

JUNEAU COMMUNITY FOUNDATION

Financial Statements
(with Independent Auditor's Report Thereon)

Years Ended December 31, 2019 and 2018

JUNEAU COMMUNITY FOUNDATION

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JUNEAU COMMUNITY FOUNDATION

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Independent Auditor's Report

Members of the Board of Directors
Juneau Community Foundation
Juneau, Alaska

We have audited the accompanying financial statements of Juneau Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Members of the Board of Directors
Juneau Community Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juneau Community Foundation, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Altman, Rogers & Co.

Juneau, Alaska
May 14, 2020

JUNEAU COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,907,082	\$ 1,413,520
Grant receivable	6,911	-
Prepaid expenses	4,350	3,472
Total current assets	1,918,343	1,416,992
Investments	64,237,771	53,649,722
Beneficial interest in assets held by others	56,500	56,500
Total assets	\$ 66,212,614	\$ 55,123,214
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 16,072	\$ 1,600
Accrued payroll liabilities	-	49
Total current liabilities	16,072	1,649
Funds held as agency endowments	2,700,700	2,127,505
Total liabilities	2,716,772	2,129,154
 Net Assets:		
Without donor restrictions	34,044,901	27,433,378
With donor restrictions	29,450,941	25,560,682
Total net assets	63,495,842	52,994,060
Total liabilities and net assets	\$ 66,212,614	\$ 55,123,214

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

JUNEAU COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions	\$ 3,482,440	\$ 40,000	\$ 3,522,440
Net investment income	5,834,879	5,169,795	11,004,674
Government grants	118,839	-	118,839
Fund administration fees	21,685	-	21,685
In-kind revenue	31,174	-	31,174
Total support, revenues, and gains	<u>9,489,017</u>	<u>5,209,795</u>	<u>14,698,812</u>
Net assets released from restrictions	<u>1,319,536</u>	<u>(1,319,536)</u>	<u>-</u>
Total support, revenues, and gains	<u>10,808,553</u>	<u>3,890,259</u>	<u>14,698,812</u>
Expenses:			
Grants and program services	3,792,808	-	3,792,808
Management and general	376,604	-	376,604
Fundraising	27,618	-	27,618
Total expenses	<u>4,197,030</u>	<u>-</u>	<u>4,197,030</u>
Change in Net Assets	6,611,523	3,890,259	10,501,782
Net Assets, beginning of year	<u>27,433,378</u>	<u>25,560,682</u>	<u>52,994,060</u>
Net Assets, end of year	<u>\$ 34,044,901</u>	<u>\$ 29,450,941</u>	<u>\$ 63,495,842</u>

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

JUNEAU COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues, and gains:			
Contributions	\$ 2,482,834	\$ 1,166	\$ 2,484,000
Net investment income	(1,874,190)	(2,226,838)	(4,101,028)
Fund administration fees	22,018		22,018
In-kind revenue	28,241	-	28,241
Total support, revenues, and gains	<u>658,903</u>	<u>(2,225,672)</u>	<u>(1,566,769)</u>
Net assets released from restrictions	<u>1,328,191</u>	<u>(1,328,191)</u>	<u>-</u>
Total support, revenues, and gains	<u>1,987,094</u>	<u>(3,553,863)</u>	<u>(1,566,769)</u>
Expenses:			
Grants and program services	3,105,318	-	3,105,318
Management and general	341,412	-	341,412
Fundraising	24,759	-	24,759
Total expenses	<u>3,471,489</u>	<u>-</u>	<u>3,471,489</u>
Change in Net Assets	(1,484,395)	(3,553,863)	(5,038,258)
Net Assets, beginning of year	<u>28,917,773</u>	<u>29,114,545</u>	<u>58,032,318</u>
Net, Assets, end of year	<u>\$ 27,433,378</u>	<u>\$ 25,560,682</u>	<u>\$ 52,994,060</u>

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

JUNEAU COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Grant distributions	\$ 3,490,738	\$ -	\$ -	\$ 3,490,738
Salaries and related expenses	165	259,274	-	259,439
Special project cost	215,400	-	-	215,400
Professional fees	38,502	43,576	-	82,078
In-kind professional services	-	31,174	-	31,174
Scholarships	29,700	-	-	29,700
Insurance	16,469	4,750	-	21,219
Marketing	-	-	16,394	16,394
Occupancy	-	14,254	-	14,254
Special events	-	-	11,224	11,224
Office and equipment	-	7,076	-	7,076
Information technology	-	6,526	-	6,526
Other	1,834	2,872	-	4,706
Professional development	-	4,167	-	4,167
Travel	-	2,935	-	2,935
Total expenses	<u>\$ 3,792,808</u>	<u>\$ 376,604</u>	<u>\$ 27,618</u>	<u>\$ 4,197,030</u>

