

**COMMUNITY FOUNDATION OF
SOUTHWEST LOUISIANA**

LAKE CHARLES, LOUISIANA

DECEMBER 31, 2019

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Broussard & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Foundation of Southwest Louisiana

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Southwest Louisiana 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.

Broussard and Company

Lake Charles, Louisiana
September 17, 2020

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 254,819	\$ 120,006
Accounts receivable	1,936	-
Unconditional promises to give	-	10,000
Investments, at fair value	22,016,483	19,419,750
Property and equipment, net	<u>15,063</u>	<u>5,301</u>
Total assets	<u>\$ 22,288,301</u>	<u>\$ 19,555,057</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 65,513	\$ 48,040
Income taxes payable	-	11,200
Amounts held on behalf of others	1,662,512	1,379,500
Deferred revenue	<u>-</u>	<u>12,200</u>
Total liabilities	<u>1,728,025</u>	<u>1,450,940</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	8,116,707	6,484,577
Designated by the Board for endowment	<u>317,682</u>	<u>244,786</u>
Total without donor restrictions	<u>8,434,389</u>	<u>6,729,363</u>
With donor restrictions:		
Perpetual in nature	8,613,509	8,549,034
Restricted for a specified purpose	<u>3,512,378</u>	<u>2,825,720</u>
Total with donor restrictions	<u>12,125,887</u>	<u>11,374,754</u>
Total net assets	<u>20,560,276</u>	<u>18,104,117</u>
Total liabilities and net assets	<u>\$ 22,288,301</u>	<u>\$ 19,555,057</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENT OF ACTIVITIES For the Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 1,892,278	\$ 798,644	\$ 2,690,922
Program service fees	2,300	-	2,300
Grant revenue	96,200	-	96,200
Net investment income (loss)	695,286	1,755,227	2,450,513
In-kind contributions	76	6,500	6,576
Gross special events revenue	-	50,184	50,184
Less cost of direct benefit to donotrs	-	<u>6,311</u>	<u>6,311</u>
Net special events revenue	-	43,873	43,873
Net assets released from restriction pursuant to endowment spending-rate distribution formula	590,583	(590,583)	-
Net assets released from restriction - other	<u>1,262,528</u>	<u>(1,262,528)</u>	-
Total revenue, support, and gains (losses)	<u>4,539,251</u>	<u>751,133</u>	<u>5,290,384</u>
EXPENSES:			
Operating expenses			
Grants	2,255,141	-	2,255,141
Projects	136,451	-	136,451
Other	<u>126,369</u>	<u>-</u>	<u>126,369</u>
Total program expenses	<u>2,517,961</u>	<u>-</u>	<u>2,517,961</u>
Supporting services expense			
Management and general	240,033	-	240,033
Fundraising	<u>71,444</u>	<u>-</u>	<u>71,444</u>
Total supporting services expenses	<u>311,477</u>	<u>-</u>	<u>311,477</u>
Total expenses	<u>2,829,438</u>	<u>-</u>	<u>2,829,438</u>
OTHER CHANGES:			
Unrelated business income taxes	<u>4,787</u>	<u>-</u>	<u>4,787</u>
CHANGE IN NET ASSETS	<u>1,705,026</u>	<u>751,133</u>	<u>2,456,159</u>
Net assets - beginning of year	<u>6,729,363</u>	<u>11,374,754</u>	<u>18,104,117</u>
Net assets - end of year	<u>\$ 8,434,389</u>	<u>\$ 12,125,887</u>	<u>\$ 20,560,276</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENT OF ACTIVITIES For the Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Contributions	\$ 1,120,967	\$ 1,935,401	\$ 3,056,368
Program service fees	2,850	-	2,850
Grant revenue	22,800	-	22,800
Net investment income (loss)	(59,928)	(206,842)	(266,770)
In-kind contributions	79	2,011	2,090
Gross special events revenue	-	34,950	34,950
Less cost of direct benefit to donotrs	-	<u>3,030</u>	<u>3,030</u>
Net special events revenue	-	31,920	31,920
Net assets released from restriction pursuant to endowment spending-rate distribution formula	851,313	(851,313)	-
Net assets released from restriction - other	<u>661,270</u>	<u>(661,270)</u>	-
Total revenue, support, and gains (losses)	<u>2,599,351</u>	<u>249,907</u>	<u>2,849,258</u>
EXPENSES:			
Operating expenses			
Grants	1,890,600	-	1,890,600
Projects	118,793	-	118,793
Other	<u>138,560</u>	-	<u>138,560</u>
Total program expenses	<u>2,147,953</u>	-	<u>2,147,953</u>
Supporting services expense			
Management and general	190,227	-	190,227
Fundraising	<u>61,779</u>	-	<u>61,779</u>
Total supporting services expenses	<u>252,006</u>	-	<u>252,006</u>
Total expenses	<u>2,399,959</u>	-	<u>2,399,959</u>
OTHER CHANGES:			
Unrelated business income taxes	<u>26,557</u>	-	<u>26,557</u>
CHANGE IN NET ASSETS	172,835	249,907	422,742
Net assets - beginning of year	<u>6,556,528</u>	<u>11,124,847</u>	<u>17,681,375</u>
Net assets - end of year	<u>\$ 6,729,363</u>	<u>\$ 11,374,754</u>	<u>\$ 18,104,117</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2019

