# NEVADA COMMUNITY FOUNDATION, INC.

# AND SUPPORTING ORGANIZATIONS

# CONSOLIDATED FINANCIAL STATEMENTS

# JUNE 30, 2020 and 2019

**NEVADA COMMUNITY FOUNDATION, INC.**

**AND SUPPORTING ORGANIZATIONS**

**JUNE 30, 2020 and 2019**

## CONTENTS


| | Page |
|---|---|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | 2 |
| CONSOLIDATED STATEMENTS OF ACTIVITIES | 3-4 |
| CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES | 5-6 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 7 |
| CONSOLIDATED NOTES TO FINANCIAL STATEMENTS | 8-24 |

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors
Nevada Community Foundation, Inc. and
Supporting Organizations
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of Nevada Community Foundation, Inc. (a Nevada nonprofit corporation) and Supporting Organizations (collectively, "the Foundation"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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 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. 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.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nevada Community Foundation, Inc. and Supporting Organizations as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
February 8, 2021

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2020 AND 2019**

## ASSETS

| | 2020 | 2019 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 10,464,234 | $ 2,090,934 |
| Cash held by Greater Horizons | 4,114,293 | 3,374,594 |
| Investments | 35,237,197 | 26,611,220 |
| Investments held by Greater Horizons | 135,109,212 | 122,419,582 |
| Prepaid income taxes | 262,579 | 262,695 |
| Other current assets | 240,316 | 220,979 |
| | 185,427,831 | 154,980,004 |
| Other assets | | |
| Investments, long-term, held by Greater Horizons | 756,565 | 756,565 |
| Split-interest agreements | 1,669,722 | 1,653,059 |
| Furniture and equipment, net of accumulated depreciation of $48,269 and $46,004 | 9,803 | 17,442 |
| Other assets | 2,651 | 1,938 |
| | 2,438,741 | 2,429,004 |
| | $ 187,866,572 | $ 157,409,008 |

## LIABILITIES AND NET ASSETS

| | 2020 | 2019 |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ 63,392 | $ 17,631 |
| Grants payable, current portion | 1,133,816 | 1,301,845 |
| Accrued expenses | 74,338 | 59,202 |
| Agency obligations | 6,054,695 | 3,479,406 |
| Refundable advance | 15,000 | - |
| Deferred tax liability | 8,046,607 | 6,012,500 |
| | 15,387,848 | 10,870,584 |
| Long-term liabilities | | |
| Grants payable, net of current portion and discount | 413,853 | 556,589 |
| Split-interest liability | 48,879 | 41,075 |
| | 462,732 | 597,664 |
| Total liabilities | 15,850,580 | 11,468,248 |
| Net assets | | |
| Without donor restrictions | 151,815,079 | 120,463,558 |
| With donor restrictions | 20,200,913 | 25,477,202 |
| Total net assets | 172,015,992 | 145,940,760 |
| | $ 187,866,572 | $ 157,409,008 |

See notes to financial statements

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenues, gains, and other support: | | | |
| Contributions | $ 21,122,245 | $ 1,212,439 | $ 22,334,684 |
| Administrative fee revenue | 68,080 | - | 68,080 |
| Investment return, net | 19,660,205 | 454,855 | 20,115,060 |
| Other income | 24,141 | 15 | 24,156 |
| Net assets released from restrictions | 6,935,097 | (6,935,097) | - |
| Total revenues, gains, and other support | 47,809,768 | (5,267,788) | 42,541,980 |
| Expenses and losses: | | | |
| Program services | 13,134,170 | - | 13,134,170 |
| Supporting services: | | | |
| Development | 413,869 | - | 413,869 |
| Management and general | 882,270 | - | 882,270 |
| Loss on disposal of assets | 1,106 | - | 1,106 |
| Change in value of split-interest agreements | - | 8,501 | 8,501 |
| Income tax expense | 2,026,832 | - | 2,026,832 |
| Total expenses and losses | 16,458,247 | 8,501 | 16,466,748 |
| INCREASE IN NET ASSETS | 31,351,521 | (5,276,289) | 26,075,232 |
| NET ASSETS, BEGINNING OF YEAR | 120,463,558 | 25,477,202 | 145,940,760 |
| NET ASSETS, END OF YEAR | $ 151,815,079 | $ 20,200,913 | $ 172,015,992 |

See notes to financial statements

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenues, gains, and other support: | | | |
| Contributions | $ 3,007,482 | $ 2,196,406 | $ 5,203,888 |
| Administrative fee revenue | 112,093 | - | 112,093 |
| Investment return, net | 5,413,169 | 1,143,850 | 6,557,019 |
| Other income | 16,628 | - | 16,628 |
| Change in value of split-interest agreements | - | 6,535 | 6,535 |
| Program services revenue | 43,776 | 5,120 | 48,896 |
| Net assets released from restrictions | 1,544,458 | (1,544,458) | - |
| Total revenues, gains, and other support | 10,137,606 | 1,807,453 | 11,945,059 |
| Expenses and losses: | | | |
| Program services | 8,147,306 | - | 8,147,306 |
| Supporting services: | | | |
| Development | 299,249 | - | 299,249 |
| Management and general | 401,196 | - | 401,196 |
| Loss on disposal of assets | 11,048 | - | 11,048 |
| Income tax expense | 190,273 | - | 190,273 |
| Total expenses and losses | 9,049,072 | - | 9,049,072 |
| INCREASE IN NET ASSETS | 1,088,534 | 1,807,453 | 2,895,987 |
| NET ASSETS, BEGINNING OF YEAR | 119,375,024 | 23,669,749 | 143,044,773 |
| NET ASSETS, END OF YEAR | $ 120,463,558 | $ 25,477,202 | $ 145,940,760 |

