

**THE COMMUNITY FOUNDATION OF
NORTH LOUISIANA
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

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April 23, 2020

The Audit Committee
The Community Foundation of North Louisiana
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Community Foundation of North Louisiana, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Community Foundation of North Louisiana as of December 31, 2019 and 2018, and the consolidated 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020, on our consideration of The Community Foundation of North Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Community Foundation of North Louisiana's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

<u>A S S E T S</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	239,341	373,760
Prepaid expenses	51,744	21,583
Accounts receivable	40,864	391
Investments	145,963,673	129,941,654
Beneficial interest in trusts and estates	941,000	816,000
Fixed assets, net	36,299	101,998
Cash surrender value of life insurance	<u>108,098</u>	<u>109,601</u>
 Total assets	 <u>147,381,019</u>	 <u>131,364,987</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable and advance dues	276,490	330,320
Grants payable	780,424	530,468
Funds held as agency endowments	<u>8,852,009</u>	<u>8,023,633</u>
 Total liabilities	 9,908,923	 8,884,421
<u>Net assets:</u>		
Without donor restrictions:		
Designated for donor advised grants	12,157,754	11,534,384
Designated for operations	1,901,851	1,816,210
Designated for discretionary grants	56,291,362	50,996,456
Designated by board for endowment	159,463	141,004
Invested in property and equipment, net	<u>36,299</u>	<u>101,998</u>
Total without donor restrictions	70,546,729	64,590,052
With donor restrictions:		
Restricted in perpetuity - endowment	57,009,745	48,956,488
Restricted for specified purpose	8,974,622	8,118,026
Restricted for passage of time	<u>941,000</u>	<u>816,000</u>
Total with donor restrictions	<u>66,925,367</u>	<u>57,890,514</u>
 Total net assets	 <u>137,472,096</u>	 <u>122,480,566</u>
 Total liabilities and net assets	 <u>147,381,019</u>	 <u>131,364,987</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support, revenues, and gains:</u>			
Contributions:			
Membership	261,737	-	261,737
Other	2,757,223	2,040,088	4,797,311
Net investment income	9,905,937	8,395,414	18,301,351
Grants	100,100	119,433	219,533
Rental income	420	-	420
Other income	74,159	-	74,159
Total support, revenues and gains	<u>13,099,576</u>	<u>10,554,935</u>	<u>23,654,511</u>
Net assets released from restrictions pursuant to endowment spending rate distribution			
	1,477,743	(1,477,743)	-
Net assets released from restrictions - other			
	<u>42,339</u>	<u>(42,339)</u>	<u>-</u>
Net assets released from restrictions	<u>1,520,082</u>	<u>(1,520,082)</u>	<u>-</u>
<u>Total support, revenue, gains, and reclassifications</u>	14,619,658	9,034,853	23,654,511
<u>Expenses:</u>			
Program services:			
Grants	7,435,885	-	7,435,885
Community programs	534,834	-	534,834
Management and general	468,097	-	468,097
Fundraising and development	224,165	-	224,165
Total expenses	<u>8,662,981</u>	<u>-</u>	<u>8,662,981</u>
<u>Change in net assets</u>	5,956,677	9,034,853	14,991,530
<u>Net assets at beginning of period</u>	<u>64,590,052</u>	<u>57,890,514</u>	<u>122,480,566</u>
<u>Net assets at end of period</u>	<u>70,546,729</u>	<u>66,925,367</u>	<u>137,472,096</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support, revenues, and gains:</u>			
Contributions:			
Membership	228,809	-	228,809
Other	3,975,886	3,904,810	7,880,696
Net investment income (loss)	(1,788,844)	(1,797,418)	(3,586,262)
Grants	150,500	25,000	175,500
Rental income	40	-	40
Other income	29,659	270	29,929
Total support, revenues and gains	<u>2,596,050</u>	<u>2,132,662</u>	<u>4,728,712</u>
Net assets released from restrictions pursuant to endowment spending rate distribution			
	1,632,152	(1,632,152)	-
Net assets released from restrictions - other			
	<u>1,119,865</u>	<u>(1,119,865)</u>	<u>-</u>
Net assets released from restrictions	<u>2,752,017</u>	<u>(2,752,017)</u>	<u>-</u>
<u>Total support, revenue, gains, and reclassifications</u>	5,348,067	(619,355)	4,728,712
<u>Expenses:</u>			
Program services:			
Grants	6,911,315	-	6,911,315
