

COMMUNITY FUND
MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Fund Management Foundation, Inc.
Middleburg Heights, Ohio

We have audited the accompanying financial statements of the Community Fund Management Foundation, Inc. (a nonprofit corporation) which comprise the Statement 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 the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Fund Management 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.

Hobe & Lucas
Certified Public Accountants, Inc.
Independence, Ohio

August 11, 2020

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)

DECEMBER 31, 2019 AND 2018

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COMMUNITY FUND MANAGEMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,005,884	\$ 907,244
Short term investments	437,949	361,892
Accounts receivable:		
Miscellaneous reimbursements	-	4,713
Prepaid expenses	13,489	6,350
Total Current Assets	1,457,322	1,280,199
<u>Property and Equipment</u>		
Equipment	28,235	36,629
Furniture	52,847	52,847
	81,082	89,476
Less: Accumulated depreciation	(51,334)	(44,634)
Net Property and Equipment	29,748	44,842
<u>Other Assets</u>		
Investments:		
Perpetual trust, restricted by the Board of Directors	4,158,634	3,465,359
Endowment account, restricted by the Board of Directors	748,395	629,016
	4,907,029	4,094,375
Deposits	5,275	1,017
Total Other Assets	4,912,304	4,095,392
Total Assets	\$ 6,399,374	\$ 5,420,433

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	2,025	3,542
Accrued expenses:		
Payroll expenses and related liabilities	44,349	42,557
Total Current Liabilities	46,374	46,099
<u>Net Assets</u>		
Without Donor Restrictions:		
Undesignated net assets	1,445,971	1,279,959
Board designated net assets	4,907,029	4,094,375
Total Net Assets Without Donor Restrictions	6,353,000	5,374,334
Total Liabilities and Net Assets	\$ 6,399,374	\$ 5,420,433

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

COMMUNITY FUND MANAGEMENT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Changes in Net Assets</u>		
<u>Support and Revenue Without Donor Restrictions</u>		
Set-up fees	\$ 458,591	\$ 335,000
Annual trust fees	595,458	579,566
Investment income		
Net realized and unrealized appreciation (depreciation) of investments, net of fees of \$48,980 in 2019 and \$42,788 in 2018	738,232	(410,939)
Interest and dividend income	128,710	133,420
Contributions	245,717	260,899
Gain(Loss) on disposal of property	(4,161)	260
Other income	6,457	2,400
	<u>2,169,004</u>	<u>900,606</u>
 <u>Expenses - Without Donor Restrictions</u>		
Program services	1,075,938	917,737
Management and general	114,398	111,503
	<u>1,190,336</u>	<u>1,029,240</u>
 <u>Increase (Decrease) in Net Assets Without Donor Restrictions</u>	978,668	(128,634)
 <u>Net Assets Without Donor Restrictions - Beginning of Year</u>	<u>5,374,332</u>	<u>5,502,968</u>
 <u>Net Assets Without Donor Restrictions - End of Year</u>	<u>\$ 6,353,000</u>	<u>\$ 5,374,334</u>

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

COMMUNITY FUND MANAGEMENT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>
Personnel	\$ 643,105	\$ 55,125	\$ 698,230
Grant distributions from endowment	218,186	-	218,186
Office expenses	91,094	12,422	103,516
Professional fees	13,257	31,000	44,257
Rent	69,472	9,474	78,946
Travel and meetings	11,609	1,583	13,192
Trustee fees	8,096	-	8,096
Insurance	2,216	2,216	4,432
Depreciation	9,620	1,312	10,932
Other expenses	9,283	1,266	10,549
	<u>\$ 1,075,938</u>	<u>\$ 114,398</u>	<u>\$ 1,190,336</u>

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

COMMUNITY FUND MANAGEMENT FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>
Personnel	\$ 536,256	\$ 55,125	\$ 591,381
Grant distributions from endowment	177,627	-	177,627
Office expenses	105,688	14,412	120,100
Professional fees	20,526	30,400	50,926
Rent	40,702	5,550	46,252
Travel and meetings	9,973	1,360	11,333
Trustee fees	8,193	-	8,193
Insurance	2,428	2,428	4,856
Depreciation	9,859	1,344	11,203
Other expenses	6,485	884	7,369
	<u>\$ 917,737</u>	<u>\$ 111,503</u>	<u>\$ 1,029,240</u>