See notes to financial statements

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2020**

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Development | Management and General | Total |
| Grants awarded | $ 12,000,809 | $ - | $ - | $ 12,000,809 |
| Salaries | 157,798 | 155,165 | 213,556 | 526,519 |
| Payroll taxes | 9,386 | 9,230 | 12,702 | 31,318 |
| Employee benefits | 36,056 | 35,455 | 48,798 | 120,309 |
| Total salaries and related expenses | 203,240 | 199,850 | 275,056 | 678,146 |
| Consulting services | 18,637 | 11,183 | 342,928 | 372,748 |
| Income tax expense | - | - | 2,026,832 | 2,026,832 |
| Direct program donations | 817,055 | - | - | 817,055 |
| Office | 3,047 | 12,816 | 6,505 | 22,368 |
| Media and public relations | - | 101,852 | - | 101,852 |
| Rent | 12,918 | 12,918 | 12,918 | 38,754 |
| Accounting and audit fees | - | - | 60,679 | 60,679 |
| Legal | - | - | 130,394 | 130,394 |
| Information technology | 15,515 | 15,256 | 20,996 | 51,767 |
| Depreciation and amortization | 3,307 | 1,264 | 4,132 | 8,703 |
| Insurance | 3,272 | 3,218 | 4,428 | 10,918 |
| Equipment rental and maintenance | 2,976 | 1,126 | 3,855 | 7,957 |
| Telephone | 3,411 | 1,304 | 4,260 | 8,975 |
| Special events and luncheons | 48,085 | 48,084 | - | 96,169 |
| Vehicle expense | - | - | 533 | 533 |
| Postage | 1,898 | 1,866 | 2,567 | 6,331 |
| Conferences and education | - | - | 1,498 | 1,498 |
| Other expenses | - | - | 2,762 | 2,762 |
| Donor meetings - recognition | - | 2,782 | - | 2,782 |
| Memberships | - | 350 | 549 | 899 |
| Meetings and travel | - | - | 4,156 | 4,156 |
| Printing | - | - | 3,467 | 3,467 |
| Publications and subscriptions | - | - | 587 | 587 |
| | $ 13,134,170 | $ 413,869 | 2,909,102 | $ 16,457,141 |
| Income tax expense | | | (2,026,832) | |
| Management and general expenses, net of income tax expense | | | $ 882,270 | |

See notes to financial statements

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED JUNE 30, 2019**

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Development | Management and General | Total |
| Grants awarded | $ 7,441,587 | $ - | $ - | $ 7,441,587 |
| Salaries | 146,741 | 137,430 | 174,539 | 458,710 |
| Payroll taxes | 9,249 | 8,663 | 11,001 | 28,913 |
| Employee benefits | 37,827 | 35,426 | 44,994 | 118,247 |
| Total salaries and related expenses | 193,817 | 181,519 | 230,534 | 605,870 |
| Consulting services | 17,267 | - | 17,558 | 34,825 |
| Income tax expense | - | - | 190,273 | 190,273 |
| Direct program donations | 358,658 | - | - | 358,658 |
| Office | 9,856 | 19,279 | 4,375 | 33,510 |
| Media and public relations | - | 57,008 | - | 57,008 |
| Rent | 15,821 | 15,821 | 15,821 | 47,463 |
| Accounting and audit fees | - | - | 51,039 | 51,039 |
| Legal | - | - | 34,179 | 34,179 |
| Information technology | 12,745 | 12,568 | 16,509 | 41,822 |
| Depreciation and amortization | 4,006 | 1,515 | 5,189 | 10,710 |
| Insurance | 2,991 | 2,801 | 3,557 | 9,349 |
| Equipment rental and maintenance | 2,174 | 822 | 2,815 | 5,811 |
| Telephone | 3,231 | 1,112 | 3,810 | 8,153 |
| Community events | 3,682 | - | 30 | 3,712 |
| Special events and luncheons | 77,312 | - | - | 77,312 |
| Vehicle expense | 973 | 839 | 735 | 2,547 |
| Postage | 3,186 | 875 | 1,303 | 5,364 |
| Conferences and education | - | - | 2,501 | 2,501 |
| Other expenses | - | - | 8,445 | 8,445 |
| Donor meetings - recognition | - | 4,740 | - | 4,740 |
| Memberships | - | 350 | 449 | 799 |
| Printing | - | - | 1,701 | 1,701 |
| Publications and subscriptions | - | - | 646 | 646 |
| | $ 8,147,306 | $ 299,249 | 591,469 | $ 9,038,024 |
| Income tax expense | | | (190,273) | |
| Management and general expenses, net of income tax expense | | | $ 401,196 | |