Community programs	651,569	-	651,569
Management and general	462,616	-	462,616
Fundraising and development	180,257	-	180,257
Total expenses	<u>8,205,757</u>	<u>-</u>	<u>8,205,757</u>
<u>Change in net assets</u>	(2,857,690)	(619,355)	(3,477,045)
<u>Net assets at beginning of period</u>	<u>67,447,742</u>	<u>58,509,869</u>	<u>125,957,611</u>
<u>Net assets at end of period</u>	<u>64,590,052</u>	<u>57,890,514</u>	<u>122,480,566</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Fundraising and Development</u>	<u>Total</u>
	<u>Grants</u>	<u>Community Programs</u>	<u>Management and General</u>		
Amortization of leasehold improvements	-	-	49,189	-	49,189
Community programs	-	72,131	-	-	72,131
Depreciation	-	-	20,597	-	20,597
Dues and subscriptions	-	2,520	2,240	840	5,601
Equipment rental and maintenance	-	20,048	26,730	20,048	66,826
Grants	7,435,885	-	-	-	7,435,885
Health insurance	-	29,971	20,979	8,991	59,941
Insurance	-	-	13,128	-	13,128
Office supplies and expense	-	6,820	6,820	6,820	20,459
Parking	-	-	10,039	-	10,039
Payroll taxes	-	20,922	14,645	6,276	41,843
Postage	-	2,245	2,245	2,245	6,735
Printing	-	6,373	12,747	12,747	31,867
Professional fees	-	-	38,743	-	38,743
Public relations	-	37,821	-	45,092	82,913
Rent	-	27,346	36,461	27,346	91,153
Retirement plan expense	-	17,887	12,521	5,366	35,774
Salaries	-	272,318	190,622	81,695	544,635
Seminars and travel	-	7,520	5,640	5,640	18,799
Special events	-	5,295	-	-	5,295
Telephone	-	2,119	353	1,059	3,531
Other	-	3,500	4,397	-	7,897
	<u>7,435,885</u>	<u>534,834</u>	<u>468,097</u>	<u>224,165</u>	<u>8,662,981</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>			Fundraising and Development	Total
	<u>Grants</u>	<u>Community Programs</u>	<u>Management and General</u>		
Amortization of leasehold improvements	-	-	52,285	-	52,285
Community programs	-	219,070	-	-	219,070
Depreciation	-	-	21,196	-	21,196
Dues and subscriptions	-	3,854	3,426	1,285	8,565
Equipment rental and maintenance	-	6,838	9,117	6,838	22,793
Grants	6,911,315	-	-	-	6,911,315
Health insurance	-	26,209	18,346	7,863	52,418
Insurance	-	-	10,955	-	10,955
Office supplies and expense	-	9,490	9,494	9,490	28,474
Parking	-	-	9,788	-	9,788
Payroll taxes	-	21,366	14,957	6,410	42,733
Postage	-	1,505	1,505	1,505	4,515
Printing	-	4,624	9,248	9,248	23,120
Professional fees	-	-	50,049	-	50,049
Public relations	-	35,775	-	20,915	56,690
Rent	-	27,141	36,188	27,141	90,470
Retirement plan expense	-	5,172	3,620	1,552	10,344
Salaries	-	277,527	194,269	83,258	555,054
Seminars and travel	-	4,887	6,491	3,665	15,043
Special events	-	2,436	-	-	2,436
Telephone	-	2,175	362	1,087	3,624
Other	-	3,500	11,320	-	14,820
	<u>6,911,315</u>	<u>651,569</u>	<u>462,616</u>	<u>180,257</u>	<u>8,205,757</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	14,991,530	(3,477,045)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,597	21,196
Amortization of leasehold improvements	49,189	52,285
Realized and unrealized loss (gain) on investments	(15,907,475)	3,586,262
Decrease (increase) in interest in charitable remainder trusts and estates	(125,000)	55,000
Distributions from Estate of Carolyn Querbes Nelson	-	329,261
(Increase) decrease in prepaid expenses and other assets	(30,161)	5,154
(Increase) in accounts receivable	(40,473)	(391)
Decrease in cash surrender value of life insurance	1,503	647
Increase (decrease) in accounts payable and advance dues	(53,830)	85,926
Increase in grants payable	249,957	157,119
Net cash provided (used) by operating activities	<u>(844,163)</u>	<u>815,414</u>
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	29,244,952	32,665,186
Purchase of investments	(29,359,497)	(32,702,174)
Leasehold improvements	-	(1,500)
Purchase of equipment and furnishings	<u>(4,087)</u>	<u>(5,098)</u>
Net cash (used) by investing activities	<u>(118,632)</u>	<u>(43,586)</u>
<u>Cash flows from financing activities:</u>		
Increase (decrease) in funds held as agency endowments	<u>828,376</u>	<u>(586,878)</u>
Net cash provided (used) by financing activities	<u>828,376</u>	<u>(586,878)</u>
<u>Net (decrease) increase in cash and cash equivalents</u>	<u>(134,419)</u>	<u>184,950</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>373,760</u>	<u>188,810</u>
<u>Cash and cash equivalents at end of year</u>	<u>239,341</u>	<u>373,760</u>