	<u>Operating Expenses</u>				Management and General	Fundraising	Total
	Grants	Projects	Other	Total			
Grants and other assistance	\$ 2,255,141	\$ -	\$ -	\$ 2,255,141	\$ -	\$ -	\$ 2,255,141
Salaries and wages	-	-	62,494	62,494	59,108	23,649	145,251
Employee Benefits	-	-	17,418	17,418	16,473	6,591	40,482
Payroll taxes	-	-	4,991	4,991	4,721	1,888	11,600
Professional services	-	106,793	23,642	130,435	634	5,086	136,155
Audit and accounting fees	-	-	-	-	7,800	-	7,800
Office expenses	-	3,437	2,376	5,813	2,225	1,158	9,196
Insurance	-	629	553	1,182	523	209	1,914
Printing	-	272	123	395	480	1,400	2,275
Rent	-	-	9,509	9,509	8,994	21,641	40,144
Supplies	-	24,015	-	24,015	-	470	24,485
Travel and meetings	-	1,305	4,532	5,837	11,820	15,386	33,043
Depreciation	-	-	731	731	691	277	1,699
BRAF administrative fee	-	-	-	-	126,564	-	126,564
Total expenses by function	<u>2,255,141</u>	<u>136,451</u>	<u>126,369</u>	<u>2,517,961</u>	<u>240,033</u>	<u>77,755</u>	<u>2,835,749</u>
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donor	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,311</u>	<u>6,311</u>
Total expenses included in the expense section of the statement of activities	<u>\$ 2,255,141</u>	<u>\$ 136,451</u>	<u>\$ 126,369</u>	<u>\$ 2,517,961</u>	<u>\$ 240,033</u>	<u>\$ 71,444</u>	<u>\$ 2,829,438</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES

For the Years ended December 31, 2018

	Operating Expenses				Management	Fundraising	Total
	Grants	Projects	Other	Total	and General		
Grants and other assistance	\$ 1,890,600	\$ -	\$ -	\$ 1,890,600	\$ -	\$ -	\$ 1,890,600
Salaries and wages	-	-	64,437	64,437	46,835	27,346	138,618
Employee Benefits	-	-	17,283	17,283	12,562	7,335	37,180
Payroll taxes	-	-	4,922	4,922	3,577	2,089	10,588
Professional services	-	112,309	28,091	140,400	786	6,313	147,499
Audit and accounting fees	-	-	-	-	7,900	-	7,900
Dues and subscriptions	-	889	2,975	3,864	2,162	1,263	7,289
Office expenses	-	386	3,475	3,861	2,810	3,361	10,032
Insurance	-	-	702	702	511	298	1,511
Printing	-	430	699	1,129	508	1,535	3,172
Rent	-	-	10,274	10,274	7,468	7,488	25,230
Travel and meetings	-	4,779	4,556	9,335	5,472	7,295	22,102
Depreciation	-	-	1,146	1,146	833	486	2,465
BRAF administrative fee	-	-	-	-	98,803	-	98,803
Total expenses by function	1,890,600	118,793	138,560	2,147,953	190,227	64,809	2,402,989
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donor	-	-	-	-	-	3,030	3,030
Total expenses included in the expense section of the statement of activities	<u>\$ 1,890,600</u>	<u>\$ 118,793</u>	<u>\$ 138,560</u>	<u>\$ 2,147,953</u>	<u>\$ 190,227</u>	<u>\$ 61,779</u>	<u>\$ 2,399,959</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,456,159	\$ 422,742
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contribution of common stock	(154,818)	(564,486)
Depreciation	1,698	2,465
Loss on disposal of equipment	264	-
Decrease (Increase) in receivables and other	(1,936)	15,507
Decrease in unconditional promises to give	10,000	10,000
Increase in accounts payable	17,473	3,531
Increase (Decrease) in amounts held on behalf of others	283,012	(298,870)
Increase (Decrease) in other liabilities	(23,400)	23,400
Share depreciation (appreciation) in beneficial interest in assets held by Baton Rouge Area Foundation	(2,594,174)	281,418
Cash surrender value of life insurance	-	(880)
Net loss (gain) investments	(44,975)	21,144
Other increases in long-term investments:		
Cash contributions to endowments	<u>(69,700)</u>	<u>(371,819)</u>
Net cash used in operating activities	<u>(120,397)</u>	<u>(455,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,724)	(3,602)
Net sales (purchases) of investments	2,500	(247,000)
Beneficial interest in assets held by Baton Rouge Area Foundation:		
Additional investments	(2,536,552)	(2,830,953)
Distributions	<u>2,731,286</u>	<u>3,195,340</u>
Net cash provided by investing activities	<u>185,510</u>	<u>113,785</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash contributions to endowments	<u>69,700</u>	<u>371,819</u>
Net cash provided by financing activities	<u>69,700</u>	<u>371,819</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,813	29,756
Cash and cash equivalents - beginning of year	<u>120,006</u>	<u>90,250</u>
Cash and cash equivalents - end of year	<u>\$ 254,819</u>	<u>\$ 120,006</u>

The accompanying notes are an integral part of this statement.

COMMUNITY FOUNDATION OF SOUTHWEST LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 – Summary of Significant Accounting Policies

Nature of activities

Community Foundation of Southwest Louisiana (CFSWLA) was organized on June 1, 2001 as a non-profit corporation and as amended on April 30, 2008 is operated exclusively for religious, charitable, scientific, medical, literacy, or educational purposes through and for the benefit of Southwest Louisiana area located in the Louisiana Parishes of Calcasieu, Beauregard, Allen, Cameron and Jefferson Davis (Southwest Louisiana). These entities are exempt from federal income tax under Section 501(c)(3) and qualify as non-private foundations under Sections 509(a)(1) and (2) of the Internal Revenue Code. Community Foundation of Southwest Louisiana's office is located in Lake Charles, Louisiana. CFSWLA serves the needs of the Southwest Louisiana through charitable grants made and other Foundation projects carried out at the discretion of the Board of Directors.

BRAF provides significant administrative and advisory services to CFSWLA and bills CFSWLAA quarterly accordingly for these services.

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting.

CFSWLA is required to report information regarding its financial position and activities according to the existence of absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions: Net assets available to use in general operations and not subject to donor restrictions.

With donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

Generally, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents for the purposes of the statement of cash flows.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful life of the asset. The basis of property and equipment sold or otherwise disposed of and the accumulated depreciation thereon is eliminated, and any gain or loss is reported in operations.

The estimated useful lives for office furniture and equipment range from three to ten years.

Revenue 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 met.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated services and in-kind contributions

No amounts have been reflected in the financial statements for donated services. CFSWLA generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist CFSWLA in the performance of its projects and various committee activities. Contributed goods are recorded at fair value at the date of donation.

Investments

Investments are recorded as cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. CFSWLAA participates in the investment pools managed by Baton Rouge Area Foundation. The BRAF pools are currently managed by two investment advisors that are authorized to allocate the portion of the investment portfolio under their control within policy guidelines between equity, fixed income and cash, and alternative assets. These advisors select the various investment managers needed to accomplish the investment objectives that provide funding for current grant commitments, as well as providing income to fund future grant requests and to meet the operating needs of the Foundation. Investments held in the pools are stated at fair value. Increases and decreases in market value are recognized in the period in which they occur. Stocks, bonds, mutual funds and similar securities traded in

Note 1 – Summary of Significant Accounting Policies (Continued)

established markets are valued at their quoted market price. Other securities are valued based on estimates prepared by the investment managers. Upon disposition, the cost of the specific investment is used to compute the realized gain or loss to be recognized except with regards to mutual funds whose costs are removed on the first-in, first-out basis.