See notes to financial statements

**NEVADA COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS**
**CONSOLIDATED STATEMENTS OF CASH FLOW**
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | $ 26,075,232 | $ 2,895,987 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,703 | 10,710 |
| Realized/unrealized gains on investments | (8,392,110) | (2,742,566) |
| Change in the value of split interest agreements | (8,859) | (29,322) |
| Contributions of securities | (5,692,818) | (762,737) |
| Loss on disposal of furniture and equipment | 1,106 | 11,048 |
| Deferred tax liability | 2,034,107 | - |
| Changes in operating assets and liabilities | | |
| Other assets | (20,050) | (18,417) |
| Prepaid income taxes | 116 | (186,162) |
| Accounts payable | 45,761 | (12,584) |
| Grants payable | (310,765) | 1,534,531 |
| Accrued expenses | 15,136 | (18,318) |
| Agency obligations | 2,575,289 | 876,210 |
| Net cash provided by operating activities | 16,330,848 | 1,558,380 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (82,699,362) | (81,094,172) |
| Proceeds from sale of investments | 75,468,683 | 81,172,312 |
| Purchases of furniture and equipment | (2,170) | (19,928) |
| Net cash provided by (used in) investing activities | (7,232,849) | 58,212 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from refundable advance | 15,000 | - |
| Net cash provided by financing activities | 15,000 | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 9,112,999 | 1,616,592 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,465,528 | 3,848,936 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 14,578,527 | $ 5,465,528 |
| Cash and cash equivalents held by Nevada Community Foundation | $ 10,464,234 | $ 2,090,934 |
| Cash held by Greater Horizons | 4,114,293 | 3,374,594 |
| | $ 14,578,527 | $ 5,465,528 |
| Supplemental disclosures of cash flow information: | | |
| Cash payments for taxes on unrelated business income | $ - | $ 380,511 |

See notes to financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of Activities –*** Nevada Community Foundation, Inc. (the Foundation) is a not-for-profit corporation established on September 15, 1988. Its function is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. The Foundation's mission is to match donors' philanthropic interests with the myriad needs of the community. The Foundation primarily receives its revenue from donors in the Southern Nevada region. Additionally, fees are charged to administer the various donor funds, which are presented net of related expenses.

Donors may choose among various types of funds, including:

*Funds without donor restrictions*: The donors do not restrict the use of their gifts which allows the Foundation's staff to direct where funds are needed most.

*Donor advised funds (DAFs)/community supported funds*: The donors have ongoing involvement in the use of their gifts.

*Field of interest funds*: The donor identifies target interest areas and the Foundation awards grants to community organizations and programs that are making a difference in the area selected by the donor.

*Scholarship funds*: The donors determine the eligibility criteria students must meet, and the Foundation provides the expertise, guidance and personal service for the scholarship's administration.

*Designated funds*: Donors can direct gifts to a specific non-profit organization or purpose they are passionate about.

As disclosed in Note 8, donations to certain above funds are included in net assets with donor restrictions.

The primary program expense of the Foundation consists of its direct financial support of other charities and charitable causes. Other substantial activities classified as program expenditures include the convening of charities to examine different community issues, the creation and publication of educational and resource materials, technical and organizational consulting assistance to charities, and public education efforts designed to raise the level of charitable giving for the broad benefit of all non-profits in Nevada.

***Principles of Consolidation –*** The consolidated financial statements of the Foundation include related supporting organizations established to support the Foundation. The Ritter Charitable Trust is a supporting organization established under section 509(a)(3) of the Internal Revenue Code. This supporting organization is operated in connection with the Foundation and is commonly known as a Type 1 supporting organizations. As such, the organizations are consolidated in accordance with generally accepted accounting principles, but they each hold a separate Internal Revenue Service (IRS) exempt determination letter and are required to be reported separately for federal compliance requirements. All intercompany transactions have been eliminated in consolidation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Principles of Consolidation (Continued)* –** Frontier Philanthropy, LLC, a Nevada limited liability company was established on June 19, 2017. The Foundation is the sole member of this organization. Frontier Philanthropy, LLC, was established exclusively to further the charitable purposes of the Foundation.

***Estimates* –** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates. Certain expenses are allocated to functional expense categories based on estimates by management. Significant estimates include the fair value of contributed stock, valuation of investments and amounts related to taxable income, including prepaid income taxes, deferred tax liability and income tax expense.

***Basis of Presentation* –** Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under these standards, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions:* Net assets that are subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that require passage of time or the occurrence of a specific event. When conditions of the restrictions are satisfied, 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the principal balance be kept in perpetuity while permitting the Foundation to use or expend part or all of the income derived from the assets. These restrictions neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

The Foundation has adopted FASB ASC Subtopic 958-205, *Endowments of Non-Profit Organizations: Net Asset Classification of Funds.* The Foundation has interpreted the State of Nevada enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Basis of Presentation (Continued) –*** In accordance with UPMIFA, the Foundation considers the following in making a determination to the appropriate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

***Cash and Cash Equivalents –*** In May 2009, the Foundation entered into an agreement with Greater Kansas City Community Foundation/Greater Horizons (Greater Horizons) to provide accounting and related services. During the year ended June 30, 2011, the Foundation entered into an agreement with Greater Horizons to provide investment accounting services.

