	11,186
Real property held for investment	-	-	552	552
Total assets at fair value	\$ 172,328	\$ 25,592	\$ 552	\$ 198,472
Real estate fund				4,199
Private equity fund				8,969
Other				209
Total investments valued using NAV				13,377
Total investments				\$ 211,849

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
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**11. Fair Value Measurements, Continued:**

	2018			Total
	Level 1	Level 2	Level 3	
U.S. domestic equity:				
Consumer discretionary \$	8,520	\$ -	\$ -	\$ 8,520
Consumer staples	2,043	-	-	2,043
Energy	2,786	-	-	2,786
Financials	13,429	-	-	13,429
Healthcare	6,449	-	-	6,449
Industrials	8,178	-	-	8,178
Information technology	12,073	-	-	12,073
Materials	2,502	-	-	2,502
Other equity	119	-	-	119
Telecommunications	1,346	-	-	1,346
Utilities	717	-	-	717
Total U.S. domestic equity	<u>58,162</u>	<u>-</u>	<u>-</u>	<u>58,162</u>
U.S. domestic equity mutual funds	<u>56,765</u>	<u>-</u>	<u>-</u>	<u>56,765</u>
International equity mutual funds	<u>33,800</u>	<u>-</u>	<u>-</u>	<u>33,800</u>
Fixed income:				
Corporate bonds	-	9,071	-	9,071
Fixed income mutual funds	15,680	-	-	15,680
Municipal obligations	-	47	-	47
U.S. government agencies	-	1,959	-	1,959
U.S. treasury obligations	<u>-</u>	<u>11,251</u>	<u>-</u>	<u>11,251</u>
Total fixed income	<u>15,680</u>	<u>22,328</u>	<u>-</u>	<u>38,008</u>

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
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**11. Fair Value Measurements, Continued:**

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Trusts accounts	11,500	-	-	11,500
Real property held for investment	-	-	552	552
Total assets at fair value	\$ 175,907	\$ 22,328	\$ 552	\$ 198,787
Real estate fund				3,245
Private equity fund				7,511
Other				208
Total investments valued using NAV				10,964
Total investments				<u>\$ 209,751</u>

The following tables set forth a summary of the Foundations investments with a reported NAV as of March 31:

	<b>2019</b>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund (a)	\$ 4,199	\$ 2,160	None	None
Private equity fund (b)	8,969	1,060	None	None
Other (c)	209	-	None	None
Total	<u>\$ 13,377</u>	<u>\$ 3,220</u>		

	<b>2018</b>			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund (a)	\$ 3,245	\$ 686	None	None
Private equity fund (b)	7,511	1,835	None	None
Other (c)	208	-	None	None
Total	<u>\$ 10,964</u>	<u>\$ 2,521</u>		

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 11. Fair Value Measurements, Continued:

- (a) Funds included in this category comprise of real estate private equity funds for the purpose of income and capital appreciation.
- (b) Funds included in this category comprise private equity funds held in a limited partnership that are focused primarily on making buyout and growth capital investments in companies that are organized or headquartered within the United States and that have EBITDA below \$25 million and enterprise values below \$100 million.
- (c) The fund included in this category is an investment in an LLC whose main purpose is investing in pre-market-entry-stage businesses that have high growth potential.

#### 12. Net Assets:

Net assets without donor restriction are available for the following purposes as of March 31:

	<u>2019</u>	<u>2018</u>
Unrestricted funds	\$ 13,084	\$ 12,918
Donor-advised funds	48,028	47,279
Board-designated funds functioning as endowments	<u>50,362</u>	<u>40,498</u>
Total	<u>\$ 111,474</u>	<u>\$ 100,695</u>

Board designated funds functioning as endowments are invested in accordance with the investment policy adopted and approved by the Board of Directors of the Foundation. The primary objective of board designated funds is the preservation of capital while providing long-term growth.

Net assets without donor restriction include the following types of restrictions by donors:

**Donor Advised** funds are subject to ongoing recommendations or designations by donors. Donors serve as advisory members to the fund and recommend to the Foundation the charitable organizations or fields of interest to receive grants from the funds.

**Donor Restricted** funds are restricted for grant-making to specified types of not-for-profit agencies.

**Scholarship** funds are restricted to provide scholarships for specified fields of study, schools or types of students.

## AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2019 (with summarized comparative information as of March 31, 2018) (amounts in thousands)

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#### 12. Net Assets, Continued:

Net assets with donor restriction are available for the following purposes as of March 31:

	<u>2019</u>	<u>2018</u>
Donor- restricted funds	\$ 22,551	\$ 32,940
Scholarship funds	8,072	8,169
Building fund	394	494
Other funds	6,921	7,269
Endowment funds required to be retained in perpetuity, the income on which is spendable for the following purposes:		
Donor-restricted funds	34,883	33,658
Other funds	<u>9,668</u>	<u>9,668</u>
Total net assets with donor restriction	<u>\$ 82,489</u>	<u>\$ 92,198</u>

#### 13. Endowment:

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law*** – Contributions made to the Foundation are subject to the terms of the Foundation's governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. In addition, under the terms of agreements with donors, the Foundation has variance power over amounts contributed to the Foundation; that is, the ultimate discretion of the use of such funds lies with the discretion of the Board of Directors.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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13. Endowment, Continued:

*Endowment Net Asset Classification by Type of Fund*

	<b>2019</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 82,489	\$ 82,489
Donor–advised funds	48,028	-	48,028
Board-designate funds functioning as endowment	<u>50,362</u>	<u>-</u>	<u>50,362</u>
Total funds	<u>\$ 98,390</u>	<u>\$ 82,489</u>	<u>\$ 180,879</u>
	<b>2018</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 92,198	\$ 92,198
Donor–advised funds	47,279	-	47,279
Board-designated reserve funds	<u>40,498</u>	<u>-</u>	<u>40,498</u>
Total funds	<u>\$ 87,777</u>	<u>\$ 92,198</u>	<u>\$ 179,975</u>



**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
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**13. Endowment, Continued:**

***Changes in Endowment Net Assets***

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, March 31, 2017	\$ 79,106	\$ 85,995	\$ 165,101
Investment return:			
Investment income	3,010	1,870	4,880
Net appreciation	<u>6,627</u>	<u>5,364</u>	<u>11,991</u>
Total investment return	<u>9,637</u>	<u>7,234</u>	<u>16,871</u>
Contributions	<u>8,743</u>	<u>4,888</u>	<u>13,631</u>
Appropriation of endowment assets for expenditure	<u>(9,709)</u>	<u>(5,919)</u>	<u>(15,628)</u>
Endowment net assets, March 31, 2018	<u>\$ 87,777</u>	<u>\$ 92,198</u>	<u>\$ 179,975</u>
Investment return:			
Investment income	2,620	2,309	4,929
Net depreciation	<u>(115)</u>	<u>(676)</u>	<u>(791)</u>
Total investment return	<u>2,505</u>	<u>1,633</u>	<u>4,138</u>
Contributions	<u>5,610</u>	<u>4,333</u>	<u>9,943</u>
Appropriation of endowment assets	<u>2,498</u>	<u>(15,675)</u>	<u>(13,177)</u>
Endowment net assets, March 31, 2019	<u>\$ 98,390</u>	<u>\$ 82,489</u>	<u>\$ 180,879</u>

**AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**  
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**13. Endowment, Continued:**

***Description of Amounts Classified as Net Assets With Donor Restrictions***

	<u>2019</u>	<u>2018</u>
<b>Net Assets With Donor Restrictions</b>		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation	\$ <u>44,551</u>	\$ <u>43,326</u>

***Return Objectives and Risk Parameters*** – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to grants supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary.

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

***Spending Policy and How the Investment Objectives Relate to Spending Policy*** – The Foundation has established a spending policy providing guidelines for amounts available annually for distribution in the form of grants and operating expenses net of certain offsetting contributions and administrative fee income. Investment management fees are not included in the spending policy. The spending policy is based upon a maximum of 5% of the average market value of the Foundation’s total investment pool for the previous 12 calendar quarters. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation’s objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

***Underwater Endowment Funds*** – From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. Such endowments are often referred to as “underwater” endowments. Though the Foundation is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organization require that such losses and subsequent gains be reflected as changes in net assets with donor restriction. There were no such deficiencies at March 31, 2019 and 2018.

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**14. Legal Matters:**

During the normal course of business, the Foundation may, from time to time, be involved in routine legal matters which management intends to defend. Management believes the likelihood of any material adverse outcome to be remote. As of the date of this report, the Foundation has no open legal matters.