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

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. **Nature of Operations**

The consolidated financial statements include The Community Foundation of North Louisiana (the Foundation), CFNLA Properties, LLC, CFNLA Properties II, LLC, and its supporting organization, the Annie Lowe Stiles Trust (the Trust). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Foundation (formerly The Community Foundation of Shreveport-Bossier) is a public nonprofit organization which was organized on June 26, 1961, to serve the needs of North Louisiana including the following parishes: Bienville, Bossier, Caddo, Claiborne, DeSoto, Jackson, Lincoln, Morehouse, Natchitoches, Ouachita, Red River, Sabine, Union and Webster. Grants are made by the Foundation for charitable, scientific, literary, educational and civic purposes.

The Trust is being administered by the trustees for the benefit of the Foundation which is both the income and principal beneficiary of the Trust. The trustees are directed to deliver the net income annually to the Foundation for its public, charitable, and educational uses. The trustees have full discretion to distribute any amount of principal to the Foundation and in the event the principal of the Trust should become inadequate to justify its continuance, they may terminate it by delivering its remaining property to the Foundation. The net income from the Trust's real estate (royalties, rentals, and timber sales) is distributed to the Foundation quarterly. Such distributions are eliminated in consolidation.

CFNLA Properties, LLC (the Company) was formed during 2014 and CFNLA Properties II, LLC was formed during 2019. The Foundation is the sole member of each company.

2. **Summary of Significant Accounting Policies**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

- (a) **Financial Statement Presentation** – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Funds designated for donor advised grants are available for distribution upon recommendation by the donor which is followed by Foundation Board approval. The Board of Directors has designated, from net assets without donor restrictions, net assets for endowment, operations and discretionary grants. The Foundation's policy is to designate unrestricted donor gifts at the discretion of the Board of Directors. Net assets without donor restriction also include the investment in property and equipment net of accumulated depreciation.

2. Summary of Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions – Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. The foundation may report contributions restricted by donors as increases 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 donor 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 and reported in the statements of activities as net assets released from restrictions. As of December 31, 2019 and 2018, the Foundation’s net assets with donor restrictions are restricted for funding various community educational and philanthropic programs specified by the donors.

