

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

**AUDITED COMBINED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Community Foundation, Inc.
and Supporting Organization

We have audited the accompanying combined financial statements of Delaware Community Foundation, Inc. and Supporting Organization, which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 Delaware Community Foundation, Inc. and Supporting Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gunnip & Company LLP

Wilmington, Delaware
January 18, 2021

COMBINED FINANCIAL STATEMENTS

**COMBINED STATEMENTS OF
FINANCIAL POSITION**

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 8,867,159	\$ 10,893,987
Investments	239,875,740	248,921,434
Other investments	23,117,171	14,180,454
Interest and dividends receivable	88,025	109,992
Notes receivable	2,094,551	1,458,535
Unconditional promises to give	448,855	740,980
Other receivables	0	2,500
Fixed assets	<u>133,648</u>	<u>148,128</u>
 Total assets	 <u>\$ 274,625,149</u>	 <u>\$ 276,456,010</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Other accrued expenses	\$ 312,105	\$ 239,563
Charitable gift annuities	355,457	406,754
Nonprofit agency endowments	<u>35,009,471</u>	<u>36,115,841</u>
 Total liabilities	 35,677,033	 36,762,158
 NET ASSETS		
Without donor restrictions	238,509,977	239,113,672
With donor restrictions	<u>438,139</u>	<u>580,180</u>
Total net assets	<u>238,948,116</u>	<u>239,693,852</u>
Total liabilities and net assets	<u>\$ 274,625,149</u>	<u>\$ 276,456,010</u>

See accompanying notes to financial statements.

COMBINED STATEMENTS OF ACTIVITIES

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 22,478,908	\$ 25,500	\$ 22,504,408
Interest and dividend income, net of fees	3,979,806	0	3,979,806
Realized gain	2,730,605	0	2,730,605
Unrealized gain (loss)	(2,773,023)	0	(2,773,023)
Administrative fees	294,640	0	294,640
Grants and other income	3,371,494	349,000	3,720,494
	<u>30,082,430</u>	<u>374,500</u>	<u>30,456,930</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>516,541</u>	<u>(516,541)</u>	<u>0</u>
Total revenues, gains and other support	30,598,971	(142,041)	30,456,930
EXPENSES			
Grants and programs	27,842,926	0	27,842,926
Management and general	1,951,685	0	1,951,685
Fundraising	1,408,055	0	1,408,055
	<u>31,202,666</u>	<u>0</u>	<u>31,202,666</u>
CHANGE IN NET ASSETS	(603,695)	(142,041)	(745,736)
NET ASSETS, BEGINNING OF YEAR	<u>239,113,672</u>	<u>580,180</u>	<u>239,693,852</u>
NET ASSETS, END OF YEAR	<u>\$ 238,509,977</u>	<u>\$ 438,139</u>	<u>\$ 238,948,116</u>

See accompanying notes to financial statements.

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 18,444,499	\$ 240,556	\$ 18,685,055
Interest and dividend income, net of fees	3,859,290	0	3,859,290
Realized gain	6,787,399	0	6,787,399
Unrealized gain (loss)	(1,550,380)	0	(1,550,380)
Administrative fees	307,776	0	307,776
Grants and other income	<u>2,515,891</u>	<u>0</u>	<u>2,515,891</u>
Total revenue	30,364,475	240,556	30,605,031
NET ASSETS RELEASED FROM RESTRICTIONS	<u>801,635</u>	<u>(801,635)</u>	<u>0</u>
Total revenues, gains and other support	31,166,110	(561,079)	30,605,031
EXPENSES			
Grants and programs	18,080,740	0	18,080,740
Management and General	1,750,338	0	1,750,338
Fundraising	<u>1,609,172</u>	<u>0</u>	<u>1,609,172</u>
Total operating expenses	<u>21,440,250</u>	<u>0</u>	<u>21,440,250</u>
CHANGE IN NET ASSETS	9,725,860	(561,079)	9,164,781
NET ASSETS, BEGINNING OF YEAR	<u>229,387,812</u>	<u>1,141,259</u>	<u>230,529,071</u>
NET ASSETS, END OF YEAR	<u>\$ 239,113,672</u>	<u>\$ 580,180</u>	<u>\$ 239,693,852</u>

