



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

CONSOLIDATED FINANCIAL STATEMENTS

**March 31, 2020
(With Summarized Comparative Information
at March 31, 2019)**

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AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

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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, 2020, 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, 2020, 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 financial statements, the Foundation adopted provisions of ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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. The adoption of this ASU did not result in a change to the accounting for any of the Foundation's contributions. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Akron Community Foundation and Subsidiaries' 2019 financial statements and we expressed an unmodified opinion on those statements in our report dated September 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Sikich LLP

Akron, Ohio
September 15, 2020

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****March 31, 2020****(With summarized comparative financial information at March 31, 2019)****(Amounts in thousands)**

ASSETS	2020	2019
Cash and cash equivalents	\$ 11,839	\$ 6,269
Accrued investment income	263	234
Contributions receivable, net	193	80
Prepaid expenses	100	118
Cash surrender value of life insurance	40	40
Note receivable	590	710
Investments	140,727	165,691
Property and equipment, net	2,944	1,410
Long-term investments	32,421	34,420
Trust accounts	9,740	11,186
Real property held for investment	552	552
TOTAL ASSETS	\$ 199,409	\$ 220,710
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants approved for future payment	\$ 708	\$ 1,032
Accounts payable and other liabilities	596	585
Funds held as agency endowment obligations	22,666	25,130
Total liabilities	23,970	26,747
NET ASSETS		
Without donor restriction	100,585	111,474
With donor restriction	74,854	82,489
Total net assets	175,439	193,963
TOTAL LIABILITIES AND NET ASSETS	\$ 199,409	\$ 220,710

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
for the year ended March 31, 2020
(With summarized comparative financial information for the year ended March 31, 2019)
(Amounts in thousands)

	2020			2019
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 8,148	\$ 3,612	\$ 11,760	\$ 10,886
Investment income, net	2,805	1,720	4,525	5,836
Net depreciation on investments and trust accounts	(14,398)	(7,889)	(22,287)	(1,350)
Less amounts for agency endowments:				
Contributions	(1,007)	-	(1,007)	(910)
Investment income	(390)	-	(390)	(618)
Net depreciation in investments	2,465	-	2,465	231
Net assets released from restrictions	<u>5,078</u>	<u>(5,078)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,701</u>	<u>(7,635)</u>	<u>(4,934)</u>	<u>14,075</u>
EXPENSES				
Grants and other distributions	11,621	-	11,621	10,858
Administrative expenses	3,101	-	3,101	2,935
Less amounts for agency endowments:				
Grants and other distributions	<u>(1,132)</u>	<u>-</u>	<u>(1,132)</u>	<u>(788)</u>
Total expenses	<u>13,590</u>	<u>-</u>	<u>13,590</u>	<u>13,005</u>
INCREASE (DECREASE) IN NET ASSETS	(10,889)	(7,635)	(18,524)	1,070
NET ASSETS, BEGINNING OF YEAR	<u>111,474</u>	<u>82,489</u>	<u>193,963</u>	<u>192,893</u>
NET ASSETS, END OF YEAR	<u>\$ 100,585</u>	<u>\$ 74,854</u>	<u>\$ 175,439</u>	<u>\$ 193,963</u>

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

for the year ended March 31, 2020

(With summarized comparative financial information for the year ended March 31, 2019)

(Amounts in thousands)