(b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid financial instruments purchased with original maturities of three months or less, which are not held within our investment portfolios, to be cash and cash equivalents. Cash and highly liquid financial instruments included in our investment portfolios are excluded from this definition.

(c) *Income Taxes*

The Foundation, Trust and Company are nonprofit organizations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has further determined that the Trust is a supporting organization as described in Section 509(a)(3) of the Internal Revenue Code. The Company has been deemed a disregarded entity and all transactions have been recorded by the Foundation. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation’s accounting records.

The Foundation and Trust file U.S. federal Form 990 for informational purposes. The Foundation’s federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

(d) *Investments*

The Foundation records investments at fair value, based on quoted market prices, where available. Mineral interests are valued using a multiple of earnings or discounted estimated cash flow methodology. Alternative investments consist of those investments which are not valued based upon a quoted market price and include non-marketable hedge fund, real estate funds, and private equity assets. These funds invest in various partnership interests, managed accounts, and other vehicles to generate investment return. These funds are reported at estimated fair value as measured by their net asset value as reported by fund managers. That amount represents the Foundation’s proportionate interest in the capital of the invested funds. Increases and decreases in market value are recognized in the periods in which they occur. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Cost and market values are disclosed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

(e) ***Fixed Assets, Depreciation, and Amortization***

Fixed assets are recorded at cost, or if donated, at the fair market value at the date of donation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Amortization of leasehold improvements is provided on a straight-line basis over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

(f) ***Support and Revenue Recognition***

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

(g) ***Functional Allocation of Expenses***

The costs of program services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the community programs, management and general, and fundraising expenses. Certain administrative costs associated with the grant process are not included under grants on the consolidated statement of functional expenses and have been more appropriately reflected under community programs.

(h) ***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 estimated.

(i) ***Concentrations of Credit and Market Risk***

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers, industries, and geographic regions.

Contributions from a few individual donors represented 27% and 54% of total contributions for the years ended December 31, 2019 and 2018, respectively.

(j) ***Accounting Standards Adopted in 2019***

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation's revenue is composed of net investment income and contributions. The scope of the guidance explicitly excludes investment income and contributions as well as many other revenues for financial assets and liabilities including loans, leases, and derivatives. Accordingly, the Foundation's revenues were not affected. Adoption of ASU 2014-09, which was effective for the Foundation on January 1, 2019, did not have an impact on the Foundation's financial statements.

2. Summary of Significant Accounting Policies (Continued)

(k) *Reclassification*

Certain prior year amounts have been reclassified to conform with current year presentation.

(l) *Accounting Guidance/Principles Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation is currently evaluating the potential impact of adopting this guidance on their financial statements.

3. Investments

Major classifications of investments at December 31, 2019 and 2018 follow:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Trusts (excluding Stiles)	13,057,575	16,214,096	12,903,167	13,780,748
Stiles trust	2,867,726	5,023,451	2,835,663	4,857,604
Long-term pool	81,810,430	100,355,749	77,861,286	89,136,494
Short-term pool	11,727,333	11,752,471	11,214,756	11,176,472
Other pools	10,596,753	12,255,597	10,796,939	10,613,202
Other	438,461	362,309	529,997	377,134
Total investments	<u>120,498,278</u>	<u>145,963,673</u>	<u>116,141,808</u>	<u>129,941,654</u>

Investments-other pools are funds established by donors in an amount over \$250,000 whereby the donor is allowed to recommend a financial advisor. The performance of these funds is monitored by the Foundation Board and Investment Committee.