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

COMMUNITY FUND MANAGEMENT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 978,668	\$ (128,634)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (appreciation) depreciation investments	(738,232)	410,939
Depreciation of property and equipment	10,932	11,203
Loss (Gain) on disposal of property	4,161	(260)
(Increase) decrease in:		
Accounts receivable	4,713	-
Prepaid expenses	(7,139)	1,530
Other assets	(4,258)	2,034
Increase (decrease) in:		
Accounts payable	(1,517)	(3,657)
Accrued expenses	1,792	15,372
Net Cash Provided by Operating Activities	249,120	308,527
<u>Cash Flows From Investing Activities</u>		
Purchase of furniture and equipment	-	(25,076)
Purchases of short-term investments	(29,161)	(16,961)
Withdrawals from endowment account	15,000	190,922
Additions to perpetual trust	(345,385)	(368,026)
Withdrawals from perpetual trust	209,066	197,488
Net Cash Used by Investing Activities	(150,480)	(21,653)
<u>Net Increase in Cash and Cash Equivalents</u>	98,640	286,874
<u>Cash and Cash Equivalents - Beginning of Year</u>	907,244	620,370
<u>Cash and Cash Equivalents - Ending of Year</u>	\$ 1,005,884	\$ 907,244

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

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Community Fund Management Foundation, Inc. (the Foundation) is a non-profit organization, established in 1993, to develop and make available trust vehicles, education, and related services that help enable individuals with disabilities to use private funds to enhance their quality of life while attempting to safeguard their eligibility for governmental benefits. Revenues consist primarily of set-up fees and annual fees associated with these trusts, investment income and contributions.

Basis of Accounting

The accompanying financial statements have been prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America, as prescribed in the American Institute of Certified Public Accountants' Audit and Accounting Guide: *Not-For-Profit Entities*. The following information summarizes the accounting basis:

Financial Statement Presentation

The Foundation classifies net assets, revenues, gains and other support and expenses based on the existence or absence of donor imposed restrictions. Accordingly, net assets and the changes therein are classified and reported in two categories, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are either not subject to donor-imposed stipulations or are subject to such restrictions but those restrictions have been met in the same fiscal period that the revenue is recorded. This class of net assets includes board designated net assets.

Net Assets With Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may be permanent or temporary. As of December 31, 2019 and 2018, the Foundation had no net assets with donor restrictions.

Accounts Receivable

Accounts receivable are considered to be fully collectible. Management believes no allowance for doubtful accounts is required.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Renewals and betterments are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over various estimated useful lives consisting of periods from three to ten years.

Statements of Cash Flows

The Foundation considers all highly liquid investments at time of purchase with an original maturity date of three months or less to be cash equivalents. There were no cash payments for interest or income taxes during the years ended December 31, 2019 and 2018.

Investments

Investments are carried at fair value and consist of marketable equity, bond funds, and money market funds. Investments with readily determinable fair values are reported at quoted market values. Realized and unrealized gains and losses are recognized in the accompanying statements of activities. In accordance with FASB ASU 2016-14, investment activity, including realized and unrealized gains and losses are presented net of related expenses.

Revenue Recognition

In 2019, the Foundation adopted the provisions of FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The adoption of Topic 606 did not have a material effect on the Foundation's revenue recognition.

Trust set-up fees are recognized as revenue during the fiscal year the trust is originally established. Annual fees are billed in advance, at the beginning of the year, for the upcoming calendar year and recognized, accordingly, in the year in which the fees are billed.

Contributions are recognized at fair value when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by a donor are reported as increases in net assets without donor restrictions 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 restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give are considered to be fully collectible; accordingly, no allowance for uncollectible promises to give is required.

Compensated Absences

Employees of the Foundation are entitled to paid vacation, sick and personal days off, depending on their job classifications. None of these benefits vest and vacation leave is expensed as incurred.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

The Foundation is a private, non-profit organization, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. None of the Foundation's present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

There have been no interest or penalties recognized in the Statements of Financial Position or the Statements of Activities relating to uncertain tax positions. Additionally, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease during the next 12 months. The Foundation evaluates uncertain tax positions, if any, on a continual basis. The Foundation's Federal tax returns are generally subject to examination by the IRS for the years 2017 and after.

Functional Allocation of Expenses

The costs of administering trusts and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated between program expenses and management and general expenses using various allocation methods which attempt to allocate the costs equitably in relation to the benefits provided.