See accompanying notes to financial statements.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2020

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 23,684,886	\$ 0	\$ 0	\$ 23,684,886
Compensation and benefits	1,271,301	1,029,924	1,162,529	3,463,754
Professional fees and contract services	1,909,208	317,461	26,844	2,253,513
Supplies and office expense	53,767	109,990	14,410	178,167
Travel, conferences, and meetings	125,429	48,181	25,951	199,561
Occupancy	50,741	125,382	0	176,123
Information technology	24,439	153,394	1,230	179,063
Insurance	2,317	15,495	0	17,812
Marketing and promotion	21,073	114,377	17,014	152,464
Gift annuity distributions	235,145	0	0	235,145
Other	464,620	13,006	160,077	637,703
Depreciation	0	24,475	0	24,475
Total	<u>\$ 27,842,926</u>	<u>\$ 1,951,685</u>	<u>\$ 1,408,055</u>	<u>\$ 31,202,666</u>

See accompanying notes to financial statements.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION**

FOR THE YEAR ENDED JUNE 30, 2019

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 13,640,100	\$ 0	\$ 0	\$ 13,640,100
Compensation and benefits	1,241,982	917,357	1,105,277	3,264,616
Professional fees and contract services	2,184,062	177,206	33,897	2,395,165
Supplies and office expense	83,672	142,162	24,966	250,800
Travel, conferences, and meetings	112,302	97,161	35,476	244,939
Occupancy	29,670	137,842	0	167,512
Information technology	58,678	116,249	5,180	180,107
Insurance	150	19,078	0	19,228
Marketing and promotion	70,717	111,480	6,804	189,001
Gift annuity distributions	261,830	0	0	261,830
Other	397,577	8,970	397,572	804,119
Depreciation	0	22,833	0	22,833
Total	<u>\$ 18,080,740</u>	<u>\$ 1,750,338</u>	<u>\$ 1,609,172</u>	<u>\$ 21,440,250</u>

See accompanying notes to financial statements.

COMBINED STATEMENTS OF CASH FLOWS**DELAWARE COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATION****FOR THE YEARS ENDED JUNE 30, 2020
AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from revenues, gains and other support	\$ 31,751,381	\$ 22,909,642
Cash paid for grants and expenses	(36,005,845)	(23,808,656)
Interest and dividends received	<u>4,707,788</u>	<u>4,489,913</u>
Net cash flow from operating activities	<u>453,324</u>	<u>3,590,899</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Purchase of fixed assets	(10,001)	(7,144)
Notes receivable made	(1,015,974)	(2,277)
Notes receivable collected	21,124	0
Purchase of investments	(13,108,626)	(5,069,049)
Proceeds from sale of investments	<u>11,240,405</u>	<u>5,315,705</u>
Net cash flow from (used by) investing activities	<u>(2,873,072)</u>	<u>237,235</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	<u>392,920</u>	<u>0</u>
Net cash flow from financing activities	392,920	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,026,828)	3,828,134
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,893,987</u>	<u>7,065,853</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,867,159</u>	<u>\$ 10,893,987</u>
INTEREST PAID	<u>None</u>	<u>None</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated real estate	<u>\$ 315,000</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

Note 1 Nature of activities and significant accounting policies

Nature of activities

The Delaware Community Foundation, Inc., and Rodel Charitable Foundation - DE (the Supporting Organization), collectively referred to as the Foundation, are nonprofit organizations formed for the principal purpose of attracting and administering charitable funds. The Foundation serves as a source of information for the community, identifies unmet and emerging community needs, and facilitates strategies to address these needs. The Foundation awards grants to nonprofit organizations to develop their facilities and provide services to help those in need achieve a better life. The majority of the Foundation's revenue is composed of contributions and investment income. The Foundation is located in the State of Delaware.