3. Investments (Continued)

Investments-trusts, investments-bank pools, and investments-other are presented below with their respective costs and fair values at December 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	11,513,971	11,513,972	11,923,151	11,924,557
Fixed income	28,276,995	28,367,916	23,777,673	23,528,981
Equity	54,210,973	66,534,423	53,716,775	55,044,872
Hedge funds	10,765,180	12,143,409	12,058,068	13,013,267
Real estate and mineral interests	3,901,897	9,217,487	3,950,825	9,246,706
Other	11,829,262	18,186,466	10,715,316	17,183,271
	<u>120,498,278</u>	<u>145,963,673</u>	<u>116,141,808</u>	<u>129,941,654</u>

The Foundation adopted FASB Codification topic 820, “*Fair Value Measurement*” (FASB ASC 820), as of January 1, 2008. FASB ASC 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation’s own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2019:				
Cash and cash equivalents	11,513,972	-	-	11,513,972
Fixed income	28,367,916	-	-	28,367,916
Equity	66,534,423	-	-	66,534,423
Hedge funds	-	-	679,568	679,568
Real estate and mineral interests	-	6,964,836	-	6,964,836
Other	-	3,000	314,072	317,072
Total assets in the fair value hierarchy	106,416,311	6,967,836	993,640	114,377,787
Investments measured at net asset value	-	-	-	31,585,886
Total investments	<u>106,416,311</u>	<u>6,967,836</u>	<u>993,640</u>	<u>145,963,673</u>

3. Investments (Continued)

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2018:				
Cash and cash equivalents	11,924,557	-	-	11,924,557
Fixed income	23,528,981	-	-	23,528,981
Equity	55,044,872	-	-	55,044,872
Hedge funds	-	-	631,341	631,341
Real estate and mineral interests	-	6,195,989	-	6,195,989
Other	-	3,000	328,897	331,897
Total assets in the fair value hierarchy	90,498,410	6,198,989	960,238	97,657,637
Investments measured at net asset value	-	-	-	32,284,017
Total investments	90,498,410	6,198,989	960,238	129,941,654

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Hedge Funds	Other	Total
Balance-December 31, 2017	1,232,044	402,272	1,634,316
Gains (losses) realized and unrealized	(600,703)	(73,375)	(674,078)
Balance-December 31, 2018	631,341	328,897	960,238
Gains (losses) realized and unrealized	48,227	(3,699)	
Purchases, issuances, and settlements	-	(11,126)	(11,126)
Balance-December 31, 2019	679,568	314,072	993,640

The following table summarizes investments measured at fair value based on net asset value (NAVs) per share as of December 31, 2019 and 2018, respectively.

	NAV in Funds	Amount Unfunded Commitments	Redemption Terms	Redemption Restrictions
December 31, 2019:				
Hedge funds				
Multi-strategy fund	301,811	-	Quarterly	(a)
Multi-strategy fund	4,731,764	-	Quarterly	N/A*
Multi-strategy fund	6,430,266	-	Quarterly	(b)
Emerging markets fund	1,919,362	-	Monthly	(c)
International fund	5,629,154	-	Monthly	(d)
Real estate-illiquid funds				
Real estate	2,252,651	819,383	N/A	N/A*
Natural resources	4,810,792	1,970,699	N/A	N/A*
Private equity funds				
Distressed, buyout, and venture capital and energy	1,361,259	1,856,925	N/A	N/A*
Energy	1,647,428	195,710	N/A	N/A*
Real estate	2,501,399	1,525,000	N/A	N/A*
	31,585,886	6,367,717		

3. Investments (Continued)

	<u>NAV in Funds</u>	<u>Amount Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
December 31, 2018:				
Hedge funds				
Multi-strategy fund	2,653,303	-	Quarterly	(a)
Multi-strategy fund	3,692,730	-	Quarterly	N/A*
Multi-strategy fund	6,035,893	-	Quarterly	(b)
Emerging markets fund	1,583,136	-	Monthly	(c)
International fund	4,696,707	-	Monthly	(d)
Real estate-illiquid funds				
Real estate	3,050,717	916,816	N/A	N/A*
Natural resources	4,717,777	329,196	N/A	N/A*
Private equity funds				
Distressed, buyout, and venture capital and energy				
Energy	1,626,323	2,076,359	N/A	N/A*
Real estate	1,944,959	276,331	N/A	N/A*
	<u>2,282,472</u>	<u>1,850,000</u>	N/A	N/A*
	<u>32,284,017</u>	<u>5,448,702</u>		

*These funds are in a private equity or partnership structure with no ability to redeem.

