

**COMMUNITY FOUNDATION
OF SOUTHERN WISCONSIN, INC.**

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of Southern Wisconsin, Inc.
Janesville, Wisconsin

We have audited the accompanying financial statements of Community Foundation of Southern Wisconsin, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

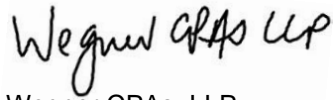
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Southern Wisconsin, Inc. as of June 30, 2020 and 2019, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Community Foundation of Southern Wisconsin, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09,

Revenue from Contracts with Customers (Topic 606), and all subsequently issued clarifying ASUs and ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, as of July 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Janesville, Wisconsin
December 15, 2020

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 546,961	\$ 595,704
Restricted asset, certificate of deposit	5,987	5,946
Investments	60,480,844	58,559,313
Accounts receivable	5,801	60
Unconditional promises to give, net	476,815	542,178
Other assets	8,685	14,689
Equipment, net	7,916	-
Total assets	\$ 61,533,009	\$ 59,717,890
LIABILITIES		
Accounts payable	\$ 6,950	\$ 7,276
Accrued payroll and employee benefits	30,492	17,598
Grants and scholarships payable, net	1,983,377	1,952,963
Liability to life beneficiary	4,092	3,892
Discount for future interest	54,317	54,317
Funds held for benefit of others	3,035,435	3,283,369
Total liabilities	5,114,663	5,319,415
NET ASSETS		
Without donor restrictions	55,756,946	53,686,488
With donor restrictions	661,400	711,987
Total net assets	56,418,346	54,398,475
Total liabilities and net assets	\$ 61,533,009	\$ 59,717,890

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ 2,865,973	\$ 172,207	\$ 3,038,180	\$ 2,551,635	\$ 427,894	\$ 2,979,529
Less contributions from funds held for others	(115,124)	-	(115,124)	(77,698)	-	(77,698)
Grants from foundations	639,177	-	639,177	1,017,944	-	1,017,944
Special events	86,787	-	86,787	151,180	-	151,180
PPP Loan forgiveness	79,500	-	79,500	-	-	-
Program fees	670,823	-	670,823	721,999	-	721,999
Interest income	48,768	-	48,768	107,939	-	107,939
Dividend income	1,249,845	-	1,249,845	1,283,667	-	1,283,667
Realized gain on investments	600,507	-	600,507	2,063,239	-	2,063,239
Unrealized gain on investments	862,230	-	862,230	251,303	-	251,303
Investment fees	(203,102)	-	(203,102)	(263,042)	-	(263,042)
Less net investment activity from funds held for others	(129,267)	-	(129,267)	(196,498)	-	(196,498)
Total revenue	6,656,117	172,207	6,828,324	7,611,668	427,894	8,039,562
EXPENSES						
Program services	4,639,937	-	4,639,937	4,120,984	-	4,120,984
Less expenses from funds held for others	(355,011)	-	(355,011)	(161,441)	-	(161,441)
Management and general	479,318	-	479,318	455,883	-	455,883
Fundraising	44,209	-	44,209	44,667	-	44,667
Total expenses	4,808,453	-	4,808,453	4,460,093	-	4,460,093
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of time restrictions	222,794	(222,794)	-	188,833	(188,833)	-
Change in net assets	2,070,458	(50,587)	2,019,871	3,340,408	239,061	3,579,469
Net assets at beginning of year	53,686,488	711,987	54,398,475	50,346,080	472,926	50,819,006
Net assets at end of year	\$ 55,756,946	\$ 661,400	\$ 56,418,346	\$ 53,686,488	\$ 711,987	\$ 54,398,475