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

JUNEAU COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grant distributions	\$ 3,016,783	\$ -	\$ -	\$ 3,016,783
Salaries and related expenses	-	234,330	-	234,330
Special project cost	61,914	-	-	61,914
Professional fees	-	36,840	-	36,840
In-kind professional services	-	28,241	-	28,241
Scholarships	24,375	-	-	24,375
Occupancy	-	14,195	-	14,195
Special events	-	-	12,586	12,586
Office and equipment	-	12,228	-	12,228
Marketing	-	-	12,173	12,173
Other	2,246	2,752	-	4,998
Insurance	-	4,022	-	4,022
Travel	-	3,387	-	3,387
Professional development	-	3,048	-	3,048
Information technology	-	2,369	-	2,369
	<u>\$ 3,105,318</u>	<u>\$ 341,412</u>	<u>\$ 24,759</u>	<u>\$ 3,471,489</u>
Total expenses				

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

JUNEAU COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,501,782	\$ (5,038,258)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Unrealized (gain) loss on investments	(9,511,947)	5,771,058
Realized gain on investments	(18,196)	(379,055)
(Increase) decrease in assets:		
Grant receivable	(6,911)	-
Prepaid expenses	(878)	1,764
Increase (decrease) in liabilities:		
Accounts payable	14,472	(820)
Accrued payroll liabilities	(49)	(69)
Deferred revenue	-	(6,391)
Net cash provided by operating activities	978,273	348,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,381,809)	(8,457,312)
Proceeds from sale of investments	897,098	8,130,450
Net cash provided used for investing activities	(484,711)	(326,862)
Net increase in cash and cash equivalents	493,562	21,367
Cash and cash equivalents, beginning of year	1,413,520	1,392,153
Cash and cash equivalents, end of year	\$ 1,907,082	\$ 1,413,520

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

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements

Year Ended December 31, 2019
(with select comparative totals for 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Juneau Community Foundation (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 2000. Its mission is to promote philanthropy and effectively respond to the needs of the Juneau community to create a healthy, safe and culturally rich environment. The Foundation administers various funds contributed by individuals, organizations, and businesses. The funds are managed as a pool of assets.

Basis of Accounting

The Foundation's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available for general use. Funds designated for donor advised grants are available for distribution upon recommendation by the donor. The Foundation's policy is to designate unrestricted donor gifts at the discretion of the Board of Directors.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

The Foundation may report contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. As of December 31, 2019 and 2018, the Foundations' net assets with donor restrictions are restricted for funding various educational and philanthropic programs specified by the donors.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities or a notification of a beneficial interest is received.

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

A portion of the Foundation's revenue is derived from a cost-reimbursable state grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific grant provisions.

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Other Changes in Accounting Principles

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides guidance on the presentation and classification of certain cash receipts and payments in the statement of cash flows, with the intention of reducing diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows. The Foundation adopted ASU 2016-15 on January 1, 2019, applying the changes retrospectively. The adoption had no impact on net assets for years ended December 31, 2019 or 2018.

During the calendar year ended December 31, 2019, the Foundation implemented Accounting Standards Update No. 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*" (ASU 2016-18). This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The adoption of ASU 2016-18 did not have a material impact on the Foundation's financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all checking, money market accounts, and short-term investments with original maturities of three months or less to be 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 based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Grant Receivable

Grant receivable consists of amounts due from grantor on a cost reimbursement grant. Management considers the receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the year end are recorded as prepaid expenses

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

Funds Held as Agency Endowments

The Foundation may accept contributions from another nonprofit organization and agree to transfer those assets, the return on investment of those assets, or both, back to the nonprofit organization at some point. Because the Foundation maintains variance power and fiduciary responsibility for all funds held under agency endowment agreements, these funds continue to be reported as assets. However, a liability, "fund held as agency endowments" has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the nonprofit organization that established the fund for its own benefit.

Fair Value of Financial Instruments

The Foundation's financial assets carried at fair value have been classified based on a hierarchy defined by FASB ASC 820-10-50-2. FASB ASC 820 *Fair Value Measurement and Disclosure* defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets or liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs). The Foundation uses Level 1 inputs to measure the fair value of assets.

Contributions

Contributions, which include grants and other contributions from corporations, foundations, and individuals, are recognized as revenues in the period received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions other than cash are recorded at their estimated fair value at the time of receipt.

Fund Administration Fees

Fees for services include charges to the individual funds for administration and managing the investments. Fees are recognized at the time the services are provided by the Foundation.

In-kind Contributions

Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. In-kind contributions for professional services are recorded in the statements of activities at market value and recognized as revenue and expenses in the period they are received. The fair value of donated services for fiscal years 2019 and 2018 totaled \$31,174 and \$28,241, respectively.