Principles of combination

These combined financial statements include the accounts of Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE, both of which are under common control. All significant intercompany balances and transactions have been eliminated.

Use of estimates in the preparation of financial statements

The preparation of the combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Included in cash and cash equivalents at June 30, 2020 and 2019 is \$ 3,592,232 and \$ 6,745,496, respectively, that reflects cash held in investment accounts.

Note 1 Nature of activities and significant accounting policies (cont'd)Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Fair values are estimated based upon quoted market prices. Purchases and sales are recorded on the trade date. Realized gains and losses are determined on the basis of first-in, first-out. Unrealized gains and losses are included in the change in net assets in the combined statements of activities. Investment income and gains restricted by donors are reported as increases in net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments – other consists of the estimated fair value of donated real estate, stock awaiting sale at estimated fair value and certificates of deposit, stated at cost.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are reported at their fair value or net realizable value in the combined statements of financial position. Provisions for uncollectible receivables are charged to expense when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used.

Allowance for doubtful accounts

The Foundation's management has deemed all receivables to be collectible and accordingly has not recorded an allowance for doubtful accounts as of June 30, 2020 and 2019.

Fixed assets

The Foundation capitalizes all expenditures for property, plant, and equipment in excess of \$ 1,000. Purchased property, plant, and equipment are recorded at cost. Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as support without restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies

Note 1 Nature of activities and significant accounting policies (cont'd)Fixed assets (cont'd)

net assets with donor restrictions to net assets without restriction at that time. Property, plant, and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

Nonprofit agency endowments

Nonprofit agency endowments consist of amounts received from various nonprofit organizations that, through their respective fund agreements, have designated themselves as beneficiaries. New additions, investment income, and gains increase the liability. Grants paid to the respective nonprofit organizations, management fees, and investment losses reduce the liability.

Net assets

The Foundation's by-laws include a unilateral variance power, which allows the Foundation the ability to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian or agent), such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, benevolent, cultural, civic, health, scientific, and educational needs of the Delaware community.

Financial statement presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Note 1 Nature of activities and significant accounting policies (cont'd)Contributions

Noncash contributions are recorded at fair value on the date of donation.

Support that is restricted by the donor and placed in a fund is administered and classified according to the donor's stipulations; however, the by-laws and individual fund agreements provide the governing body of the Foundation with variance power over the use of such assets, and, therefore, donor support is recorded as an increase in net assets without restrictions.

Support that is subject to time or use restrictions is recorded as increases in net assets without restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other time and use restricted support is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis.

Allocation of costs

Directly identifiable expenses are charged to grants and programs in the Statement of Activities. Management and general expenses include those expenses that are not directly identifiable with a specific grant or program but provide for the overall support and direction of the Foundation.

Advertising

The Foundation expenses advertising cost as incurred. Advertising expense was \$ 85,439 and \$ 89,728 for the years ended June 30, 2020 and 2019, respectively.

Adoption of new accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contract with Customers (Topic 606)*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP. This standard established a new contract and control-based revenue recognition model, changed the basis for deciding when revenue is recognized over time or at a point in time, and

Note 1 Nature of activities and significant accounting policies (cont'd)Adoption of new accounting standards (cont'd)

expanded disclosure about revenue. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Revenue and revenue recognition

Revenues are measured based on consideration specified in a contract with a customer. The Foundation recognizes revenue when it satisfies a performance obligation by assuming control over a promised service to a customer. The Foundation's principal activities resulting in contracts with customers include administration fees for services.

Monthly administration fees are based on fixed rate schedules multiplied by the monthly balance held at the Foundation specified in fund agreement. The performance obligation consists of providing fund holders with administrative services provided during the month and are nonrefundable.