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2020 and 2019

<u>2020</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 108,857	\$ 265,574	\$ 24,270	\$ 398,701
Employee benefits and taxes	13,115	32,323	2,869	48,307
Professional fees	-	19,233	-	19,233
Fees	-	5,490	-	5,490
Technology costs	-	58,218	-	58,218
Office supplies	677	1,651	151	2,479
Telephone	1,661	4,053	370	6,084
Postage and printing	-	9,172	14,705	23,877
Occupancy	9,601	28,409	1,255	39,265
Insurance	888	2,626	116	3,630
Meeting	-	1,406	-	1,406
Travel	2,126	5,193	473	7,792
Conference	-	10,141	-	10,141
Organizational dues	-	4,696	-	4,696
Bad debt	-	27,275	-	27,275
Other expenses	-	3,724	-	3,724
Depreciation expense	-	134	-	134
Donor/fund expense	670,823	-	-	670,823
Grants to organizations	3,105,263	-	-	3,105,263
Scholarships/tuition	726,926	-	-	726,926
Less expenses from funds held for others	(355,011)	-	-	(355,011)
Total expenses	\$ 4,284,926	\$ 479,318	\$ 44,209	\$ 4,808,453
<u>2019</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 94,883	\$ 260,747	\$ 24,078	\$ 379,708
Employee benefits and taxes	14,457	34,537	3,029	52,023
Professional fees	-	16,806	-	16,806
Fees	-	6,733	-	6,733
Technology costs	-	48,882	-	48,882
Office supplies	1,454	3,921	446	5,821
Telephone	1,460	3,939	448	5,847
Postage and printing	-	11,523	13,581	25,104
Occupancy	11,033	32,721	2,450	46,204
Insurance	-	3,555	-	3,555
Meeting	-	3,325	-	3,325
Travel	2,502	6,747	635	9,884
Conference	-	1,429	-	1,429
Organizational dues	-	3,653	-	3,653
Bad debt	-	9,210	-	9,210
Other expenses	-	8,155	-	8,155
Donor/fund expense	700,188	-	-	700,188
Grants to organizations	2,394,140	-	-	2,394,140
Scholarships/tuition	900,867	-	-	900,867
Less expenses from funds held for others	(161,441)	-	-	(161,441)
Total expenses	\$ 3,959,543	\$ 455,883	\$ 44,667	\$ 4,460,093

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,019,871	\$ 3,579,469
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gain on investments	(824,804)	(246,441)
Realized gain on investments	(566,301)	(1,935,610)
Change in discount for future interest	-	(9,052)
Change in discount on unconditional promises to give	5,621	14,546
Depreciation	134	-
Change in assets and liabilities		
Accounts receivable	(5,741)	205
Unconditional promises to give, net	59,742	(233,733)
Other assets	6,004	9,090
Accounts payable	(326)	4,378
Accrued payroll and employee benefits	12,894	(1,773)
Grants and scholarships payable, net	30,414	157,460
Liability to life beneficiary	200	534
Unearned revenue	-	(13,254)
Net cash flows from operating activities	737,708	1,325,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(8,050)	-
Interest retained in certificate of deposit	(41)	(111)
Proceeds from sales of investments	27,464,457	28,652,897
Purchases of investments	(27,994,883)	(29,940,973)
Net cash flows from investing activities	(538,517)	(1,288,187)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in funds held for benefit of others	(247,934)	112,754
Change in cash	(48,743)	150,386
Cash at beginning of year	595,704	445,318
Cash at end of year	\$ 546,961	\$ 595,704

See accompanying notes.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community Foundation of Southern Wisconsin, Inc. (Foundation) is a tax-exempt, not-for-profit, autonomous, publicly supported, philanthropic institution comprised primarily of funds donated by many separate donors for the long-term benefit of the residents of Crawford, Green, Iowa, Lafayette, Grant, Rock, Sauk, Vernon, and Walworth Counties of Wisconsin. The Foundation services many charitable funds by managing the investment, encouraging and supporting additions, and overseeing the disbursement of grants and scholarships.

Investments

The Foundation reports investments in debt and equity securities with readily determinable fair values at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise to give becomes unconditional.

Equipment

Purchases of equipment are capitalized. Equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method.

Funds Held for Benefit of Others

The Foundation records the receipt of an asset from a resource provider for the benefit of the resource provider or its affiliate as a liability and not a contribution. The Foundation has variance power over the assets, but due to the reciprocal nature of the transaction, the receipt is recorded as a liability called funds held for others in the statements of financial position.

Grants

Unconditional grants are recorded as expense when approved by the Foundation's Board of Directors. Grants which are subject to conditions are recorded when the conditions have been substantially met.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as increases in net assets without donor restriction or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Administrative Fee

The Foundation assesses an administrative fee on each fund held within the Foundation. Substantially all fees are collected at the end of each quarter, based on the average trailing quarter balance for bank and investment assets, for the prior 12 quarters. Component funds are included in program fees and program services expenses in the statements of activities. The administrative fees charged to agency endowments are included in “Less contributions from funds held for others” and “Less expenses from funds held for others” in the statements of activities.

Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages, employee benefits and taxes, office supplies, telephone, and occupancy are allocated on the basis of time and effort.

Adoption of New Accounting Pronouncement

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

Community Foundation of Southern Wisconsin, Inc. adopted the requirements of the new guidance as of July 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Foundation elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019.

Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Foundation’s contracts do not contain variable consideration and contract modifications are generally minimal.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of the new guidance did not have a significant impact on the Foundation's financial statements. The majority of the Foundation's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

In addition, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Foundation adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019, or entered into after that date.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through December 15, 2020, the date which the financial statements were available to be issued.

NOTE 2 – RETIREMENT PLAN

The Foundation sponsors a defined contribution retirement plan covering employees with three years of service. Contributions are equal to 6% of each covered employee's salary. Contributions to the plan were \$13,027 and \$15,998 for the years ended June 30, 2020 and 2019.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 139,222	\$ 216,041
Receivable in 1 to 5 years	361,050	342,923
Receivable in more than five years	<u>50</u>	<u>1,100</u>
Unconditional promises to give	500,322	560,064
Less discount	<u>(23,507)</u>	<u>(17,886)</u>
Unconditional promises to give, net	<u>\$ 476,815</u>	<u>\$ 542,178</u>

Unconditional promises to give are reflected at present value of estimated future cash flows using a discount rate of 2%.

NOTE 4 – RESTRICTED ASSET – CERTIFICATE OF DEPOSIT

The Foundation has elected to use the reimbursement method for financing possible state of Wisconsin unemployment benefit cost. Under this method, the Foundation reimburses the state for benefits paid on its behalf. In addition, the Foundation is responsible for maintaining an assurance of reimbursement account equal to 4% of defined payroll. A certificate of deposit has been established in the assurance amount. As of June 30, 2020 and 2019, the balance in the assurance account was \$5,987 and \$5,946. At this time however, no estimate can be made of any possible future liability. In the event the Foundation revokes its election to use the reimbursement method of financing possible state of Wisconsin unemployment benefit costs, it would have a right to the balance in the assurance account two years after the year of revocation.

NOTE 5 – INVESTMENTS

Investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 3,208,566	\$ 4,047,860
Marketable equity funds	25,531,534	24,887,640
Marketable bond funds	21,203,996	17,470,127
Marketable equity securities	10,149,152	10,260,389
Marketable debt securities	<u>387,596</u>	<u>1,893,297</u>
Investments	<u>\$ 60,480,844</u>	<u>\$ 58,559,313</u>

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – EQUIPMENT

Equipment consisted of the following:

	<u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Office equipment and software	5- 7 years	\$ 57,429	\$ 49,379
Leasehold improvements	7 years	1,431	1,431
Less accumulated depreciation and amortization		<u>(50,944)</u>	<u>(50,810)</u>
Equipment, net		<u>\$ 7,916</u>	<u>\$ -</u>

NOTE 7 – GRANTS AND SCHOLARSHIPS PAYABLE

	<u>2020</u>	<u>2019</u>
Grants and scholarships payable	\$ 2,003,038	\$ 1,968,072
Less discount	<u>(19,661)</u>	<u>(15,109)</u>
Grants and scholarships payable, net	<u>\$ 1,983,377</u>	<u>\$ 1,952,963</u>

Grants and scholarships payable are reflected at present value of estimated future cash flows using a discount rate of 2%. Grants and scholarships to be paid are as follows for the years ending June 30:

2021	\$ 134,894
2022	1,481,244
2023	203,150
2024	120,250
2025	<u>63,500</u>
Grants and scholarships payable	<u>\$ 2,003,038</u>

NOTE 8 – SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of a split-interest agreement. The agreement is a pooled-income fund in which the Foundation recorded a contribution for the present value of the contribution based on the donor's life expectancy. In addition, the Foundation has recorded a discount for future interests that is amortized over the life of the donor and a liability to life beneficiary account to reflect earnings on the fund that will be paid to the beneficiary in future periods.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 9 – NET ASSETS

The Foundation's board of directors has designated net assets without donor restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Donor designated	\$ 12,254,056	\$ 12,627,833
Donor advised	7,446,700	7,300,263
Field of interest	3,735,292	3,520,361
Scholarship	18,134,674	16,711,057
Geographically designated	11,952,954	11,505,328
Undesignated	<u>2,233,270</u>	<u>2,021,646</u>
Net assets without donor restrictions	<u>\$ 55,756,946</u>	<u>\$ 53,686,488</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Time restricted	\$ 636,031	\$ 687,388
Restricted for grants in Southern Wisconsin	<u>25,369</u>	<u>24,599</u>
Net assets with donor restrictions	<u>\$ 661,400</u>	<u>\$ 711,987</u>

NOTE 10 – FUNDS HELD FOR BENEFIT OF OTHERS

The Foundation has adopted accounting standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Accounting standards specifically require that if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability has been established for the present value of the future payments expected to be made to the not-for-profit organizations, which is generally equivalent to the fair value of the funds.