The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2020 and 2019, cash balances of $10,465,247 and $1,603,939, respectively, were maintained by the Foundation in excess of the FDIC insurance limit.

Additionally, the Foundation maintains cash balances in money market accounts at investment institutions and cash balances held by Greater Horizons. These amounts may exceed FDIC insured limits. The Foundation has not experienced any losses in such accounts.

For purposes of the statement of cash flows, the Foundation considers all highly-liquid investments with an initial maturity of three months or less that are not held for reinvestment to be cash equivalents.

***Investments –*** Pursuant to FASB ASC Subtopic 958-320, *Investments – Debt and Equity Securities for Not-for-Profit Organizations*, the Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Foreign investments, investments in corporate, municipal government and government agency securities are stated at current market value by closing market price or closing market bid quotations as referenced in published sources of current market quotations. Foreign investments are translated into United States dollars at year-end rates of exchange. Privately held stock is valued based on discounted cash flow models.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Investments (Continued)* –** Realized and unrealized gains and losses on investments are recorded in the accompanying consolidated statement of activities. The amounts the Foundation will ultimately realize could differ materially from the recorded amounts, and significant fluctuations in fair values could occur from year to year. Purchases and sales of investments are recorded on a trade-date basis. The Foundation uses the specific identification method for investment sales. Changes in the value of foreign investments resulting from changes in the exchange rate are reported as part of the unrealized gains on the related investments.

Market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. Management evaluates the investment portfolio on an ongoing basis. The Foundation maintains master investment accounts for its donor-restricted and Board designated funds. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts. Investments in real estate consist of property recorded at cost or the fair market value at the date of the donation.

***Furniture and Equipment* –** The Foundation capitalizes all expenditures for property and equipment in excess of $500 with a useful life of over one year. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Depreciation is computed using primarily the straight-line method from three to ten years.

***Revenue Recognition* –** All contributions are recognized as support in the consolidated statement of activities in the period received, including bequests and unconditional promises to give, at their estimated net realizable value. Bequests are recognized at the time the Foundation's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation. The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets whether or not the restrictions are met in the same reporting period. Investment income earned on the support is also presented as support with donor restrictions.

***Basis of Accounting* –** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

***Administrative Fee Revenue* –** The Foundation charges an administrative fee for managing the funds of the Foundation. Some funds are charged a monthly fee based on the market value of the fund. Some funds are charged a negotiated quarterly fee. The revenue from these fees is credited to the Foundation's operating fund when earned.

***Donated Services* –** Donated services are recognized as contributions in accordance with FASB ASC if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Donated Assets –*** Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

***Functional Expense Allocation –*** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Expenses that can be directly allocated to the programs or supporting functions include consulting services, income tax expense, direct program donations, office, media and public relations, rent, accounting and audit fees, legal, community events, special events and luncheons, vehicle expense, conferences and education, other expenses, donor meetings – recognition, meetings and travel, memberships, printing, and publications and subscriptions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis. The expenses allocated based on time and effort include salaries, payroll taxes, employee benefits, depreciation and amortization, equipment rental and maintenance, information technology, postage, telephone and insurance.

***Income Tax Status –*** The Foundation and the related supporting organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The related supporting organizations are exempt from federal income tax under Section 509(a)(3) of the Internal Revenue Code. Income which is not related to the Foundation's exempt purposes, less applicable deductions, is subject to state and federal income taxes.

The Foundation follows accounting standards for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Foundation 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. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state and local tax authority for years before 2016.

***Management's Review –*** Subsequent events have been evaluated through February 8, 2021, which is the date the financial statements were available to be issued.

NOTE 2. INVESTMENTS

In accordance with the Financial Accounting Standards Board Accounting Standards Codification the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

Investments in marketable securities and investments under management are based on quoted market prices and are categorized as Level 1 of the fair value hierarchy.

Investments in government and agency securities are based on market prices as well as activity for identical or similar assets or liabilities when there is no active market. Government and agency securities which are valued based on quoted market prices are categorized as Level 1 of the fair value hierarchy. Government and agency securities which are valued based on activity for identical or similar assets or liabilities are categorized as Level 2 on the fair value hierarchy.

Limited partnerships are investments in limited partnerships that invest primarily in other limited partnerships for the purpose of making investments in international private equity investments, equity securities, warrants or other options that are generally not actively traded at the time of the investment. Generally, the partnership may not transfer or withdraw its investment in limited partnerships prior to their termination. Since the investments are valued using unobservable inputs and do not permit redemption at the measurement date, such investments are classified as Level 3 of the fair value hierarchy.