Revenue from fundraisers is measured by the amount of money received for or during the event, less expenses incurred for the fundraising activity. Revenue from government agencies and other grants is measured by the consideration specified in the respective contract with the respective granting agency. The Foundation recognizes this revenue on a cost reimbursement basis as the Foundation satisfies service obligations. The Foundation submits approved expenditures to the granting agency and recognizes the revenue upon submission. The Foundation also has revenues for program services that have a duration of one year or less. The Foundation has elected the practical expedient and has not disclosed the value of unsatisfied performance obligations nor the expected timing for completion related to these revenues.

Fair value measurement

FASB ASC 820 – Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements).

Note 1 Nature of activities and significant accounting policies (cont'd)Fair value measurement (cont'd)

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 –

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted process that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Income taxes

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE are nonprofit organizations which are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). As a result, there is no provision for federal income taxes in the accompanying combined financial statements. In addition, both organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

Income not related to the Foundation's tax-exempt purposes may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions.

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE have determined that no liability for uncertain tax positions is required to be accrued and included in the combined statements of financial position as of June 30, 2020 and 2019.

Note 1 Nature of activities and significant accounting policies (cont'd)Income taxes (cont'd)

The federal informational returns of the Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE for the years ended June 30, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent events

The date to which events occurring after June 30, 2020, the date of the most recent Statement of Financial Position, have been evaluated for possible adjustment to the financial statements or disclosure is January 18, 2021, which is the date on which the financial statements were available to be issued.

Note 2 Availability and liquidity

Financial assets available for general expenditures within one year of the statements of financial position date are comprised of the following at June 30:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 4,680,306	\$ 4,453,990
Investments	<u>849,438</u>	<u>1,948,980</u>
Total financial assets	<u>\$ 5,529,744</u>	<u>\$ 6,402,970</u>
Less amounts not available to be used within one year:		
Board reserves	<u>2,842,769</u>	<u>3,116,635</u>
Total financial assets	<u>\$ 2,686,975</u>	<u>\$ 3,286,335</u>

The Foundations' core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established reserves designed to support operations during periods of market volatility, when administrative fees collected may fall short of budgeted expectations.

Note 3 Investments

Combined investments, including investments from the Supporting Organization, consisted of the following as of June 30:

	2020 Fair Value	2019 Fair Value
Common stocks		
Domestic	\$ 16,126,230	\$ 13,386,639
International	842,394	1,021,937
Corporate bonds (domestic)	2,955,256	670,940
Government agency and securities	1,456,500	1,489,792
REIT	5,870,492	5,537,925
Energy debt LP	3,624,904	5,574,941
Global private assets LP	187,702	0
Mutual funds		
Equity	129,406,874	137,984,473
Fixed Income	50,673,014	53,982,496
Other	3,251,947	4,320,975
Multi-strategy hedge funds	25,113,616	24,454,265
Private equity funds	276,309	344,377
Annuity contracts	<u>90,502</u>	<u>152,674</u>
Total investments	<u>\$ 239,875,740</u>	<u>\$ 248,921,434</u>

The values of the hedge funds and private equity funds as of June 30, 2020 and 2019 have been estimated by the underlying fund managers. Information on unfunded commitments and redemption restrictions, if any, as of June 30, 2020 and 2019 is listed in the following tables.

June 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (DCF) ^a	\$ 25,113,616	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) ^a	5,870,492	0	Quarterly	95 Days
Energy Debt LP (DCF) ^a	3,624,904	0	Semi-annual	95 Days
Global Private Assets, LP (DCF) ^a	187,702	7,312,298	N/A	N/A
Private equity funds (Rodel) ^b	<u>276,309</u>	<u>268,797</u>	N/A	N/A
Grand total	<u>\$ 35,073,023</u>	<u>\$ 7,581,095</u>		
June 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (DCF) ^a	\$ 24,454,265	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) ^a	5,537,925	0	Quarterly	95 Days
Energy Debt LP (DCF) ^a	5,574,941	0	Semi-annual	95 Days
Private equity funds (Rodel) ^b	<u>344,377</u>	<u>345,838</u>	N/A	N/A
Grand total	<u>\$ 35,911,508</u>	<u>\$ 345,838</u>		

Note 3 Investments (cont'd)

^a This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

^b This category includes several private equity funds with one investment manager. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The fund is expected to begin liquidation 15 to 18 years from the initial offering date. The fair values of the investments in this category have been estimated using the most recent valuations reported to the investment manager by the underlying funds in which it invests. As a result, the fair values of the investments in this category may be based on reported valuations that are several months old as of June 30, 2020 and 2019.

