

Evanston Community Foundation, Inc. and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Evanston Community Foundation, Inc.
and Subsidiary
Evanston, Illinois

We have audited the accompanying consolidated financial statements of Evanston Community Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 Evanston Community Foundation, Inc. and Subsidiary as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 15 to the consolidated financial statements, in 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Oakbrook Terrace, Illinois
July 22, 2019

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position

	December 31,	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,450,412	\$ 2,297,379
Accounts receivable		
Pledges receivable	136,750	169,300
Investment income receivable	8,247	5,264
Other receivables	116,758	24,166
Investments, at fair value	21,904,623	22,720,507
Prepaid expenses and other assets	6,868	8,360
Leasehold improvements, furniture and equipment, net	<u>28,428</u>	<u>36,333</u>
 Total assets	 <u>\$ 23,652,086</u>	 <u>\$ 25,261,309</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 71,104	\$ 35,293
Deferred revenue	40,630	29,730
Deferred lease incentive	4,550	13,650
Grants payable	205,875	259,143
Charitable gift annuities payable	8,437	9,875
Funds held as agency endowments	<u>4,311,623</u>	<u>4,528,880</u>
 Total liabilities	 <u>4,642,219</u>	 <u>4,876,571</u>
 NET ASSETS		
Without donor restrictions	8,490,018	8,768,861
With donor restrictions	<u>10,519,849</u>	<u>11,615,877</u>
 Total net assets	 <u>19,009,867</u>	 <u>20,384,738</u>
 Total liabilities and net assets	 <u>\$ 23,652,086</u>	 <u>\$ 25,261,309</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Support revenue						
Board-designated endowment and field of interest contributions	\$ 121,821	\$ 84,410	\$ 206,231	\$ 208,537	\$ 154,847	\$ 363,384
Operating contributions	861,345	82,250	943,595	1,003,155	98,800	1,101,955
Other fund contributions	705,305	737,011	1,442,316	1,052,214	287,443	1,339,657
	<u>1,688,471</u>	<u>903,671</u>	<u>2,592,142</u>	<u>2,263,906</u>	<u>541,090</u>	<u>2,804,996</u>
Program revenue						
Tuition and fees plus event revenue - net	26,323	-	26,323	54,823	-	54,823
Investment income (loss)						
Interest and dividends	457,989	345,721	803,710	324,870	295,361	620,231
Realized gains on investments, net	431,296	350,874	782,170	1,365,784	1,181,768	2,547,552
Unrealized gains (losses) on investments, net	(1,534,631)	(1,482,081)	(3,016,712)	30,224	81,431	111,655
Funds held as agency endowments	318,568	-	318,568	(593,984)	-	(593,984)
	<u>(326,778)</u>	<u>(785,486)</u>	<u>(1,112,264)</u>	<u>1,126,894</u>	<u>1,558,560</u>	<u>2,685,454</u>
Net assets released from restrictions	1,214,213	(1,214,213)	-	812,873	(812,873)	-
Total revenues	<u>2,602,229</u>	<u>(1,096,028)</u>	<u>1,506,201</u>	<u>4,258,496</u>	<u>1,286,777</u>	<u>5,545,273</u>
EXPENSES						
Program services	2,449,814	-	2,449,814	1,999,593	-	1,999,593
Supporting services						
Management and general	242,273	-	242,273	203,247	-	203,247
Fund raising	188,985	-	188,985	181,991	-	181,991
	<u>431,258</u>	<u>-</u>	<u>431,258</u>	<u>385,238</u>	<u>-</u>	<u>385,238</u>
Total expenses	<u>2,881,072</u>	<u>-</u>	<u>2,881,072</u>	<u>2,384,831</u>	<u>-</u>	<u>2,384,831</u>
CHANGE IN NET ASSETS BEFORE OTHER ACTIVITIES	(278,843)	(1,096,028)	(1,374,871)	1,873,665	1,286,777	3,160,442
OTHER ACTIVITIES						
Contribution received in the acquisition of change in control of Evanston Cradle to Career, LLC	-	-	-	-	351,405	351,405
CHANGE IN NET ASSETS	(278,843)	(1,096,028)	(1,374,871)	1,873,665	1,638,182	3,511,847
Net assets, beginning of year	8,768,861	11,615,877	20,384,738	6,895,196	9,977,695	16,872,891
NET ASSETS, END OF YEAR	<u>\$ 8,490,018</u>	<u>\$ 10,519,849</u>	<u>\$ 19,009,867</u>	<u>\$ 8,768,861</u>	<u>\$ 11,615,877</u>	<u>\$ 20,384,738</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 476,842	\$ 129,878	\$ 92,830	\$ 222,708	\$ 699,550
Payroll taxes and benefits	59,239	18,621	22,003	40,624	99,863
Staff and board expenses	19,681	18,362	5,622	23,984	43,665
Total personnel	555,762	166,861	120,455	287,316	843,078
Annual report and newsletters	26,325	-	6,851	6,851	33,176
Class and meeting expense	32,322	-	-	-	32,322
Communications	20,743	2,891	30,402	33,293	54,036
Dues and subscriptions	3,558	2,725	1,160	3,885	7,443
Office expenses and supplies	11,017	15,213	3,445	18,658	29,675
Postage	744	3,667	8,167	11,834	12,578
Printing	3,441	6,936	-	6,936	10,377
Professional fees	60,980	18,520	5,567	24,087	85,067
Occupancy expenses	52,750	13,934	12,938	26,872	79,622
Depreciation and amortization	11,526	11,526	-	11,526	23,052
Total operating expenses	779,168	242,273	188,985	431,258	1,210,426
Donor advised grants	359,494	-	-	-	359,494
Foundation grants awarded	693,969	-	-	-	693,969
Fiscal sponsorship grants and expenses	617,183	-	-	-	617,183
Total grants and related expenses	1,670,646	-	-	-	1,670,646
Total functional expenses	\$ 2,449,814	\$ 242,273	\$ 188,985	\$ 431,258	\$ 2,881,072