		Supporting Services				
	Program Services	Management and General	Development and Fundraising	Total Supporting Services	2020	2019
Grants and other distributions	\$ 11,621	\$ -	\$ -	\$ -	\$ 11,621	\$ 10,858
Less: grants and other distributions from agency endowments	(1,132)	-	-	-	(1,132)	(788)
TOTAL GRANTS AND OTHER DISTRIBUTIONS	<u>10,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,489</u>	<u>10,070</u>
Salaries and related expenses	887	616	823	1,439	2,326	2,260
Professional fees	3	2	3	5	8	17
Office supplies	5	3	4	7	12	44
Telephone	8	6	7	13	21	15
Postage and shipping	4	3	4	7	11	8
Utilities and building maintenance	17	12	16	28	45	46
Equipment rental and maintenance	49	34	45	79	128	139
Printing and publications	27	20	145	165	192	134
Travel	6	5	6	11	17	12
Conferences, conventions and meetings	21	15	20	35	56	19
Interest expense	12	8	13	21	33	15
Depreciation	32	23	36	59	91	86
Insurance	9	6	10	16	25	19
Dues and subscriptions	-	34	-	34	34	29
Advertising	-	-	32	32	32	64
Miscellaneous	-	-	70	70	70	28
TOTAL ADMINISTRATIVE EXPENSES	<u>1,080</u>	<u>787</u>	<u>1,234</u>	<u>2,021</u>	<u>3,101</u>	<u>2,935</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 11,569</u>	<u>\$ 787</u>	<u>\$ 1,234</u>	<u>\$ 2,021</u>	<u>\$ 13,590</u>	<u>\$ 13,005</u>

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended March 31, 2020
(with summarized financial information at March 31, 2019)
(Amounts in thousands)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (18,524)	\$ 1,070
Reconciliation of change in net assets to net cash from operating activities:		
Net depreciation in investments and trust accounts	22,287	1,350
Depreciation	91	86
Noncash contributions	(3,086)	(2,139)
Change in net present value of pledges receivable	2	(4)
Bad debt expense (recovery)	-	(2)
(Increase) decrease in operating assets:		
Accrued investment income	(29)	(17)
Contributions receivable, net	(116)	43
Prepaid expenses	18	(35)
Cash surrender value of life insurance	-	(1)
Increase (decrease) in operating liabilities:		
Grants approved for future payment	(323)	280
Accounts payable and other liabilities	<u>11</u>	<u>113</u>
Net cash from operating activities	<u>332</u>	<u>744</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(72,759)	(79,772)
Proceeds from sales and maturities of investments	79,502	78,722
Payments received from notes receivable	120	118
Expenditures for property and equipment	<u>(1,625)</u>	<u>(171)</u>
Net cash from investing activities	<u>5,238</u>	<u>(1,103)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,570	(359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,269</u>	<u>6,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 11,839</u></u>	<u><u>\$ 6,269</u></u>

See accompanying notes to consolidated financial statements.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2020

(with summarized comparative information as of March 31, 2019)

(amounts in thousands)

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.

Contributions and Grants – The Foundation has adopted ASU No. 2018-08, *Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (grants made)*. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. Results for reporting the year ending

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued
for the year ended March 31, 2020
(with summarized comparative information as of March 31, 2019)
(amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Contributions and Grants, Continued - March 31, 2020 are presented under ASU No. 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Contributions received are recorded as those without donor restrictions and those with donor restrictions. When a restriction expires, 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.

In regards to grants made, the ASU provides guidance to help determine when a grant is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional grants made are recognized immediately and classified as grants and awards expense, while conditional grants are not recorded until the barriers to entitlement are overcome, at which point the transaction is recognized as grants and awards expense. Results for reporting the year ending March 31, 2020 are presented under ASU No. 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. Accordingly, no adjustment to opening net assets was recorded.

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.

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, 2020 and 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$438 and \$171, 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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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 are 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.

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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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, 2020 and 2019 and accordingly, no allowance for doubtful accounts is required at March 31, 2020 and 2019. See below for maturity schedule related to the note receivable:

2021 – 2024	\$ 120 per year
2025	<u>110</u>
	<u>\$ 590</u>

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.

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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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, 2019, 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.