Income Tax Status

The Foundation is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax exempt organization.

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

The Foundation follows the provisions of FASB ASC 740 *Income Taxes*. Management believes that it has appropriate support for any tax positions taken. The Foundations' federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those informational returns, which, in general, have a three-year statute of limitations. Management has evaluated its tax positions for the years ended December 31, 2017 through 2019 in conformity with accounting principles generally accepted in the United States and has determined it has no uncertain tax positions required to be disclosed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among grant and program services, management and general, and fundraising expenses.

Subsequent Events

The Foundation has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consist of the following at December 31:

	2019	Amortized Cost
Investment securities, at market value:		
Equities – Domestic	\$ 26,445,177	16,371,147
Equities – International	22,939,368	20,580,871
Fixed Income – Domestic	14,853,226	14,271,712
Total investment securities	<u>\$ 64,237,771</u>	<u>51,223,730</u>
	2018	Amortized Cost
Investment securities, at market value:		
Equities – Domestic	\$ 14,468,282	14,687,471
Equities – International	20,310,012	15,908,106
Fixed Income – Domestic	18,871,428	19,891,884
Total investment securities	<u>\$ 53,649,722</u>	<u>50,487,461</u>

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

Investment income (loss) includes the following at December 31:

	2019	2018
Dividends	\$ 1,526,485	1,342,554
Investment fees	(51,238)	(51,579)
Realized gain	17,480	379,055
Unrealized gain (loss)	9,511,947	(5,771,058)
Total investment income (loss)	\$ <u>11,004,674</u>	<u>(4,101,028)</u>

The Foundation's investment funds are maintained in a pooled investment portfolio. Interest, dividends, and realized and unrealized gains and losses in the investment pool are allocated monthly to the individual funds and agency endowments in proportion to each fund's share in the investment pool.

The value of securities held by the Foundation may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. The Foundation attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

NOTE 3 – FAIR VALUE MEASUREMENT

The Foundation's investments are classified using Level 1 inputs to measure the fair value of assets on a recurring basis as follows:

	Fair Value	Level 1
Investments as of December 31, 2019:		
Investment securities:		
Equities – Domestic	\$ 26,445,178	26,445,178
Equities – International	22,939,368	22,939,368
Fixed Income – Domestic	14,853,225	14,853,225
Total investment securities	\$ <u>64,237,771</u>	<u>64,237,771</u>
	Fair Value	Level 1
Investments as of December 31, 2018:		
Investment securities:		
Equities – Domestic	\$ 20,310,012	20,310,012
Equities – International	18,871,428	18,871,428
Fixed Income – Domestic	14,468,282	14,468,282
Total investment securities	\$ <u>53,649,722</u>	<u>53,649,722</u>

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

NOTE 4 – BENEFICIAL INTEREST IN ALASKA COMMUNITY FOUNDATION

During fiscal year 2012, the Foundation entered into an Organization Fund Agreement (Agreement) with the Alaska Community Foundation (ACF), an unrelated community foundation. Under the Agreement, the Foundation transferred \$56,500 to ACF, which established the Juneau Community Endowment Fund (Fund). Under the agreement, ACF will hold, manage and invest the Fund for charitable purposes of the Foundation. The Foundation’s Board of Directors may request that earnings and principal of the Fund be distributed subject to terms of the Agreement and approval of the Foundation Board of Directors. The Foundation has granted variance power to ACF only if the Foundation ceases to exist or is no longer a qualified charitable organization. The variance power is further limited in that ACF may transfer the interest in the Fund after consultation with members of the final Board of Directors of the Foundation. Accordingly, the Foundation has recognized a beneficial interest in the ACF Fund.

The Foundation will recognize earnings in the Fund upon distribution by ACF. During fiscal year 2019 and 2018 the Foundation received \$2,478 and \$2,742, respectively from ACF.

The Foundation’s beneficial interest is comingled with other entities that have placed accounts with ACF. At December 31, 2019 and 2018 ACF reported that the Foundation’s reported share of the account had a market value of \$66,536 and \$60,049, respectively.

In addition to the beneficial interest discussed above, ACF maintains other funds that have been contributed by various donors to ACF for the benefit of the Foundation. These funds are not included as assets of the Foundation because the Foundation does not have unconditional rights to distributions from these funds. The earnings from these funds typically are paid to the Foundation each year in accordance with ACF’s spending policy, although ACF has the right to withhold distributions or pay them to another organization. For the years ended December 31, 2019 and 2018, the Foundation received distributions of \$6,370 and \$7,049, respectively which is recorded as contributions in the accompanying statement of activities. At December 31, 2019 and 2018, the fair value of the funds originally donated by third parties was approximately \$170,969 and \$154,297, respectively. The Foundation has no remainder interest in these funds.