At June 30, 2020 and 2019, the Foundation was the owner of 49 agency endowment funds with a combined fair value of \$3,035,435 and \$3,283,369. All financial activity for the years then ended related to these funds is segregated in the statements of activities and has been classified as a liability in the statements of financial position.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

At June 30, 2020 and 2019, the carrying amount (book balance) of the Foundation's cash was \$546,961 and \$595,704 and the financial institutions' balance (bank statements) was \$596,636 and \$635,358, of which, at each institution, \$250,000 was covered by FDIC insurance each year.

Financial instruments that potentially subject the Foundation to credit risk consist of cash, accounts receivable, investments, and unconditional promises to give.

NOTE 12 – LEASE COMMITMENT

The Foundation had leased office space that required monthly payments of \$2,582 under a five year operating lease that expired August 2020. The Foundation signed a new lease for office space commencing in September 2020 through August 2025, requiring monthly payments of \$770. Minimum future rent payments are as follows for the years ending June 30:

2021	\$	12,684
2022		9,244
2023		9,244
2024		9,244
2025		9,244
Thereafter		<u>1,540</u>
Total	\$	<u><u>51,200</u></u>

Lease expense was \$30,984 for the years ended June 30, 2020 and 2019.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Assets and liabilities measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 – Unobservable inputs that are not corroborated by market data.

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	June 30, 2020			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 3,208,566	\$ -	\$ 3,208,566	\$ -
Marketable equity funds	25,531,534	25,531,534	-	-
Marketable bond funds	21,203,996	21,203,996	-	-
Marketable equity securities	10,149,152	10,149,152	-	-
Marketable debt securities	387,596	-	387,596	-
Total investments	\$ 60,480,844	\$ 56,884,682	\$ 3,596,162	\$ -

	June 30, 2019			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 4,047,860	\$ -	\$ 4,047,860	\$ -
Marketable equity funds	24,887,640	24,887,640	-	-
Marketable bond funds	17,470,127	17,470,127	-	-
Marketable equity securities	10,260,389	10,260,389	-	-
Marketable debt securities	1,893,297	-	1,893,297	-
Total investments	\$ 58,559,313	\$ 52,618,156	\$ 5,941,157	\$ -

The following assumptions were used to estimate the fair value of each class of financial instruments:

Money market funds – Highly liquid debt instruments purchased with original maturities of three months or less.

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Marketable equity securities and marketable debt securities – These investments consist entirely of publicly-traded securities that are priced by an investment manager with reference to available quotations for identical assets.

Marketable equity funds and marketable bond funds – These investments hold traded securities priced by independent sources and the investment manager provides a high level of transparency into those funds. The Foundation is able to test and verify much of that pricing which provides the basis for the net asset valuation (NAV) calculation for each fund. The NAV is used to provide the valuation for these funds. The Foundation and the investment manager have had investments in to and redemptions out of these funds on a regular basis throughout the year, and at the June 30 measurement date.

NOTE 14 – LIQUIDITY AND AVAILABILITY

The table below reflects the Foundation’s financial assets as of the dates of the statements of financial position reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position:

	<u>2020</u>	<u>2019</u>
Cash	\$ 546,961	\$ 595,704
Investments	60,480,844	58,559,313
Accounts receivable	5,801	60
Unconditional promises to give, net	<u>476,815</u>	<u>542,178</u>
Financial assets, at year end	61,510,421	59,697,255
Less those unavailable for general expenditures within one year, due to:		
Board designated funds	\$ 53,523,676	\$ 51,664,842
Funds held for others	3,035,435	3,283,369
Donor restrictions - time or purpose	<u>661,400</u>	<u>711,987</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,289,910</u>	<u>\$ 4,037,057</u>

As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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NOTE 15 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, changes in net assets, and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation's donors and revenues, absenteeism in the Foundation's workforce, and unavailability of supplies used in the Foundation's programs.

Prior to June 30, 2020, the Foundation received a \$79,500 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan will be fully forgiven if the funds are used for payroll costs, rent, and utilities. The Foundation expects to meet the PPP's eligibility criteria and believes the loan is, in substance, a grant that is expected to be forgiven. The Foundation recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses. As of June 30, 2020, the Foundation believes it has incurred all of the necessary expenses to record the total amount of the loan as PPP Loan forgiveness on the statement of activities.