NOTE 2. INVESTMENTS (CONTINUED)

For the fiscal years ended June 30, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2020 and 2019 are summarized as follows:

| | Level 1 | Level 2 | Level 3 | June 30, 2020 |
|---|---|---|---|---|
| Corporate bonds | $ 1,173,454 | $ - | $ - | $ 1,173,454 |
| Marketable securities | 28,658,223 | - | - | 28,658,223 |
| Domestic equity mutual funds | 23,399,547 | - | - | 23,399,547 |
| Alternative investment mutual funds | 46,909,665 | - | - | 46,909,665 |
| Domestic fixed income | 33,072,060 | - | - | 33,072,060 |
| Government and agency securities | 1,309,709 | - | - | 1,309,709 |
| Cash surrender value of life insurance policies | - | 579,175 | - | 579,175 |
| Limited partnerships | - | - | 144,391 | 144,391 |
| Stock, privately held | - | - | 33,589,329 | 33,589,329 |
| Certificates of deposit | 525,761 | - | - | 525,761 |
| Split-interest agreements | - | - | 1,669,722 | 1,669,722 |
| Cash held for reinvestment | 1,741,660 | - | - | 1,741,660 |
| | $ 136,790,079 | $ 579,175 | $ 35,403,442 | $ 172,772,696 |

| | Level 1 | Level 2 | Level 3 | June 30, 2019 |
|---|---|---|---|---|
| Corporate bonds | $ 34,155 | $ - | $ - | $ 34,155 |
| Marketable securities | 12,510,452 | - | - | 12,510,452 |
| Domestic equity mutual funds | 42,324,620 | - | - | 42,324,620 |
| Foreign equity mutual funds | 18,964,835 | - | - | 18,964,835 |
| Alternative investment mutual funds | 4,428,965 | - | - | 4,428,965 |
| Domestic fixed income | 36,915,382 | - | - | 36,915,382 |
| Foreign fixed income | 579,111 | - | - | 579,111 |
| Government and agency securities | 5,881,323 | - | - | 5,881,323 |
| Cash surrender value of life insurance policies | - | 732,783 | - | 732,783 |
| Limited partnerships | - | - | 195,062 | 195,062 |
| Stock, privately held | - | - | 25,131,505 | 25,131,505 |
| Certificates of deposit | 558,370 | - | - | 558,370 |

NOTE 2. INVESTMENTS (CONTINUED)

| | | | | |
|---|---|---|---|---|
| Split-interest agreements | - | - | 1,653,059 | 1,653,059 |
| Cash held for reinvestment | 1,530,804 | - | - | 1,530,804 |
| | $ 123,728,017 | $ 732,783 | $ 26,979,626 | $ 151,440,426 |

Financial instruments classified as Level 3 in the fair value hierarchy represent the Foundation's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments for the years ended June 30:

| | Stock Privately Held | Limited Partnerships | Split-interest Agreements Held by Third Parties | Total |
|---|---|---|---|---|
| Balance, June 30, 2018 | $ 25,131,505 | $ 247,253 | $ 1,625,035 | $ 27,003,793 |
| Additions | - | - | 1,322,800 | 1,322,800 |
| Termination | - | - | (1,307,519) | (1,307,519) |
| Net unrealized gains (losses) on investments | - | (52,191) | 12,743 | (39,448) |
| Balance, June 30, 2019 | 25,131,505 | 195,062 | 1,653,059 | 26,979,626 |
| Additions | 1,457,824 | | - | 1,457,824 |
| Termination | - | | - | - |
| Net unrealized gains (losses) on investments | 7,000,000 | (50,671) | 16,663 | 6,965,992 |
| Balance, June 30, 2020 | $ 33,589,329 | $ 144,391 | $ 1,669,722 | $ 35,403,442 |

NOTE 3. SPLIT-INTEREST AGREEMENTS

In December 1991, the Foundation became the trustee of a donor established charitable remainder unitrust, naming the Foundation as the remainder beneficiary. Under the terms of the charitable unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiary's death. Until the death of the lead beneficiary, the Foundation's assets related to this contribution are restricted for the use of making payments to the lead beneficiary under the terms of the agreement. The related assets are valued at fair market value based on stated market values. The associated liability is valued using the techniques outlined in Publication 1458 of the IRS. The initial gross contribution was recorded as a contribution with donor restrictions for which corresponding assets and a liability was recorded. The asset value of the agreement held as investments was $93,264 and $76,265 at June 30, 2020 and 2019, respectively. The change in the asset value of the split-interest agreement was a loss of $7,804 and a loss of $6,308 during the years ended June 30, 2020 and 2019, respectively. The liability value related to the agreement was $48,879 and $41,075 at June 30, 2020 and 2019, respectively. The changes in the liability value of the split-interest agreement were due to the distribution to the beneficiary in the amount of $0 and $7,606, and the recalculation of the present value that resulted in a decrease of $7,804 and decrease of $6,308 during the years ended June 30, 2020 and 2019, respectively.