Note 4 Notes receivable

Notes receivable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Notes receivable due to Capital Reserve	\$ 2,090,000	\$ 1,090,000
Interest receivable on Notes receivable due to Capital Reserve	4,551	9,702
Loans receivable - other	<u>0</u>	<u>358,833</u>
Total notes receivable	<u>\$ 2,094,551</u>	<u>\$ 1,458,535</u>

Notes receivable consisted of the following as of June 30:

<u>Date of Note</u>	<u>Due Date</u>	<u>1 Year Constant Maturity Index</u>	<u>2020 Balance</u>
11/28/19	11/28/20	1.60%	\$ 50,000
12/13/19	12/13/20	1.55%	250,000
03/23/20	03/24/21	0.25%	300,000
03/23/20	03/24/21	0.25%	100,000
03/23/20	03/24/21	0.25%	100,000
03/23/20	03/24/21	0.25%	110,000
03/23/20	03/24/21	0.25%	180,000
05/07/20	05/01/21	0.85%	<u>1,000,000</u>
		Total	<u>\$ 2,090,000</u>

Note 4 Notes receivable (cont'd)

Notes receivable consisted of the following as of June 30:

<u>Date of Note</u>	<u>Due Date</u>	<u>1 Year Constant Maturity Index</u>	<u>2019 Balance</u>
11/28/18	11/28/19	2.68%	\$ 50,000
12/13/18	12/13/19	2.69%	250,000
03/23/19	03/24/20	2.45%	300,000
03/23/19	03/24/20	2.45%	100,000
03/23/19	03/24/20	2.45%	100,000
03/23/19	03/24/20	2.45%	110,000
03/23/19	03/24/20	2.45%	180,000
Total			<u>\$ 1,090,000</u>

The Foundation regularly grants notes to unrelated nonprofit organizations as part of its mission to help nonprofit organizations develop their facilities and provide services. These notes carry interest at rates ranging from 0% to 4%. Interest-bearing notes incur interest each quarter, which is recorded by the Foundation as a grant to the nonprofit organization. The majority of the Foundation's notes are due on demand. Non-demand notes are due within one to three years.

Note 5 Unconditional promises to give

Unconditional promises to give consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 366,829	\$ 630,884
Receivable in one to five year	82,026	110,096
Receivable in more than five years	<u>0</u>	<u>0</u>
Total unconditional promises to give	<u>\$ 448,855</u>	<u>\$ 740,980</u>

The Foundation does not discount their unconditional promises to give as management considers it immaterial.

Note 6 Fixed assets

Fixed assets consisted of the following as of June 30:

	2020	2019
Furniture and equipment	\$ 728,780	\$ 731,102
Leasehold improvements	236,693	236,693
Less: accumulated depreciation and amortization	(831,825)	(819,667)
Total fixed assets	\$ 133,648	\$ 148,128

Note 7 Net assets with donor restriction

Net assets with donor restriction and net assets released from restrictions consisted of the following as of and for the year ended June 30:

	2018	Additions	Releases	2019
Time restricted pledges	\$ 1,141,259	\$ 240,556	\$ (801,635)	\$ 580,180
Total net assets with donor restrictions	\$ 1,141,259	\$ 240,556	\$ (801,635)	\$ 580,180
	2019	Additions	Releases	2020
Time restricted pledges	\$ 580,180	\$ 25,500	\$ (460,555)	\$ 145,125
Technology and community engagement project	0	349,000	(55,986)	293,014
Total net assets with donor restrictions	\$ 580,180	\$ 374,500	\$ (516,541)	\$ 438,139

Note 8 Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash accounts with local financial institutions, notes receivable, promises to give and investments. The Foundation places its cash accounts with several financial institutions to limit the amount of credit exposure to any one financial institution. Concentrations with respect to promises to give are limited due to the composition of the contributor base. Concentrations with respect to notes receivable are limited due to the Foundation limiting fund withdrawals in accordance with fund agreements.