- (a) 10% may be redeemed each year; full redemption on a rolling two year lock-up.
- (b) Up to 25% may be redeemed quarterly.
- (c) This class includes emerging market index funds, a comingled actively managed fund that invests only in emerging market public equities. This class may invest in derivatives.
- (d) This class includes a comingled fund that invests in large and mid-cap value public equities. This account has no short positions.

4. Fixed Assets

A summary of fixed assets at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Equipment and furnishings	215,601	211,514
Leasehold improvements	342,161	342,161
<u>Less-accumulated depreciation and amortization</u>	<u>(521,463)</u>	<u>(451,677)</u>
Total fixed assets	<u>36,299</u>	<u>101,998</u>

5. Agency Endowment Funds

FASB ASC 958 establishes 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. FASB ASC 958 specifically requires that if a not-for-profit organization (NPO) 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.

5. Agency Endowment Funds (Continued)

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 FASB ASC 958, a liability 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 NPOs.

At December 31, 2019 and 2018, the Foundation was the owner of forty-six and forty-five, respectively, agency endowment funds with a combined value of \$8,852,009 and \$8,023,633, respectively. The following table summarizes activity in such funds during the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Agency endowment fund balances at beginning of year</u>	8,023,633	8,610,510
Contributions	76,231	54,044
Interfund contributions	-	100
Net investment income (loss)	1,153,260	(268,202)
Grants	(318,872)	(293,752)
Administrative expenses	(81,493)	(78,490)
Other expenses	<u>(750)</u>	<u>(577)</u>
<u>Agency endowment fund balances at end of year</u>	<u>8,852,009</u>	<u>8,023,633</u>

6. Endowed Net Assets

The Foundation has established prudent investment and spending policies with the objective of maintaining 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.

A spending rate is determined by the Foundation's Board of Directors. The rate is currently 4.0%. This determination is made with consideration given to market conditions and the spending levels of peer institutions. The spending rate approved by the Board is applied to the twelve-quarter moving average market value of the pooled assets by fund. Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. The Foundation's spending policy dictates that no portion of the corpus (original amount of donation) of the endowed assets shall be allocated for spending.

The Foundation classifies as net assets with donor restrictions the original value of gifts donated for permanent endowment, any subsequent gifts to such endowments, and accumulations subsequently made at the direction of the applicable donor instrument.

6. **Endowed Net Assets** (Continued)

Endowment funds net asset composition as of December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	167,871	49,061,858	49,229,729
Contributions	4,100	3,562,501	3,566,601
Net investment income	(4,754)	(2,035,719)	(2,040,473)
Appropriation of endowment assets for expenditure	<u>(26,213)</u>	<u>(1,632,152)</u>	<u>(1,658,365)</u>
Endowment net assets, December 31, 2018	141,004	48,956,488	49,097,492
Contributions	5,000	1,502,287	1,507,287
Net investment income	21,149	8,248,988	8,270,137
Appropriation of endowment assets for expenditure	<u>(7,690)</u>	<u>(1,698,018)</u>	<u>(1,705,708)</u>
Endowment net assets, December 31, 2019	<u>159,463</u>	<u>57,009,745</u>	<u>57,169,208</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below corpus. These deficiencies could result from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment funds to corpus will be classified as an increase in net assets with donor restrictions or an increase in net assets without donor restrictions as applicable. There were no reported deficiencies in endowed net assets as of December 31, 2019 and 2018.

7. **Liquidity and Availability**

The Foundation manages its cash available to meet general expenditures and grants following two guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets.