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

During 2005, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder unitrust agreement, the noncharitable lead beneficiary is to receive annual payments calculated at 10% of the investment's value at December 31st each year until the lead beneficiary's death. At the time of the noncharitable lead beneficiary's death, the trust is to terminate, and the remaining trust assets are to be distributed to the Foundation. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiary's life expectancy. At June 30, 2020 and 2019, a payout rate of 9.79% and 9.79%, respectively, with a remainder factor of 0.47247 and 0.44747, respectively, was used to estimate the present value of future benefits expected to be received by the Foundation valued at $88,136 and $91,207, respectively. The initial gross contribution was recorded as a contribution with donor restriction and a split-interest agreement receivable. The change in the value of the split-interest agreement was a loss of $3,071 and loss of $3,592 during the years ended June 30, 2020 and 2019, respectively.

In December 2009, the Foundation was informed that a donor established a charitable remainder annuity trust with a national bank as the trustee naming the Foundation as the remainder beneficiary. Under the terms of the charitable remainder annuity trust, the two noncharitable lead beneficiaries are to receive total quarterly payments of 7% of the initial fair market value of the trust until the earlier of the death of either beneficiaries or ten years after the death of the donor, which occurred in February 2009. The charitable remainder trust was terminated in February 2019 and investments of $1,307,519 were transferred to the Foundation. The change in the value of the split- interest agreement was a gain of $7,836 during the year ended June 30, 2019.

In February 2012, the Foundation was informed that a donor established a charitable remainder unitrust with a national bank as the trustee naming the Foundation as one of the remainder beneficiaries. Under the terms of the charitable remainder unitrust agreement, the non-charitable lead beneficiaries are to receive annual payments calculated at 5% of the investment's value at December 31st each year until the lead beneficiaries' deaths. At the time of the noncharitable lead beneficiaries' deaths, the trust is to terminate, $100,000 will be distributed to another organization, and the remaining trust assets are to be distributed among five organizations with the Foundation being one of them. Based on the noncharitable lead beneficiaries' life expectancies, the fair market value of the assets is evaluated at December 31st of each year. The fair market value of the assets is evaluated at December 31st each year based on the noncharitable lead beneficiaries' life expectancies. At June 30,2020 and 2019, a payout rate of 9.79% and 9.79%, respectively, with a remainder factor of 0.28186 and 0.27084, respectively, was used to estimate the present value of future benefits expected to be received, with the Foundation's share valued at $165,162 and $162,787, respectively. The change in the value of the split-interest agreement was a gain of $2,376 and a gain of $8,599 during the years ended June 30, 2020 and 2019, respectively.

NOTE 3. SPLIT-INTEREST AGREEMENTS (CONTINUED)

During the year ended June 30, 2019, the Foundation was informed that a donor trusted real property located at 76 Innisbrook Avenue, Las Vegas, Nevada, to a beneficiary in life estate, and to the Foundation, with a remainder interest. In the event that the property is sold, the Foundation shall receive its proportionate remainder interest share. As of June 30, 2020 and 2019, the property was held for sale by the beneficiary. The life estate was calculated using the Internal Revenue Code Section 7520 rate of 2.6%. The value of the remainder interest was determined to be $1,322,800 as of June 30, 2020 and 2019.

The fair value of the assets and liabilities are categorized as Level 3 assets.

The Foundation's split-interest agreement assets and liabilities are valued at fair value on a recurring basis as of June 30, 2020 as follows:

| | Level 3 Assets | Level 3 Liabilities |
|---|---|---|
| Assets held by third party: | | |
| January 2005 agreement | $ 88,136 | $ - |
| February 2012 agreement | 165,162 | - |
| Property remainder interest agreement | 1,322,800 | - |
| | 1,576,098 | - |
| Assets and liabilities held by the Foundation: | | |
| December 1991 agreement | 93,624 | 48,879 |
| | $ 1,669,722 | $ 48,879 |

The Foundation's split-interest agreement assets and liabilities are valued at fair value on a recurring basis as of June 30, 2019 as follows:

| | Level 3 Assets | Level 3 Liabilities |
|---|---|---|
| Assets held by third party: | | |
| January 2005 agreement | $ 91,207 | $ - |
| February 2012 agreement | 162,787 | - |
| Property remainder interest agreement | 1,322,800 | - |
| | 1,576,794 | - |
| Assets and liabilities held by the Foundation: | | |
| December 1991 agreement | 76,265 | 41,075 |
| | $ 1,653,059 | $ 41,075 |

## NOTE 4. AGENCY OBLIGATIONS

Agency obligations are funds held in trust by the Foundation and can only be used for the following organizations. The donors control the use and distribution of these funds. The agencies' assets held in trust and corresponding obligations consist of the following at June 30:

| | 2020 | 2019 |
|---|---|---|
| Vegas PBS Endowment Funds | $ - | $ 3,034,911 |
| Nevada Policy Research Fund | 92,661 | 91,231 |
| Gillis Foundation Fund | 144,645 | 137,754 |
| Keyser Education Endowment Fund | 732 | 76,665 |
| Nevada Blind Children Foundation Fund | 66,744 | 65,713 |
| Communities in Schools Fund | 35,391 | 35,569 |
| Red Mountain Music Fund | 36,148 | 35,729 |
| Nevada COVID-19 Task Force, Inc. Fund | 5,676,168 | - |
| Helping Hands Surgical Care Fund | 2,206 | 1,834 |
| | $ 6,054,695 | $ 3,479,406 |