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 473,124	\$ 106,054	\$ 85,849	\$ 191,903	\$ 665,027
Payroll taxes and benefits	84,747	18,021	17,745	35,766	120,513
Staff and board expenses	23,294	11,344	7,666	19,010	42,304
Total personnel	581,165	135,419	111,260	246,679	827,844
Annual report and newsletters	30,429	-	7,919	7,919	38,348
Class and meeting expense	19,473	-	-	-	19,473
Communications	42,264	4,934	29,706	34,640	76,904
Dues and subscriptions	3,712	3,050	863	3,913	7,625
Office expenses and supplies	13,166	11,569	7,913	19,482	32,648
Postage	1,596	3,603	8,195	11,798	13,394
Printing	10,658	2,766	1,326	4,092	14,750
Professional fees	51,634	15,924	3,368	19,292	70,926
Occupancy expenses	52,384	11,820	11,441	23,261	75,645
Depreciation and amortization	14,162	14,162	-	14,162	28,324
Total operating expenses	820,643	203,247	181,991	385,238	1,205,881
Donor advised grants	185,330	-	-	-	185,330
Foundation grants awarded	749,678	-	-	-	749,678
Fiscal sponsorship grants and expenses	243,942	-	-	-	243,942
Total grants and related expenses	1,178,950	-	-	-	1,178,950
Total functional expenses	\$ 1,999,593	\$ 203,247	\$ 181,991	\$ 385,238	\$ 2,384,831

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,374,871)	\$ 3,511,847
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net investment losses (gains)	2,234,542	(2,659,207)
Depreciation and amortization	23,052	28,324
Stock gifts donated to investment account	(417,701)	(425,318)
Contribution received in acquisition of EC2C	-	(351,405)
(Increase) decrease in:		
Pledges receivable	32,550	(122,000)
Investment income receivable	(2,983)	16,824
Other receivables	(92,592)	(2,741)
Prepaid expenses and other assets	1,492	81
Increase (decrease) in:		
Accounts payable and accrued liabilities	35,811	(1,224)
Deferred revenue	10,900	1,830
Deferred lease incentive	(9,100)	(9,100)
Grants payable	(53,268)	46,861
Agency funds	(217,257)	647,887
Charitable gift annuities payable	(1,438)	(1,437)
	<u>169,137</u>	<u>681,222</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements, furniture and equipment	(15,147)	(5,700)
Proceeds from investments	5,101,672	9,014,798
Purchase of investments	(6,102,629)	(8,802,347)
Net cash received in acquisition of EC2C	-	351,405
	<u>(1,016,104)</u>	<u>558,156</u>
Net cash provided by (used in) investing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(846,967)	1,239,378
Cash and cash equivalents		
Beginning of year	<u>2,297,379</u>	<u>1,058,001</u>
End of year	<u>\$ 1,450,412</u>	<u>\$ 2,297,379</u>