Note 8 Financial instruments (cont'd)

The Foundation's investment portfolio is exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the combined statements of financial position. The Foundation mitigates credit risk with respect to investments by placing its investments with several professional investment advisors subject to the Foundation's investment policy.

Note 9 Concentration of credit risk

The Foundation's cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

The Foundation's investments and certain cash equivalents are held in the custody of investment houses and brokerage firms. Investments in securities, including money market funds, held at each of the brokers are insured up to \$ 500,000, while cash balances are insured up to \$ 250,000, under the Securities Investor Protection Corporation (SIPC). As of June 30, 2020 and 2019, substantially all of the Foundation's investments, including cash balances held by investment managers, are in excess of insured amounts.

Note 10 Retirement plan

The Delaware Community Foundation, Inc. adopted a defined contribution plan, effective January 1, 1994, for the exclusive benefit of all full-time employees. An employee is eligible for participation upon hire. The amount of the Foundation's total contribution to the plan is determined annually as part of the budget process. Employer contributions to the plan are funded quarterly based on the participant's prior fiscal period compensation and upon completion of one quarter year of service. The plan provides for full vesting immediately upon admittance to the plan. Retirement plan expense for employees of the Foundation was \$ 116,399 and \$ 111,377 for the years ended June 30, 2020 and 2019, respectively.

Note 11 Deferred compensation plan

The Foundation established a deferred compensation plan under Section 457(b) effective December 15, 2004. The purpose of the plan is to enable its eligible employees to enhance their retirement security by permitting them to enter into agreements with the Foundation to defer a portion of their compensation and receive benefits at retirement. The Foundation maintains a segregated money market account to finance this liability.

For the years ended June 30, 2020 and 2019, \$ 26,000 and \$ 18,000 were charged to operations under these arrangements, respectively. As of June 30, 2020 and 2019, \$ 117,945 and \$ 91,945, respectively, was accrued as a liability related to these arrangements.

Note 12 Operating lease

The Foundation leases office space in the Community Service Building located in Wilmington, Delaware, under an operating lease for corporate office space at \$ 4,473 per month through March 31, 2022. In April 2016, The Foundation renewed its operating lease with the Community Service building for additional office space at \$ 4,827 per month. The annual rent under these leases is \$ 53,673 and \$ 57,927, respectively.

The Foundation also leases various office equipment under non-cancelable operating leases which expire beginning in 2023.

As of June 30, 2020, future minimum lease payments under non-cancelable leases are as follows:

2021	\$ 108,770
2022	48,541
2023	7,315
2024	0
2025	0
	<hr/>
Total	\$ 164,626

Lease expense for the building for the years ended June 30, 2020 and 2019 was \$ 113,078 and \$ 113,460, respectively, and lease expense for equipment for the years ended June 30, 2020 and 2019 was \$ 20,339 and \$ 16,496, respectively.

Note 13 Fair value measurement

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

<u>June 30, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks				
Domestic	\$ 16,126,230	\$ 16,126,230	\$ 0	\$ 0
International	842,394	842,394	0	0
Corporate bonds (domestic)	2,955,256	0	2,955,256	0
Government agency and securities	1,456,500	0	1,456,500	0
Mutual funds				
Equity	129,406,874	129,406,874	0	0
Fixed income	50,673,014	50,673,014	0	0
Other	3,251,947	3,251,947	0	0
Private equity funds	276,309	0	0	276,309
Annuity contracts	<u>90,502</u>	<u>0</u>	<u>0</u>	<u>90,502</u>
Total assets in fair value hierarchy	<u>205,079,026</u>	<u>\$ 200,300,459</u>	<u>\$ 4,411,756</u>	<u>\$ 366,811</u>
Investments measured at net asset value (a)	<u>34,796,714</u>			
Total investments at fair value	<u>\$ 239,875,740</u>			