## NOTE 5. COMMITMENTS AND CONTINGENCIES

***Operating Leases –*** The Foundation entered into operating leases for office facilities expiring through March 2021. The total monthly lease amount is $3,244. Rental expense for the office facilities for the years ending June 30, 2020 and 2019 totaled $38,754 and $47,463, respectively. Future minimum lease payments at June 30, 2020 are as follows:

| | |
|---|---|
| 2021 | $ 27,258 |

***Concentrations –*** Of the total grants paid out during the year ended June 30, 2020 to various organizations, the Foundation donated significant amounts over the course of the year to three organizations totaling $1,450,721, representing 12% of grants awarded and 9% of total expenses. Of the total grants paid out during the year ended June 30, 2019 to various organizations, the Foundation donated significant amounts over the course of the year to three organizations totaling $3,001,000, representing 40% of grants awarded and 33% of total expenses.

During the year ended June 30, 2020, two donors contributed a total of $14,297,071 representing 64% of total contributions. There were no contribution concentrations during the year ended June 30, 2019.

## NOTE 6. EMPLOYEE BENEFIT PLAN

Effective January 1, 2018, the Foundation entered into an agreement with Automatic Data Processing to establish a 401(k) plan. The Foundation makes matching contributions to the plan each year of 3% of all employees' compensation. The total contributions and expenses associated with the plan for the years ending June 30, 2020 and 2019 were $13,787 and $13,156, respectively.

NOTE 6. EMPLOYEE BENEFIT PLAN (CONTINUED)

The Executive Committee approved a Section 457 deferred compensation plan on July 28, 2014, effective July 1, 2014. There is only one participant in the deferred compensation plan. The Foundation will determine its contribution, if any, for the plan year and the participant may contribute salary reduction in excess of such Board contribution up to the maximum allowed by law. There were contributions of $19,000 and $18,500 to the plan for the years ended June 30, 2020 and 2019, respectively.

NOTE 7. GRANTS PAYABLE

The main function of the Foundation is to receive and accept funds to be administered and disbursed through grants exclusively for charitable purposes primarily in Nevada or for the benefit of residents of Nevada. Grants payable to be paid after one year are discounted based on the year promised at rates ranging from 0.19% to 2.73%.

Grants payable are summarized as follows at June 30:

| | 2020 | 2019 |
|---|---|---|
| Due in one year | $ 1,133,816 | $ 1,301,845 |
| Due in one to five years | 422,530 | 580,000 |
| | 1,556,346 | 1,881,845 |
| Current | 1,133,816 | 1,301,845 |
| Long-term | 422,530 | 580,000 |
| Less: discounts to present value | (8,677) | (23,411) |
| Long-term, net of current portion and discount | $ 413,853 | $ 556,589 |

The Foundation pledges scholarship funds to individuals throughout the year. The scholarships are conditional based on the individual attending school for the pledged semester. As these pledges are conditional, these pledges are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS

At June 30, 2020 and 2019, the Board of Directors (the “Board”) has designated $1,424,277 and $837,247 respectively, for the benefit of former boxers for financial and medical hardship, including funds for housing, basic living expenses, and payment of medical costs not covered by insurance.

Net assets with donor restrictions are available as follows as of June 30:

| | 2020 | 2019 |
|---|---|---|
| Specified charities | $ 4,213,812 | $ 10,172,228 |
| Educational issues | 4,091,001 | 4,112,408 |
| Animal issues | 3,289,188 | 3,304,121 |
| Scholarships | 2,331,814 | 2,546,374 |
| Emergency relief | 1,693,151 | 925,555 |
| Time restricted funds | 1,759,360 | 1,759,079 |

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS (CONTINUED)

| | | |
|---|---|---|
| Children and youth issues | 562,389 | 562,998 |
| Community support | 1,641,046 | 1,480,607 |
| Senior citizen issues | 114,897 | 109,591 |
| Homelessness | 1,255 | 1,241 |
| Medical research | 503,000 | 503,000 |
| | $ 20,200,913 | $ 25,477,202 |

Net assets with donor restrictions consisting of the following as of June 30:

| | 2020 | 2019 |
|---|---|---|
| Cash | $ 1,514,122 | $ 918,435 |
| Investments | 17,065,948 | 22,946,783 |
| Net assets related to split-interest agreements | 1,620,843 | 1,611,984 |
| | $ 20,200,913 | $ 25,477,202 |

The Foundation's net assets with donor restrictions include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments (collectively referred to as the endowment fund), are classified and reported based on the existence or absence of donor-imposed restrictions. Included in the medical research and children and youth issues balances are nonexpendable endowment funds. As of June 30, 2020 and 2019, the balance of funds to be held in perpetuity was $756,565 and $756,565, respectively.