Grants

Grants are recorded as expenses at the time the recipient has met all the necessary qualifying conditions and has gained approval of the Board of Directors. Grants payable in future periods that do not require subsequent review and approval for continuance of payment are recorded as expenses and grants payable in the period the grant is approved.

Retirement plan

CFSWLA has established a simplified employee plan (SEP) which is a defined contribution retirement plan covering all eligible employees with at least one year of service. Contributions are based upon employee compensation at rates determined annually by CFSWLA not to exceed 15% of eligible compensation. The contribution rate for 2019 and 2018 was 12.5%, and the employer's portion of contributions to the plan was \$16,781 and \$16,452 for the years ended December 31, 2019 and 2018, respectively.

Other employee benefit plan

CFSWLA also provides group health and term life insurance coverage for all employees.

Functional expenses

Functional expenses are allocated between program, fundraising, and general and administrative on the following basis: (1) personnel expenses are allocated based upon each employee's estimate of time spent on each function and (2) other costs that cannot be attributed directly to a particular function or activity are also allocated based on employee time.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CFSWLA.

Advertising

CFSWLA expenses advertising costs as incurred. No significant advertising was incurred during the years ended December 31, 2019 and 2018.

Income tax status

Community Foundation of Southwest Louisiana is a not-for-profit organization that has qualified as a public charity under sections 501(c)(3) and 509(a)(2) of the Internal Revenue Code and is exempt from federal income taxes except for taxes on unrelated business income.

CFSWLA files income taxes in the U. S. federal jurisdiction. With few exceptions, CFSWLA is no longer subject to federal income tax examinations by taxing authorities for years before 2016. Any interest and penalties assessed by income taxing authorities are not significant and

Note 1 – Summary of Significant Accounting Policies (Continued)

would be included in general and administrative expenses in these financial statements, as applicable.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, CFSWLA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2019.

Adoption of new accounting standards

During the year ended December 31, 2018, CFSWLA implemented Accounting Standards Update (ASU) 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, the beginning balances of net assets that were previously presented as unrestricted have been presented as without donor restrictions in these financial statements. Additionally, the Statement of Functional Expenses is now a required part of the basic financial statements. Furthermore, the ASU requires additional disclosures regarding liquidity and availability of certain financial assets which is discussed in Note 2 of these financial statements. This ASU is a presentation standard and had no effect on the previously reported change in net assets and net assets without donor restrictions.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. CFSWLA adopted ASU 2018-08 effective January 1, 2019. The adoption of this standard did not result in a significant change in these financial statements.

Recent accounting pronouncement issued but not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Topic 606: Deferral of Effective Date*. This standard delayed the effective date for non-public entities to fiscal years beginning after December 15, 2018, with early adoption permitted. In response to the COVID-19 pandemic, ASU 2020-05 was issued in June 2020 delaying the effective date for Topic 606 to annual reporting periods after December 15, 2019. CFSWLA has not yet adopted Topic 606 and is evaluating the impact the pronouncement may have on its financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncement issued but not yet adopted

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and liability for the corresponding lease obligation for leases with terms of more than twelve months. In November 2019, the FASB issued ASU 2019-10 delaying the effective date for non-public entities for fiscal years beginning after December 15, 2020. In response to the COVID-19 pandemic, ASU 2020-05 was issued in June 2020 delaying the effective date for Topic 842 to fiscal years beginning after December 15, 2021. CFSWLA is evaluating the impact the pronouncement may have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U. S. GAAP that is most important to users of each entity’s financial statements. The amendments in the update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The amendments in this update are effective for CFSWLA on January 1, 2020. The adoption of this ASU is not expected to have a significant impact on CFSWLA’s financial statements.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 254,819
Portion of BRAF investment pool held in money-market accounts	1,306,214
Less amounts held with donor restrictions	<u>(496,071)</u>
	<u>\$ 1,064,962</u>

The board-designated endowment of \$317,682 is also available for expenditure. Although spending from this board designated endowment is not intended, these amounts could be available if necessary.

As part of the liquidity management plan, excess cash may be added to the BRAF investment pool on a weekly basis. Occasionally, the Board designates a portion of any operating surplus to its endowment fund. The operating surplus for the year ended December 31, 2018 was \$83,957 and was available for spending in 2020.