NOTE 5 – FUNDS HELD AS AGENCY ENDOWMENTS

Activity for the year ended December 31 is as follows:

	2019	2018
Beginning balance	\$ 2,127,505	1,931,734
Additions:		
Contributions and transfers	132,554	367,037
Investment income (loss), net	489,595	(124,952)
Total income	622,149	242,085
Deductions:		
Grants and transfers	(25,100)	(22,000)
Service fees assessed	(23,854)	(24,314)
Total deductions	(48,954)	(46,314)
Ending balance	\$ 2,700,700	2,127,505

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Funds with donor restrictions include endowment funds created by donor stipulation requiring investment of the gift in perpetuity, for a specific term or for a specific purpose, and other funds with donor restrictions of purpose or time.

Changes to endowment funds classified as net assets with donor restrictions are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 25,560,682	29,114,545
Endowment investment return:		
Interest and dividends	733,561	854,461
Total net gains and losses, net of fees	<u>4,436,234</u>	<u>(3,081,299)</u>
Total investment returns	<u>5,169,795</u>	<u>(2,226,838)</u>
Contributions to endowments	40,000	1,166
Transfers from endowments	<u>(1,319,536)</u>	<u>(1,328,191)</u>
Ending balance	\$ <u>29,450,941</u>	<u>25,560,682</u>

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in the State of Alaska. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from an endowment fund, and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Foundation may spend so much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. A donor's intent to maintain an endowment in perpetuity must still be considered and the fund managed accordingly. However, the Foundation retains variance power over its endowment assets. The Foundation's organizing documents and fund agreements set forth the power to modify any restrictions or conditions on distributions from funds if, in the Foundation's judgement, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area being served.

The Foundation has established prudent investment and spending policies with the objective of maintain the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

To satisfy its long-term rate-of-return objects, the Foundation relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term objectives within prudent risk constraints. Investment decisions are made in context of the Foundation's portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Foundation.

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

The Foundation has a policy of appropriating for distribution each year a percentage of the trailing five-year rolling-average of a fund's fair-market-value. In establishing this spending rate, the Foundation considers numerous factors listed in UPMIFA, including long-term expected return on investments, inflation, and other economic indicators. Accordingly, over the long term, the Foundation expects its spending policy to allow its endowment funds to grow at a rate equal to inflation. This is consistent with the Foundation's objective to maintain the purchasing power of its endowed assets.

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at December 31:

	2019	2018
Administrative	\$ 1,169,020	846,443
Discretionary	586,515	362,775
Designated	1,973,388	1,385,736
Donor advised	28,727,932	23,709,227
Field of interest	701,599	567,456
Scholarship	886,447	561,741
Total net assets without donor restrictions	<u>\$ 34,044,901</u>	<u>27,433,378</u>

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following represents the Foundation's financial assets as of the statement of financial position date, reduce by amounts not available for general use because of contractual or donor-imposed restrictions within one year of financial position date. General expenditures include management and general expenses, fundraising expenses, and some program expenses. Amounts not available for expenditure within one year include long-term investments funds and investments subject to contractual restriction.

	2019	2018
Financial assets at year-end*		
Cash and cash equivalents	\$ 1,907,082	1,413,520
Investments	64,237,771	53,649,722
Beneficial interest in assets held by others	56,500	56,500
Total financial assets	<u>66,201,353</u>	<u>55,119,742</u>
Less those unavailable for general expenditure within one year, due to contractual or donor- imposed restrictions:		
Long-term investment of endowments and other funds	(61,593,571)	(51,578,717)
Funds held as agency endowments	<u>(2,700,700)</u>	<u>(2,127,505)</u>
Total	<u>(64,294,271)</u>	<u>(53,706,222)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,907,082</u>	<u>1,413,520</u>

JUNEAU COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation invests its cash in short-term investments.

At December 31, 2019, the Foundation holds six endowment funds with net assets of approximately twenty-nine million. The Foundation will appropriate for spending in 2020 approximately 5% of each fund's five-year rolling average fair market value for grantmaking.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Depository Concentration

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). At December 31, 2019 \$1,625,551 on deposit at a financial institution exceeded FDIC coverage. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 10 – RELATED PARTY TRANSACTIONS

In the normal course of operations, the Foundation enters into transactions with Board members or their companies who provide accounting, facility and insurance services. These transactions are negotiated in accordance with the Foundation's conflict of interest policy. Amounts paid are recorded as general and administrative costs in the accompanying statement of activities.

NOTE 11 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program Services – Includes all functions necessary to administer funds received from various entities.

Management and General – Includes the functions necessary to maintain equitable employment; ensure an adequate working environment, provide coordination of the Organization's programs; secure proper administrative functioning of the Board of Directors and manage the financial and budgetary responsibilities of the Organization.