The endowment includes only donor-restricted endowment funds and earnings. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law*** **–** The Board of Directors of the Foundation has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in accordance with the donor's wishes. There are no Board designations of endowment funds.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS (CONTINUED)

During the year ended June 30, 2020 the Foundation's endowment funds had the following activity:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance, June 30, 2019 | $ - | $ 788,130 | $ 788,130 |
| Interest and dividends, net of investment expenses | - | 20,693 | 20,693 |
| Amount appropriated for expenditure | - | (8,649) | (8,649) |
| Net unrealized gains (losses) on investments | - | (27,870) | (27,870) |
| Change in net assets | - | (15,826) | (15,826) |
| Balance, June 30, 2020 | $ - | $ 772,304 | $ 772,304 |

During the year ended June 30, 2019 the Foundation's endowment funds had the following activity:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance, June 30, 2018 | $ - | $ 772,061 | $ 772,061 |
| Interest and dividends, net of investment expenses | - | 9,923 | 9,923 |
| Amount appropriated for expenditure | - | (8,335) | (8,335) |
| Net unrealized gains (losses) on investments | - | 14,481 | 14,481 |
| Change in net assets | - | 16,069 | 16,069 |
| Balance, June 30, 2019 | $ - | $ 788,130 | $ 788,130 |

***Funds with Deficiencies*** – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Any deficiencies of this nature would reduce the related net assets with donor restrictions. There were no deficiencies at June 30, 2020 or 2019.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS (CONTINUED)

***Return Objectives and Risk Parameters –*** The Foundation has adopted investment and spending policies for endowment assets, the primary emphasis of which is on capital growth. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten-year time frame. The Foundation expects its endowment funds, over time, to provide an average rate of return commensurate with other moderate risk investment portfolios.

***Strategies Employed for Achieving Objectives –*** To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy –*** The Foundation has a current policy of retaining the earnings within the endowment fund until such time that the Board has determined specific expenditures in which to use the earnings not restricted by the donor, with an expected annual distribution rate of 2.5%. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for June 30:

| | 2020 | 2019 |
|---|---|---|
| *Satisfaction of purpose restrictions:* | | |
| Specified charities | $ 6,502,875 | $ 785,095 |
| Educational issues | 21,407 | 167,312 |
| Animal issues | 14,933 | 137,286 |
| Scholarships | 214,560 | 110,144 |
| Emergency relief | 103,646 | 87,161 |
| Children and youth issues | 609 | 37,491 |
| Community support | 28,775 | 53,617 |
| Senior citizen issues | 40,515 | 4,656 |
| Social innovation | - | 145,390 |
| | 6,927,320 | 1,528,152 |
| *Satisfaction of time restrictions:* | | |
| Time restricted funds | 7,777 | 16,306 |
| | $ 6,935,097 | $ 1,544,458 |

NOTE 9. INCOME TAXES

In December 2013, the Foundation received a contribution of privately held stock. During the years ended June 30, 2020 and 2019, the Foundation had taxable activity proportionate to its ownership percentage related to the privately held stock, which is considered unrelated business income. As such, the Foundation recorded income tax expense of $2,026,832, and $190,273 during the years ended June 30, 2020 and 2019, respectively. The 2020 income tax expense was related to the increase in the deferred tax liability.

In addition, the Foundation recognizes a deferred income tax liability related to the privately held stock with an estimated fair market value of $25,000,000 and an estimated tax basis of $0. An estimated blended federal and state tax rate of 24.05% was used to determine the estimate deferred tax liability of $8,046,607 and $6,012,500 for the years ended June 30, 2020 and 2019, respectively. There are no other components of the estimated deferred tax liability at June 30, 2020 or 2019.

Under the terms of the agreement with the donor, the company in which the Foundation owns the privately held stock will distribute to the Foundation an amount equal to the amount of tax due and payable by the Foundation under section 511(a)(1) of the Internal Revenue Code by reason of the Foundation's ownership in the shares. As a conditional promise to give, the contributions will be recorded when the conditions are met.

NOTE 10. LIQUIDITY AND AVAILABILITY OF FUNDS

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. 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, are as follows as of June 30:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 10,464,234 | $ 2,090,934 |
| Cash held by Greater Horizons | 4,114,293 | 3,374,594 |
| Investments | 35,237,197 | 26,611,220 |
| Investments held by Greater Horizons | 135,109,212 | 122,419,582 |
| | 184,924,936 | 154,496,330 |
| Less: | | |
| Cash, restricted | (1,514,122) | (918,435) |
| Investments, restricted | (17,065,948) | (22,946,783) |
| Agency obligations | (6,054,695) | (3,479,406) |
| | $ 160,290,171 | $ 127,151,706 |

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

NOTE 11. PAYCHECK PROTECTION LOAN

On May 4, 2020 the Foundation (the “Borrower”) qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of approximately $84,554 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two/five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal and accrued interest of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Foundation’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Foundation. The Foundation intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing the earlier of (1) the date that SBA remits the Borrower’s loan forgiveness amount to the Lender or (2) 10 months after the end of the Borrower’s loan forgiveness covered period of 24-weeks, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Foundation has accounted for the PPP loan as a conditional contribution in accordance with FASB ASC 958-605 and recognizes the estimated forgiven portion of the loan as the conditions are met. As of June 30, 2020, the remaining balance of the PPP loan was $15,000 with $65,554 being recognized as contribution revenue during the year.