NOTE 1 – ORGANIZATION ACTIVITIES

Evanston Community Foundation, Inc. (“ECF”) is an Illinois not-for-profit corporation. ECF’s mission is to help Evanston thrive now and forever as a vibrant, inclusive and just community by building, connecting and distributing resources and knowledge through local organizations for the public good.

The Evanston Community Foundation –

- Builds endowments for current and future opportunities
- Fosters private philanthropy
- Focuses the impact of collective giving
- Allocates grants
- Provides community leadership training

ECF strengthens the community’s nonprofit organizations and serves its donors through innovative grantmaking and partnerships with other philanthropic organizations and individuals. Through ongoing interactions with grantees, ECF adds value through its grants and assesses the effectiveness of its grantmaking. Its programs increase the impact of the community’s nonprofits, as well as the goals most recently articulated in ECF’s 2017-19 strategic plan:

- An Evanston that is inclusive and equitable for all
- An empowered and engaged community that collaborates across sectors to define problems and work on solutions
- A thriving nonprofit sector

ECF’s program and service areas include, in order of their creation:

- Endowment and other funds to achieve philanthropic goals of donors and to support the ECF’s programs and operations, as well as those of local nonprofit organizations
- Responsive grants – one-year grants addressing a broad range of Evanston needs and opportunities and funded by ECF’s Fund for Evanston and various field of interest funds, contributions from Northwestern University Dance Marathon, and contributions from grantmaking partners, including family foundations and donor advised funds
- Leadership Evanston, a year-long program to build civic engagement and leadership, as well as several shorter programs
- root2fruit, a three-year capacity building program for small and midsize nonprofits, funded in partnership with the Mammel Foundation
- Nonprofit workshops, providing continuing education for nonprofit staff and board members
- Communityworks Initiative, which supports the goals of *Every child ready for kindergarten*, *Every youth ready for work* through support for work primarily in early childhood, funded through the ECF’s largest endowment fund, the Communityworks Fund
- Partners for the Future, a challenge program to build nonprofit capacity to raise major gifts, funded through a donor advised fund
- Catalyst grants, small grants to respond quickly to emergency needs and emerging nonprofit opportunities
- Rolling grants – one-year grants of up to \$5,000 awarded quarterly for capacity building collaborations, pilot programs or time-sensitive needs or opportunities
- Building the Future, a major gifts matching challenge combined with a major gifts training and coaching program

NOTE 1 – ORGANIZATION ACTIVITIES (Continued)

ECF staff assist donors in attaining their philanthropic goals and support nonprofits as they work to strengthen their organizations and collaborate across Evanston. Through the intersection of these activities, the ECF fosters collaborative community leadership and encourages local charitable giving.

The ECF's primary funding sources are contributions, grants, and investment earnings.

On July 1, 2017, ECF became the fiscal sponsor for Evanston Cradle to Career ("EC2C"). EC2C is a collaborative organization comprising more than 40 civic, education, and nonprofit organizations and 150 community members striving to improve the futures for all Evanston youth. EC2C follows a nationally recognized "collective impact" model, and its members work collaboratively to overcome obstacles, divisions, and long-standing inequities by identifying gaps, challenging systems, and building trust. ECF established an LLC – the Evanston Cradle to Career, LLC ("LLC") – solely to facilitate the fiscal sponsorship of EC2C. ECF is the sole corporate member of LLC, and LLC has the singular function of managing the fiscal affairs of EC2C. Note 4 presents additional information on the fiscal sponsorship.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Evanston Community Foundation, Inc. and its controlled subsidiary Evanston Cradle to Career, LLC (collectively referred to as the "Foundation"). All material inter-organizational accounts and transactions have been eliminated in consolidation. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