Disclosure of Subsequent Events

The Foundation has evaluated all subsequent events through the date the accompanying financial statements were available to be issued (August 11, 2020).

An outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and spread rapidly to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Multiple jurisdictions in the U.S. declared a state of emergency, and implemented policy to limit the spread of the virus. In March 2020, the Foundation began modifying operations in response to government mandates and to protect the safety of its employees and clients. The future impact of these changes is indeterminable, however the Foundation's investment portfolio value was affected, as the financial markets took a downturn in March. There has been a recovery since then. However, the investment value has not recovered to pre-COVID-19 values.

In April 2020, the Foundation applied for a business loan through the Paycheck Protection Program (PPP). The PPP was established to help businesses operate during the state of emergency caused by COVID-19. Loans received through the PPP are expected to be fully forgiven. In May 2020, the Foundation received \$75,000 from the PPP.

There were no other subsequent events to report as of August 11, 2020.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Use of Accounting Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make certain estimates that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. Actual results could differ from those estimates.

NOTE 2 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Foundation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in a principal market, or in the absence of a principal market the most advantageous market for the investment or liability. A three-tier hierarchy has been established to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Foundation's investments.

The various inputs that may be used to determine the fair value of the Foundation's assets are summarized in the three broad levels:

Level 1 - Inputs represent unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2 - Represents observable inputs other than quoted prices in active markets for identical assets.

Level 3 - Represents unobservable inputs supported by little or no market activity significant to the fair value measurements.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the inputs used as of December 31, 2019 and 2018 in valuing the Foundation's investments carried at fair value:

		<u>Fair Value Measurements</u>		
<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2019</u>				
<u>Short-Term Investments:</u>				
<u>Investment Category</u>				
Cash Equivalents	\$ 10,712	\$ 10,712	\$ -	\$ -
Equities	427,237	427,237	-	-
	<u>\$ 437,949</u>	<u>\$ 437,949</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>				
<u>Long-Term Investments:</u>				
Cash Equivalents	\$ 251,756	\$ 251,756	\$ -	\$ -
Fixed Income Bonds	1,476,315	-	1,476,315	-
Equities	3,178,958	741,998	2,436,960	-
	<u>\$ 4,907,029</u>	<u>\$ 993,754</u>	<u>\$ 3,913,275</u>	<u>\$ -</u>
		<u>Fair Value Measurements</u>		
<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2018</u>				
<u>Short-Term Investments:</u>				
<u>Investment Category</u>				
Cash Equivalents	\$ 11,247	\$ 11,247	\$ -	\$ -
Equities	350,645	350,645	-	-
	<u>\$ 361,892</u>	<u>\$ 361,892</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2018</u>				
<u>Long-Term Investments:</u>				
Cash Equivalents	\$ 42,790	\$ 42,790	\$ -	\$ -
Fixed Income Bonds	1,483,174	-	1,483,174	-
Equities	2,568,411	624,345	1,944,066	-
	<u>\$ 4,094,375</u>	<u>\$ 667,135</u>	<u>\$ 3,427,240</u>	<u>\$ -</u>

NOTE 3 - CONCENTRATIONS

At various times during the years ended December 31, 2019 and 2018, cash balances exceeded federally insured limits.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Net Assets Without Donor Restrictions - Board Designated consists of investments held in the Perpetual Trust and in the Endowment Account, which are internally restricted by the Foundation's Board of Directors. Because these investments and the related net assets are free of external restrictions, they have been classified as "Without Donor Restrictions" in the accompanying Statements of Financial Position.

NOTE 5 - INVESTMENTS

Investments as of December 31, 2019 and 2018 consist primarily of common stocks, bond funds and equity funds. Original cost, fair value, unrealized appreciation and investment income at December 31, 2019 and 2018 is summarized below:

	<u>Original Cost</u>	<u>Fair Value</u>	<u>Unrealized Apprec. (Deprec.)</u>	<u>Interest and Dividend Income</u>
<u>December 31, 2019</u>				
<u>Short-Term Investments:</u>				
Cash Equivalents	\$ 10,712	\$ 10,712	\$ -	\$ 963
Equities	<u>367,337</u>	<u>427,237</u>	<u>59,990</u>	<u>10,123</u>
	<u>\$ 378,049</u>	<u>\$ 437,949</u>	<u>\$ 59,990</u>	<u>\$ 11,086</u>
<u>Long-Term Investments:</u>				
Perpetual Trust	\$ 3,229,645	\$ 4,158,634	\$ 928,989	\$ 99,668
Endowment Account:				
Cash Equivalents	6,397	6,397	-	-
Equities	<u>638,515</u>	<u>741,998</u>	<u>103,483</u>	<u>17,956</u>
	<u>\$ 3,874,557</u>	<u>\$ 4,907,029</u>	<u>\$ 1,032,472</u>	<u>\$ 117,624</u>
<u>December 31, 2018</u>				
<u>Short-Term Investments:</u>				
Cash Equivalents	\$ 11,247	\$ 11,247	\$ -	\$ 845
Equities	<u>357,783</u>	<u>350,645</u>	<u>(7,138)</u>	<u>9,139</u>
	<u>\$ 369,030</u>	<u>\$ 361,892</u>	<u>\$ (7,138)</u>	<u>\$ 9,984</u>
<u>Long-Term Investments:</u>				
Perpetual Trust	\$ 3,150,355	\$ 3,465,359	\$ 315,004	\$ 107,127
Endowment Account:				
Cash Equivalents	4,671	4,671	-	-
Equities	<u>637,850</u>	<u>637,850</u>	<u>(13,505)</u>	<u>16,274</u>
	<u>\$ 3,792,876</u>	<u>\$ 4,107,880</u>	<u>\$ 301,499</u>	<u>\$ 123,401</u>

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - INVESTMENTS (CONTINUED)

The Foundation invests excess funds on hand in short-term investments, consisting of money market funds, various equity, and various bond funds. Unrealized holding gains (losses) on these investments totaled \$67,039 and (36,463) for the years ended December 31, 2019 and 2018, respectively. Realized gains (losses) on these short- term and long term investments totaled \$1,849 for the year ended December 31, 2019, and \$2,722 for the year ended December 31, 2018.

The Foundation invests funds in long-term investments (endowment account), consisting of money market funds, and various equity funds. Unrealized holding gains (losses) on these investments totaled \$116,989 and \$(65,766) for the years ended December 31, 2019 and 2018, respectively. Realized gains (losses) on these long-term investments totaled \$4,657 and 5,656 for the years ended December 31, 2019 and 2018, respectively.

Unrealized holding gains (losses) on perpetual trust securities totaled \$613,985 and (\$258,732) for the years ended December 31, 2019 and 2018, respectively. Realized gains (losses) on these securities totaled (\$17,307) for the year ended December 31, 2019 and (\$15,568) for the year ended December 31, 2018.

The perpetual trust is funded exclusively by elections received by the Foundation from the various individual trust accounts that the Foundation administers. Contributions received by the Foundation from these elections totaled \$245,717 and \$260,899 during the years ended December 31, 2019 and 2018, respectively, and have been included in "Contributions" in the accompanying Statements of Activities.

The Foundation's Board of Directors has designated the funds in the perpetual trust as restricted, except for an annual transfer of 5% of the average balance in the perpetual trust for the preceding year to the Foundation's Chase Bank endowment account. This transfer totaled \$199,808 for the year ended December 31, 2019 and \$187,896 for the year ended December 31, 2018.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 - UPMIFA AND RESTRICTED ENDOWMENT FUNDS

The State of Ohio's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") requires the prudent expenditure of endowment funds. The Foundation's Board of Directors has determined that all Board-restricted investments meet the definition of endowment funds under UPMIFA. Additionally, the Financial Accounting Standards (FAS) Board has issued guidance on the net asset classification of Board-restricted endowment funds and also requires enhanced disclosures for all endowment funds. These disclosures are presented below.

Net Asset Classification

As of December 31, 2019 and 2018, all investments held in the Perpetual Trust and in the Endowment Account originated from net assets without donor restrictions of the Foundation, and have been reflected as Without Donor Restrictions - Board-designated net assets in the accompanying Statements of Financial Position.

Investment and Spending Policy

Funds held in the perpetual trust are invested in the same securities as the individual trust accounts that the Foundation administers. These funds are restricted except for an annual transfer of 5% of the average balance in the preceding year to the Foundation's endowment account.

Funds held in the endowment account are held in an investment account and are restricted for the purpose of providing special assistance to individuals with disabilities and nonprofits, as authorized by the Foundation's Board of Directors. Distributions to grant recipients from the endowment account totaled \$218,186 and \$177,627 for the years ended December 31, 2019 and 2018, respectively.