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Note 13 Fair value measurement (cont'd)

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks				
Domestic	\$ 13,386,639	\$ 13,386,639	\$ 0	\$ 0
International	1,021,937	1,021,937	0	0
Corporate bonds (domestic)	670,940	0	670,940	0
Government agency and securities	1,489,792	0	1,489,792	0
Mutual funds				
Equity	137,984,473	137,984,473	0	0
Fixed income	53,982,496	53,982,496	0	0
Other	4,320,975	4,320,975	0	0
Private equity funds	344,377	0	0	344,377
Annuity contracts	<u>152,674</u>	<u>0</u>	<u>0</u>	<u>152,674</u>
Total assets in fair value hierarchy	<u>213,354,303</u>	<u>\$ 210,696,520</u>	<u>\$ 2,160,732</u>	<u>\$ 497,051</u>
Investments measured at net asset value (a)	<u>35,567,131</u>			
Total investments at fair value	<u>\$ 248,921,434</u>			

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of investments in marketable securities with readily determinable market values are estimated based on quoted market prices. Market values for fixed income securities are estimated using quoted bid and ask prices.

Investments for which readily ascertainable market values are not available consist primarily of partnerships invested in public equity markets, partnerships invested in private equity markets, and annuity contracts. The fair values of investment partnerships have been determined based on the Foundation's proportionate share of the underlying fair values of the net assets of the investment partnerships. The fair values relating to certain underlying investments in these partnerships have been estimated by the partnerships' managing members in the absence of readily ascertainable market values.

Note 13 Fair value measurement (cont'd)

The fair values of annuity contracts have been determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Because of the inherent uncertainty of valuation, estimated fair values for these investments may differ significantly from values that would have been used had a ready market existed and those differences could be material.

The following is a summary of the changes in the fair value of the Foundation's level 3 assets for the years ended June 30, 2020 and 2019:

	<u>Multi-strategy</u>	<u>Private Equity Funds</u>	<u>Annuity Contracts</u>	<u>Total</u>
Balance – June 30, 2018	\$ 1,910,947	\$ 641,128	\$ 224,611	\$ 2,776,686
Realized gains (losses)	0	(68,634)	0	(68,634)
Unrealized gains (losses)	0	0	0	0
Investment income	0	0	0	0
Purchases, sales and settlements (net of fees)	(1,910,947)	(228,117)	0	(2,139,064)
Change in discount	<u>0</u>	<u>0</u>	<u>(71,937)</u>	<u>(71,937)</u>
Balance – June 30, 2019	0	344,377	152,674	497,051
Realized gains (losses)	0	0	0	0
Unrealized gains (losses)	0	(39,296)	0	(39,296)
Investment income	0	0	0	0
Purchases, sales and settlements (net of fees)	0	(28,772)	0	(28,772)
Change in discount	<u>0</u>	<u>0</u>	<u>(62,172)</u>	<u>(62,172)</u>
Balance – June 30, 2020	<u>\$ 0</u>	<u>\$ 276,309</u>	<u>\$ 90,502</u>	<u>\$ 366,811</u>

Note 14 Charitable gift annuities

The Foundation has several charitable gift annuities in which donors have given property or cash to support the work of the Foundation. The Foundation is required to make quarterly benefit payments back to the donors (annuitants). Payments are calculated based upon the donor's life expectancy and the use of a discount rate which ranges between 1.2 % and 6.0%. The Foundation records the assets received at fair market value and the resulting liability at the present value of expected future cash flows to be paid to the annuity beneficiary. As quarterly distributions are made the liability is decreased. If a change occurs to the life expectancy of the beneficiary, the liability and unrestricted change in value of annuity are increased or decreased accordingly.