General Expenditures

General expenditures include management and general expenses, fundraising expenses, and some program expenses.

Financial assets at December 31, 2019 and 2018 designated by the board for operating purposes:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	50,371	60,648
Investments - short term pool	<u>1,693,751</u>	<u>1,679,748</u>
Total	<u>1,744,122</u>	<u>1,740,396</u>

7. **Liquidity and Availability** (Continued)

In addition to these funds available for general expenditures, the Foundation's Board of Directors has chosen to charge an administrative fee to all funds based on the funds' average quarterly market value over the preceding twelve quarters or the number of quarters in existence to cover general expenditures required to operate the Foundation. The administrative fee rate is 1% for all funds with the exception of scholarship funds established after February 19, 2004, which incur fees at a rate of 1.5%. The fees are assessed on a quarterly basis. Administrative fees of \$1,281,554 for 2019 and \$1,204,230 for 2018 were charged to specific funds. Such administrative fee income (Operating Fund) and administrative fee expense (other funds) is netted in the presentation of the consolidated statement of activities. Estimated administrative fees available for general expenditures during 2020 are \$1,331,056.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established, whether the fund is endowed or not. Most funds that are not endowed are invested in the Foundation's short term pool which includes an allocation to money market funds and an allocation to high quality fixed-income securities with maturities ranging from approximately one year to approximately five years. Funds held in the short term pool are subject to withdrawal at any time. Capital preservation and liquidity are paramount.

For those funds that are endowed or the fund operates according to our spending policy for granting, the funds are generally invested in the Foundation's long term pool. The amount available for granting is determined on an annual basis. This amount is calculated according to the Foundation's spending policy, which is currently 4% of the funds' average quarterly market value over the preceding twelve quarters. In order to protect the value of an endowment and not consume principal, no grant distributions are made that will cause the fund value to dip below the amounts contributed to the fund. Funds calculated as available for granting during 2018 and 2019 were \$3,940,238 and \$4,175,568, respectively. Amounts available for granting and to cover the administrative fees charged by the Foundation are transferred to the short term pool so that they are readily available. In addition, an estimated amount of \$3,406,975 will be available for granting during 2020, at the Board's discretion.

8. **Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include dues and subscriptions, equipment rental and maintenance, health insurance, office supplies, payroll taxes, postage, printing, rent, retirement plan expense, salaries, seminars and travel, and telephone, all of which are allocated on the basis of estimates of time and effort or other reasonable bases.

9. **Leases**

The Foundation leases office space under an operating lease which expires on November 30, 2019. Future minimum lease requirements are presented below:

2020	<u>76,684</u>
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Lease expense recorded for the years ended December 31, 2019 and 2018 was \$91,153 and \$90,470, respectively.

10. **Retirement Plan**

Effective January 1, 2003, the assets of the 401(k) plan were rolled into a new 403(b) retirement plan. The 403(b) plan covers employees who have completed one year of eligibility service and are at least twenty-one years old. The Foundation matches employee contributions up to 6% of eligible wages.

10. Retirement Plan (Continued)

Participants are fully vested in employer contributions after three years of service. The Foundation contributed \$35,774 and \$10,344 to the 403(b) plan for the years ended December 31, 2019 and 2018, respectively.

Also effective January 1, 2003, the Foundation implemented a tax-deferred annuity plan. Participation in this plan is voluntary and the Foundation makes no contributions. Employees may begin participating in this plan on the first of the month following employment at the Foundation.