Note 3 – Spending Policy

CFSWLA uses the total return concept to determine the amount of grantmaking dollars available each year. Under the total return concept amounts available for distribution are determined based upon total investment return, which consists of investment income and realized and unrealized gains and losses. Under this policy, distributions made during the year are not dependent on the availability of cash investment earnings. In December of each year, the Board of Directors of CFSWLA establishes the amount of dollars available for grants for the following year stated as a percentage of the fair value of the individual endowment funds as of the end of each calendar quarter. The percentage per quarter was 1.25% for 2019 and 2018 and is subject to change in the future at the discretion of the Board of Directors.

Note 4 – Promises to Give

Unconditional promises to give consists of a donor commitment of \$50,000 to be given in \$10,000 increments over 5 years starting in 2015. The commitment was fully paid as of December 31, 2019.

The Foundation uses the allowance method to determine uncollectible promises receivable. Management does not expect any uncollectible amounts in connection with this commitment.

Note 5 – Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (Unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Note 5 – Fair Value Measurements and Disclosures (Continued)

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the assets and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The beneficial interest in assets held at Baton Rouge Area Foundation has been valued, as a practical expedient, at the fair value of CFSWLA's share of BRAF's investment pool as of the measurement date, utilizing valuations provided by the investment funds. BRAF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of BRAF, which include private placements and other securities for which prices are not readily available, are determined by the management of BRAF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. BRAF's investments are composed of approximately:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	12%	11%
Fixed income	19%	22%
US equity	22%	20%
Non-US equity	12%	12%
Alternative *	32%	31%
Other	3%	4%
	<u>100%</u>	<u>100%</u>

* Includes hedge funds, real estate, venture capital funds, and private equity funds

The beneficial interest in assets held by the Baton Rouge Area Foundation is redeemable by CFSWLA upon request and is therefore considered a Level 2 fair value measurement.

Other investments held by CFSWLA may include investments in securities with readily determinable fair values including common and preferred stocks, mutual funds, U. S. government bonds, and U. S. Treasury notes that are recorded at fair value based on quoted market prices. For those investments where quoted prices are unavailable (Level 2), management estimates fair value based on quoted prices for similar instruments with consideration of actively quoted interest rates, credit ratings and spreads, prepayment models,

Note 5 – Fair Value Measurements and Disclosures (Continued)

and collateral data. For investments (Level 3) where quoted prices are often unavailable, and pricing inputs are generally unobservable, CFSWLA relies on the valuation procedures and methodologies used by external parties hired specifically to value such assets. The market approach was used to value CFSWLA's Level 3 investment.

The following tables present assets measured at fair value on a recurring basis as of:

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by Baton Rouge Area Foundation	\$ 21,613,175	\$ -	\$ 21,613,175	\$ -
Portfolio investment				
Cash and cash equivalents	9,770	-	-	-
Unit investment trusts:				
Global equity	119,309	119,309	-	-
Corporate bonds	139,252	139,252	-	-
Common stocks:				
US equity - Large cap	16,631	16,631	-	-
Partnership/LLC Interests	111,000	-	-	111,000
Cash Surrender Value of Life Insurance	7,346	-	7,346	-
	<u>\$ 22,016,483</u>	<u>\$ 275,192</u>	<u>\$ 21,620,521</u>	<u>\$ 111,000</u>

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Beneficial interest in assets held by Baton Rouge Area Foundation	\$ 18,893,547	\$ -	\$ 18,893,547	\$ -
Portfolio investment				
Cash and cash equivalents	6,799	-	-	-
Unit investment trusts:				
Global equity	111,880	111,880	-	-
Corporate bonds	107,177	107,177	-	-

Note 5 – Fair Value Measurements and Disclosures (Continued)

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Common stocks:				
US equity - Large cap	\$ 12,804	\$ 12,804	\$ -	\$ -
Non-US equity - EAFE	105,950	105,950	-	-
Mutual funds:				
US equity	63,247	63,247	-	-
Partnership/LLC Interests	111,000	-	-	111,000
Cash Surrender Value of Life Insurance	7,346	-	7,346	-
	<u>\$ 19,419,750</u>	<u>\$ 401,058</u>	<u>\$ 18,900,893</u>	<u>\$ 111,000</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

2019:

Balance at January 1, 2019	\$ 111,000
Realized and Unrealized Gains (Losses)	-
Purchases/Donations	-
Sales and Withdrawals	-
Other Earnings, Distributions and Expenses	-
Balance at December 31, 2019	<u>\$ 111,000</u>
Total change in unrealized gains and (losses) related to assets and liabilities still held at End of Year	<u>\$ -</u>

2018:

Balance at January 1, 2018	\$ 111,000
Realized and Unrealized Gains (Losses)	-
Purchases	-
Sales and Withdrawals	-
Other Earnings, Distributions and Expenses	-
Balance at December 31, 2018	<u>\$ 111,000</u>
Total change in unrealized gains and (losses) related to assets and liabilities still held at End of Year	<u>\$ -</u>

Note 6 – Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 31,269	\$ 20,204
Less accumulated depreciation	<u>(16,206)</u>	<u>(14,903)</u>
	<u>\$ 15,063</u>	<u>\$ 5,301</u>
Depreciation Expense	<u>\$ (1,698)</u>	<u>\$ (2,465)</u>

Note 7 – Amounts Held on Behalf of Others

Amounts held on behalf of others represent pass-through transactions that are transfers of assets from resource providers (contributors) to intermediary not-for-profit organizations that act as agents for resource providers by transferring those assets to specified third-party recipients. When contributors, acting in other than an advisory capacity, designate specific beneficiaries, CFSWLA has no discretion in distributing those assets. Consequently, the transactions only pass through CFSWLA in route to the specified beneficiary.

Additionally, endowment funds of CFSWLA set up by non-profit organizations for their own benefit are also amounts held on behalf of others. That is, CFSWLA is acting as a trustee on behalf of the non-profit organization.

These transactions for the years ended December 31, 2019 and 2018 are scheduled as follows:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 1,379,500	\$ 1,678,370
Amounts received on behalf of others	118,775	245,463
Earnings (Losses) allocated to agency accounts	205,234	(26,954)
Less: administrative assessment	<u>(10,197)</u>	<u>(9,789)</u>
Net Earnings (Loss) allocated to agency accounts	✓ 195,037	✓ (36,743)
Amounts remitted to others	<u>(30,800)</u>	<u>(507,590)</u>
Balance - end of year	<u>\$ 1,662,512</u>	<u>\$ 1,379,500</u>

Note 8 – Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Donor designated	\$ 1,900,128	\$ 544,538
Employees 1st	12,405	14,312
Scholarship	352,170	192,172
Field of interest	1,144,948	1,311,792
Less: interfund transfers and other adjustments	(724,207)	(317,722)
Earnings on donor-advised endowments (awaiting appropriation)	826,934	1,080,628
	<u>\$ 3,512,378</u>	<u>\$ 2,825,720</u>
Perpetual in nature (endowments)		
Donor designated	\$ 1,092,943	\$ 1,097,168
Donor advised	7,347,506	7,347,106
Field of interest	173,060	104,760
	<u>8,613,509</u>	<u>8,549,034</u>
Total net assets with donor restrictions	<u>\$ 12,125,887</u>	<u>\$ 11,374,754</u>

Also included in net assets with restrictions are funds available for grant recipients as designated by donors. In 2019 and 2018, \$1,262,528 and \$661,270, respectively were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Included in net assets without donor restrictions are \$6,182,214 and \$5,077,757 of donor advised funds as of December 31, 2019 and 2018, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion as to the use of the funds lies with the Board of Directors.

Note 9 – Endowments

Net assets with restrictions include 15 individual funds that function as endowments established by donors to provide funding for a variety of purposes. Additionally, certain net assets have been designated for endowment by the Board of Directors.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the date of the donor-restricted funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018, there were no such donor stipulations. As a result, the original value of initial and subsequent gift amounts donated to the endowment funds and any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added

Note 9 – Endowments (Continued)

are retained in perpetuity. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. Seven criteria are to be used in deciding to appropriate or accumulate donor-restricted endowment funds:

- (1) duration and preservation of the endowment funds
- (2) the purposes of the Foundation and the endowment funds
- (3) general economic conditions
- (4) effect of inflation or deflation
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the Foundation
- (7) the investment policy of the Foundation