On September 27, 2012, the Foundation purchased a group annuity policy on several of its charitable gift annuitants. Under the policy, the Foundation receives a quarterly benefit payment based on several factors, including purchase rates, the type of annuity purchased, the annuity date, and the age and sex of the annuitants.

Note 14 Charitable gift annuities (cont'd)

The Foundation has recorded the group annuity policies with investments on the statements of financial position at fair value as determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Quarterly annuity benefits received by the Foundation are utilized to make quarterly benefit payments back to their annuitants.

Note 15 Related party transactions

Certain members of the Board of Directors of the Foundation are employees or board members of financial institutions that manage and retain custody of the Foundation's assets. These board members have no independent investment authority over the assets which are held by the financial institution for the convenience of the Foundation and at the discretion of its Board of Directors.

Certain members of the Board of Directors of the Foundation are employees or board members of nonprofit organizations to which the Foundation made grants without restrictions during the years ended June 30, 2020 and June 30, 2019. These board members recused themselves from voting on such grant approvals for their organizations.

Note 16 Endowment fund

During 2011, the Board of Directors of the Foundation (Board) created the Delaware Community Strategic Fund. The strategic fund was created to provide long-term reliable annual support to four key areas of the Foundation as determined by the Board. Funds utilized by the Foundation to establish the strategic fund, along with all future contributions without restriction transferred into the fund, are defined as a board-designated endowment. At times the Foundation receives donor contributions restricted solely for strategic fund use.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 donor restricted endowment (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) net accumulations to the donor-restricted endowment based on investment performance.

Note 16 Endowment fund (cont'd)

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Foundation has a policy of appropriating for distribution each year 5% of the average daily balance for the past 12 quarters (or the number of quarters the fund has been open if fewer than 12). In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The spending policy is reviewed regularly by the Board to allow its endowment funds to grow annually while maintaining the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return. For the year ended June 30, 2020, the Board approved an additional draw to cover the prior year deficit.

Note 16 Endowment fund (cont'd)

Changes in endowment net assets and endowment composition as of and for the year ended June 30, 2020 were as follows:

	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, Beginning of the year	\$ 1,639,673	\$ 0	\$ 1,639,673
Additions	0	0	0
Investment income, net of fees	40,243	0	40,243
Unrealized gain (loss)	27,574	0	27,574
Realized gain (loss)	(3,016)	0	(3,016)
Amounts appropriated for expenditure	<u>(198,804)</u>	<u>0</u>	<u>(198,804)</u>
Endowment net assets, End of the year	<u>\$ 1,505,670</u>	<u>\$ 0</u>	<u>\$ 1,505,670</u>

Changes in endowment net assets and endowment composition as of and for the year ended June 30, 2019 were as follows:

	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, Beginning of the year	\$ 1,651,621	\$ 0	\$ 1,651,621
Additions	0	0	0
Investment income, net of fees	24,091	0	24,091
Unrealized gain (loss)	(2,846)	0	(2,846)
Realized gain (loss)	41,686	0	41,686
Amounts appropriated for expenditure	<u>(74,879)</u>	<u>0</u>	<u>(74,879)</u>
Endowment net assets, End of the year	<u>\$ 1,639,673</u>	<u>\$ 0</u>	<u>\$ 1,639,673</u>

Note 17 Commitments and contingencies

In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these combined financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Foundation's combined financial statements.

Note 18 COVID-19

The 'COVID-19' virus, declared a pandemic by the World Health Organization, has spread through the world and governments have taken various actions to try to slow the transmission. The impact of these restrictions, and the potential effect to the Foundation, cannot be reasonably estimated at this time.

On April 29, 2020, the Delaware Community Foundation received loan proceeds of \$ 392,920 from M&T Bank under the Paycheck Protection Program ("PPP") as part of the CARES Act in response to COVID-19. The Foundation has determined that the loan should be accounted for as a conditional promise to give under ASC 958-605, as they anticipate that the terms of loan forgiveness will be satisfied. Accordingly the balance due, and any related interest expense has not been reflected as a liability in these financials.