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 15, 2020, 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.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic, and it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

3. CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 245	\$ 46
Short-term investments	<u>11,594</u>	<u>6,223</u>
	<u>\$ 11,839</u>	<u>\$ 6,269</u>

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, 2020 and March 31, 2019.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 11,839	\$ 6,269
Accrued investment income	263	234
Contributions receivable, due within one-year	78	37
Note receivable, current portion	120	120
Investment of the Foundation available for use within one-year	140,727	165,691
Funds available from board-designated and donor-restricted assets for use within one-year based on spending policy	<u>20,282</u>	<u>20,784</u>
Total financial assets	173,309	193,135
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets	(74,854)	(82,489)
Less board-designated endowment funds	<u>(46,054)</u>	<u>(50,362)</u>
	<u>\$ 52,401</u>	<u>\$ 60,284</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

4. AVAILABILITY AND LIQUIDITY, (Continued)

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 \$20,282 for 2020 and \$20,784 for 2019 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 \$52 in unrestricted donor advised endowment funds. The Foundation generally uses these assets for grant-making based on donor recommendations.

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, 2020 and 2019 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:

2021	\$	78
2022		61
2023		35
2024		20
2025		<u>10</u>
		204
Less: Discounts to net present value		<u>11</u>
	\$	<u>193</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued**
for the year ended March 31, 2020
(with summarized comparative information as of March 31, 2019)
(amounts in thousands)

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>Useful Life</u>	<u>2020</u>	<u>2019</u>
Land	-	\$ 344	\$ 344
Building and improvements	3-30 years	2,488	997
Furniture and fixtures	5-7 years	515	460
Construction-in-progress	-	<u>82</u>	<u>129</u>
		3,429	1,930
Less accumulated depreciation		<u>485</u>	<u>520</u>
Property and equipment, net		<u>\$ 2,944</u>	<u>\$ 1,410</u>

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, 2020 and 2019. 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 2020 and 2019.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

9. RETIREMENT PLANS, (Continued)

During fiscal year 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 2020 totaled \$65 and 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 \$158 at March 31, 2020 and \$86 at March 31, 2019.

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 2020 and \$4 in 2019.

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 2020 and 2019.

As of March 31, 2020, the future minimum lease payments are as follows:

2021	\$	28
2022		3
2023		1
2024		<u>1</u>
	\$	<u>33</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.

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11. FAIR VALUE MEASUREMENTS, (Continued)

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.

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, 2020 and 2019.

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.

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11. FAIR VALUE MEASUREMENTS, (Continued)

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

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. domestic equity:				
Consumer discretionary \$	7,736	\$ -	\$ -	\$ 7,736
Consumer staples	2,864	-	-	2,864
Energy	1,150	-	-	1,150
Financials	9,166	-	-	9,166
Healthcare	6,085	-	-	6,085
Industrials	5,298	-	-	5,298
Information technology	10,309	-	-	10,309
Materials	1,749	-	-	1,749
Other equity	1,474	-	-	1,474
Telecommunications	792	-	-	792
Utilities	<u>978</u>	<u>-</u>	<u>-</u>	<u>978</u>
Total U.S. domestic equity	<u>47,601</u>	<u>-</u>	<u>-</u>	<u>47,601</u>
U.S. domestic equity mutual funds	<u>86,199</u>	<u>-</u>	<u>-</u>	<u>86,199</u>
International equity mutual funds	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
Fixed income:				
Corporate bonds	-	11,239	-	11,239
Fixed income mutual funds	2,375	-	-	2,375
Municipal obligations	-	48	-	48
Collateralized mortgage obligations	-	937	-	937
U.S. government agencies	-	535	-	535
U.S. treasury obligations	<u>-</u>	<u>11,569</u>	<u>-</u>	<u>11,569</u>
Total fixed income	<u>2,375</u>	<u>24,328</u>	<u>-</u>	<u>26,703</u>
Trusts accounts	<u>-</u>	<u>9,740</u>	<u>-</u>	<u>9,740</u>

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11. FAIR VALUE MEASUREMENTS, (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
Real property held for investment	-	-	552	552
Total assets at fair value	\$ 136,183	\$ 34,068	\$ 552	170,803
Real estate fund				3,879
Private equity fund				8,466
Other				292
Total investments valued using NAV				12,637
Total investments				\$ 183,440

	2019			
	Level 1	Level 2	Level 3	Total
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	53,567	-	-	53,567
U.S. domestic equity mutual funds	72,802	-	-	72,802
International equity mutual funds	17,266	-	-	17,266