11. Condensed Financial Statements of Annie Lowe Stiles Trust

Financial information pertaining only to the Annie Lowe Stiles Trust follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Assets:		
Investments	<u>5,023,451</u>	<u>4,857,604</u>
Total assets	<u>5,023,451</u>	<u>4,857,604</u>
Net assets with donor restrictions	<u>5,023,451</u>	<u>4,857,604</u>

Statement of Activities

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Net investment income	<u>-</u>	<u>530,230</u>	<u>530,230</u>
Total revenues, gains, and other support:	<u>-</u>	<u>530,230</u>	<u>530,230</u>
Net assets released from restrictions	<u>364,383</u>	<u>(364,383)</u>	<u>-</u>
Total revenues, gains, other support, and reclassifications	<u>364,383</u>	<u>165,847</u>	<u>530,230</u>
Distributions	<u>(364,383)</u>	<u>-</u>	<u>(364,383)</u>
Changes in net assets	<u>-</u>	<u>165,847</u>	<u>165,847</u>
Net assets at beginning of year	<u>-</u>	<u>4,857,604</u>	<u>4,857,604</u>
Net assets at end of year	<u>-</u>	<u>5,023,451</u>	<u>5,023,451</u>

11. **Condensed Financial Statements of Annie Lowe Stiles Trust** (Continued)

Statement of Activities

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Net investment income	-	340,665	340,665
Total revenues, gains, and other support:	-	340,665	340,665
Net assets released from restrictions	<u>275,888</u>	<u>(275,888)</u>	<u>-</u>
Total revenues, gains, other support, and reclassifications	275,888	64,777	340,665
Distributions	<u>(275,888)</u>	<u>-</u>	<u>(275,888)</u>
Changes in net assets	-	64,777	64,777
Net assets at beginning of year	<u>-</u>	<u>4,792,827</u>	<u>4,792,827</u>
Net assets at end of year	<u>-</u>	<u>4,857,604</u>	<u>4,857,604</u>

The distributions of \$364,383 and \$275,888 from the Trust to the Foundation for the years ended December 31, 2019 and 2018, respectively, were eliminated in consolidation.

12. **Interest in Estate of Carolyn Querbes Nelson**

The Foundation was named as one of two residual legatees in the Last Will and Testament of Carolyn Querbes Nelson. Ms. Nelson died on May 1, 2013. At the conclusion of the succession, after all debt and taxes have been paid, a judgment of possession will be rendered by the court. During 2019 and 2018, respectively, \$250,000 and \$800,000 was received by the Foundation. Of the \$800,000 received during 2018, \$329,261 was used to reduce the Foundations beneficial interest in the estate with the remainder being recorded as contributions.

13. **Lyndon Erroll Dawson, Jr. Succession**

The Foundation is the residual legatee of the Succession of Lyndon Erroll Dawson, Jr. Cash will be distributed to the Foundation following the termination of the estate. A value of this estate is not presently determinable and has not been included in these financial statements. During 2019 and 2018, respectively, \$500,000 and \$2,553,982 was received by the Foundation.

14. **Subsequent Events**

The Foundation is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The Foundation performed such an evaluation through April 23, 2020, the date which the financial statements were available to be issued. Subsequent to year end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the worldwide coronavirus pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The Foundation's financial statements do not include adjustments to fair value that have resulted from these declines.

SUPPLEMENTARY INFORMATION

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Louisiana Revised Statute 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2016 Regular Session of the Louisiana Legislature to clarify that nongovernmental or not-for-profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer from public funds.

The Community Foundation is not required to report the total compensation, reimbursements, and benefits paid to Ms. Kristi Gustavson, Executive Director during the year ended December 31, 2019, as none of those payments were made from public funds.

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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April 23, 2020

The Audit Committee
The Community Foundation of North Louisiana
Shreveport, Louisiana

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Community Foundation of North Louisiana, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Community Foundation of North Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Community Foundation of North Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of The Community Foundation of North Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Community Foundation of North Louisiana's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Community Foundation of North Louisiana.
2. No material weaknesses or significant deficiencies relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of The Community Foundation of North Louisiana were disclosed during the audit.
4. The Community Foundation of North Louisiana was not subjected to a Federal Single Audit for the year ended December 31, 2019.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

Not applicable.

THE COMMUNITY FOUNDATION OF NORTH LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

There were no prior year findings.