COMMUNITY FUND MANAGEMENT FOUNDATION, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 - UPMIFA AND RESTRICTED ENDOWMENT FUNDS (CONTINUED)

Changes in the perpetual trust and in the endowment fund account balances during each of the years ended December 31, 2019 and 2018 are as follows:

	<u>Year Ended December 31, 2019</u>	
	<u>Perpetual</u>	<u>Endowment</u>
	<u>Trust</u>	<u>Account</u>
Balance at Beginning of Year	\$ 3,465,359	\$ 629,016
Annual 5% transfer from Perpetual Trust to Chase Endowment Account	(199,808)	
Elective deposits from individual trusts	245,717	-
Board discretionary transfer from Endowment to Chase savings account	-	(15,000)
Investment return:		
Interest and dividend income, net	99,668	17,876
Trustee fees	(48,980)	(5,144)
Unrealized gains	613,985	116,989
Realized gains (losses)	<u>(17,307)</u>	<u>4,658</u>
Total investment return	<u>647,366</u>	<u>134,379</u>
Balance at End of Year	<u>\$ 4,158,634</u>	<u>\$ 748,395</u>

	<u>Year Ended December 31, 2018</u>	
	<u>Perpetual</u>	<u>Endowment</u>
	<u>Trust</u>	<u>Account</u>
Balance at Beginning of Year	\$ 3,611,909	\$ 869,022
Annual 5% transfer from Perpetual Trust to Chase Endowment Account	(187,896)	-
Elective deposits from individual trusts	260,899	-
Board discretionary transfer from Endowment to Chase savings account	-	(16,000)
Grant distributions from Endowment account	-	(174,922)
Investment return:		
Interest and dividend income, net	107,127	16,274
Trustee fees	(52,380)	(5,248)
Unrealized gains	(258,732)	(65,766)
Realized gains (losses)	<u>(15,568)</u>	<u>5,656</u>
Total investment return	<u>(219,553)</u>	<u>(49,084)</u>
Balance at End of Year	<u>\$ 3,465,359</u>	<u>\$ 629,016</u>

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NOTE 7 - OPERATING LEASE AGREEMENT

The Foundation leases office space under an operating lease agreement. Rent expense totaled \$65,087 and \$43,914 for the years ended December 31, 2019 and 2018, respectively. The Foundation also leases two copiers under lease agreements. The lease expense is reported under printing and copying expense and totaled \$6,497 and \$5,738 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, the remaining future annual rents under these agreements were as follows:

Year Ended December 31,

2020	\$ 69,274
2021	68,974
2022	70,104
2023	<u>68,670</u>
Total minimum lease payments	<u>\$ 277,022</u>

NOTE 8 - RETIREMENT BENEFITS

The Foundation has a defined contribution retirement plan, which covers eligible employees, as defined in the Plan Document. During the years ended December 31, 2019 and 2018, the Foundation matched voluntary employee contributions up to 3% of each eligible employee's salary. Retirement expense totaled \$10,398 for the year ended December 31, 2019, and \$8,902 for the year ended December 31, 2018, and has been included in personnel expenses in the accompanying Statements of Activities.

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NOTE 9- LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$801,921 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$801,921. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet at least 90 days of normal operating expenses, which are projected to be \$286,733. The Foundation does not have a Board mandated liquidity policy, but it is the policy of the Executive Director to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as part of its liquidity management, the Foundation has a target balance of \$50,000(+/- \$10,000) for its operating checking account and invests cash in excess of the target balance in various short-term and long-term investments pursuant to the investment policy of the Finance Committee and Board of Directors. Currently \$437,949 is invested in short-term and long-term investments. The Foundation also maintains a Perpetual Trust which is restricted by the Board of Directors which could be drawn upon in the event of financial distress or an immediate liquidity need.

NOTE 10- METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to program or supporting services of the Foundation. Those expenses include depreciation and the operating office of the Foundation. Depreciation, insurance, rent, travel, office expenses as well as other expenses relating to day-to-day operations are allocated to Management & General based on a calculated basis of 12% of the total expense. Insurance expense and executive director salary are allocated to Management & General at 50% of their totals, respectively. Grant distributions are allocated 100% to our Program Service.

NOTE 11- RECLASSIFICATIONS

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the reported results of operations.