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11. FAIR VALUE MEASUREMENTS, (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
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	<u>17,507</u>	<u>25,592</u>	<u>-</u>	<u>43,099</u>
Trusts accounts	<u>-</u>	<u>11,186</u>	<u>-</u>	<u>11,186</u>
Real property held for investment	<u>-</u>	<u>-</u>	<u>552</u>	<u>552</u>
Total assets at fair value	<u>\$ 161,142</u>	<u>\$ 36,778</u>	<u>\$ 552</u>	<u>198,472</u>
Real estate fund				4,199
Private equity fund				8,969
Other				<u>209</u>
Total investments valued using NAV				<u>13,377</u>
Total investments				<u>\$ 211,849</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

11. FAIR VALUE MEASUREMENTS, (Continued)

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

	2020			
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund (a)	\$ 3,879	\$ 1,940	None	None
Private equity fund (b)	8,466	700	None	None
Other (c)	<u>292</u>	<u>-</u>	None	None
Total	<u>\$ 12,637</u>	<u>\$ 2,640</u>		

	2019			
	<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)	<u>209</u>	<u>-</u>	None	None
Total	<u>\$ 13,377</u>	<u>\$ 3,220</u>		

- (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.

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

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12. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Unrestricted funds	\$ 2,253	\$ 13,084
Donor-advised funds	52,276	48,028
Board-designated funds functioning as endowments	<u>46,056</u>	<u>50,362</u>
Total	<u>\$ 100,585</u>	<u>\$ 111,474</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.

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.

Net assets with donor restriction include the following types of restrictions by donors:

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.

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

	<u>2020</u>	<u>2019</u>
Donor- restricted funds	\$ 13,915	\$ 22,551
Scholarship funds	6,880	8,072
Building fund	452	394
Other funds	4,988	6,921
Endowment funds required to be retained in perpetuity, the income on which is spendable for the following purposes:		
Donor-restricted funds	39,024	34,883
Other funds	<u>9,595</u>	<u>9,668</u>
Total net assets with donor restriction	<u>\$ 74,854</u>	<u>\$ 82,489</u>

AKRON COMMUNITY FOUNDATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, Continued for the year ended March 31, 2020 (with summarized comparative information as of March 31, 2019) (amounts in thousands)

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.

Endowment Net Asset Classification by Type of Fund

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 74,854	\$ 74,854
Donor-advised funds	52,276	-	52,276
Board-designate funds functioning as endowment	<u>46,056</u>	<u>-</u>	<u>46,056</u>
Total funds	<u>\$ 98,332</u>	<u>\$ 74,854</u>	<u>\$ 173,186</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 82,489	\$ 82,489
Donor-advised funds	48,028	-	48,028
Board-designated reserve funds	<u>50,362</u>	<u>-</u>	<u>50,362</u>
Total funds	<u>\$ 98,390</u>	<u>\$ 82,489</u>	<u>\$ 180,879</u>

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13. ENDOWMENT, (Continued)

Changes in Endowment Net Assets

	Without donor restriction	With donor restriction	Total
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 for expenditure	<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>
Investment return:			
Investment income	2,125	1,720	3,845
Net depreciation	<u>(14,404)</u>	<u>(7,889)</u>	<u>(22,293)</u>
Total investment return	<u>(12,279)</u>	<u>(6,169)</u>	<u>(18,448)</u>
Contributions	<u>7,143</u>	<u>3612</u>	<u>10,755</u>
Appropriation of endowment assets	<u>5,078</u>	<u>(5,078)</u>	<u>-</u>
Endowment net assets, March 31, 2020	<u>\$ 98,332</u>	<u>\$ 74,854</u>	<u>\$ 173,186</u>

Description of Amounts Classified as Net Assets With Donor Restrictions

	2020	2019
Net Assets With Donor Restrictions		
The portion of perpetual endowment funds that is required to be retained permanently by donor stipulation	<u>\$ 48,619</u>	<u>\$ 44,551</u>

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13. ENDOWMENT, (Continued)

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, 2020 and 2019.

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.