The endowment net asset composition by type of fund as of December 31, 2019 and 2018 follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2018</u>			
Board-designated endowment fund	\$ 244,786	\$ -	\$ 244,786
Donor-restricted endowment funds	-	8,549,034	8,549,034
	<u>\$ 244,786</u>	<u>\$ 8,549,034</u>	<u>\$ 8,793,820</u>
<u>2019</u>			
Board-designated endowment fund	\$ 317,682	\$ -	\$ 317,682
Donor-restricted endowment funds	-	8,613,509	8,613,509
	<u>\$ 317,682</u>	<u>\$ 8,613,509</u>	<u>\$ 8,931,191</u>

As discussed in Note 3, the maximum amount to spend from these donor-restricted endowment funds, including those endowments deemed to be underwater, is determined by the spending policy. The spending rate is determined and adjusted from time to time by the Board of Directors with the objective of maintaining the purchasing power of the endowments over time.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). UPMIFA permits spending from underwater endowments in accordance with prudent measures included in the act. At December 31, 2018, funds with original gift values of \$5,751,397, fair values of \$5,710,678, and deficiencies of \$42,677 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred throughout 2018 after the spending policy rate had already been determined in 2017. The continued appropriation from these underwater endowments for certain programs was deemed prudent.

Note 9 – Endowments (Continued)

by the Board of Directors. During 2019, favorable market conditions resulted in the restoration of the original gift value to these funds and there were no donor restricted endowment funds with fair values less than the amount required to be maintained as of December 31, 2019.

Changes in endowment net assets for the years ended December 31, 2019 and 2018 follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>2018</u>			
Endowment net assets, beginning of year	\$ 243,622	\$ 8,586,465	\$ 8,830,087
Contributions	1,266	371,819	373,085
Investment income	4,889	-	4,889
Net appreciation (depreciation)	(2,576)	-	(2,576)
Amounts appropriated for expenditure	(2,415)	(409,250)	(411,665)
Endowment net assets, end of year	<u>\$ 244,786</u>	<u>\$ 8,549,034</u>	<u>\$ 8,793,820</u>
<u>2019</u>			
Endowment net assets, beginning of year	\$ 244,786	\$ 8,549,034	\$ 8,793,820
Contributions	36,071	69,700	105,771
Investment income	7,069	-	7,069
Net appreciation (depreciation)	30,935	-	30,935
Amounts appropriated for expenditure	(1,179)	(5,225)	(6,404)
Endowment net assets, end of year	<u>\$ 317,682</u>	<u>\$ 8,613,509</u>	<u>\$ 8,931,191</u>

Note 11 – Leases – Lessee

On January 30, 2018, CFSWLA signed a lease agreement for office space classified as an operating lease. The lease was for a period of one year and the lease may be renewed twice for additional one-year periods each. Rent expense reported under the initial term of the lease for 2018 was \$22,102. Rent expense reported on this lease for 2019 was \$22,102. There are no future minimum payments required under the initial term of the lease at December 31, 2018.

Additionally, CFSWLA leases a copier under an operating lease that requires monthly payments of \$82 through January 10, 2019. There were no future minimum payments at December 31, 2018 for this lease.

Note 12 – Concentrations of Credit Risk

CFSWLA deposits its cash in a checking account at a national financial institution and at times the account balance may exceed the federally insured limit

In addition, as part of CFSWLA's investment in BRAF's investment pool at December 31, 2019 and 2018, a portion was held in cash money market funds which are in excess of the FDIC insurance limits. Amounts in excess of this limit are not insured or guaranteed by the FDIC.

Note 13 – Related Parties

CFSWLA utilizes facilities and personnel of the Baton Rouge Area Foundation for administrative assistance. CFSWLA paid an administrative assessment of \$104,852 and \$98,803 to BRAF for these services during 2019 and 2018, respectively. BRAF was owed \$52,582 and \$36,834 as of December 31, 2019 and 2018, respectively.

Note 14 – Subsequent Events

The management of CFSWLA evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 17, 2020, the date which the financial statements were available to be issued.

Community Foundation of Southwest Louisiana

December 31, 2019

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Note: This schedule is required for all local auditees, including quasi-public entities.

Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer

Year Ended: December 31, 2019

Agency Head: Sara Judson, President and CEO

Purpose	Amount
Salary	\$ 94,595
Benefits-insurance	11,535
Benefits-retirement	10,824
Benefits (other--telephone)	599
Car allowance	
Reimbursements (meals)	
Travel (mileage, parking, tolls, taxi, etc)	
Registration fees	
Conference travel (air fare)	
Housing / Hotel	
FY TOTAL:	\$ 117,553