BASIS OF ACCOUNTING

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

FUND ACCOUNTING

For internal purposes and in order to comply with restrictions donors place on contributions or designations made by the Board, the principles of fund accounting are used. The Foundation has established separate funds for significant contributions intended for specific use, either as directed by the donor or as determined by the Foundation's Board of Directors ("the Board"). At the inception of a fund, the Foundation and the donor execute an agreement defining the spending policy and providing for the allocation of investment returns and accounting and investment expenses. In addition, fund agreements provide for the Foundation to assess an annual fee for fund services and administration.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSET CLASSIFICATIONS

Net assets are classified according to the Foundation's governing documents and, depending on the specific terms of fund agreements with the donor, may be recorded as net assets with donor restrictions or without donor restrictions.

Net assets without donor restrictions are those assets that are not subject to donor-imposed stipulations plus those resources for which temporary, donor-imposed stipulations have been satisfied. Net assets without donor restrictions may also be designated for specific purposes by action of the Board.

Donor Advised Funds are established by the Board with contributions received from individual donors and are governed by agreements that allow the donors to recommend distributions to eligible 501(c)(3) charitable organizations. Although donors retain the right to request distributions to specified organizations or organizations to be named in the future, the Board is not obligated to comply with the donor distribution request and therefore these funds are almost always considered without donor restrictions. Donor Advised Funds may also be restricted as to purpose.

Net assets with donor restrictions are subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in financial institutions and money market funds, and includes \$672,717 and \$1,426,117 held in a custodial account at December 31, 2018 and 2017, respectively.

RECEIVABLES

Receivables consist of pledges, contributions and accrued investment income, and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Unconditional promises to give or pledges expected to be collected within one year are recorded at net realizable value at the date of receipt. To the extent there are any unconditional promises to give expected to be collected in future years, those are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined to be applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. Management considers receivables to be collectible at December 31, 2018 and 2017. Accordingly, no allowance for doubtful accounts is required. The preponderance of pledges receivable at December 31, 2018 and 2017, were due within one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS AND SPENDING POLICY

The Foundation has an Investment and Spending Policy to preserve, in perpetuity, the purchasing power of its assets while providing a growing stream of income to fund grants and programs, and to support its operations (see Note 6). Investments are stated at fair market value primarily based on quoted market prices. Investment income is recorded on the accrual basis; purchases and sales of investments are reflected on a trade-date basis. Unrealized gains or losses are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in market value of the assets from the date acquired to the date of sale. Investment revenues are reported net of related investment expenses in the consolidated statement of activities and changes in net assets.

The Foundation's articles of incorporation and fund agreements provide for distributions from the funds of the Foundation in accordance with the Investment and Spending Policy. The policy provides for spending a maximum of 6% and a minimum of 3.5% of the three-year moving average of the fund market value. The Board determines the percentage to be used for the spending objective as part of the budget process. The policy also provides for the Foundation to spend funds which do not affect the board-designated endowment funds, such as contributions for current grantmaking, programs or administrative expenses; income from fees and tuition; grants from donor advised funds; distributions from agency funds; charitable gift annuity payments; and other amounts determined by the Board to be allocated to the budget.

LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment are recorded at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized over the shorter of the term of the lease or estimated useful life. Major renewals and betterments of \$2,500 or more which extend the useful life of an asset are capitalized, while routine maintenance and repairs are expensed as incurred. The estimated useful lives of the various classes of assets are as follows:

- Computers, software and website - 3 years
- Leasehold improvements - 5 years
- Office equipment - 3-5 years
- Furniture - 7 years

DEFERRED LEASE INCENTIVE

When a lease includes incentives (such as reimbursement of certain lessee construction costs), the incentives are amortized as a reduction to rent expense on a straight-line basis over the term of the lease. The net book value of the lease incentives is classified as deferred lease incentive in the accompanying consolidated statements of financial position.

CONTRIBUTIONS

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECOGNITION OF SUPPORT AND REVENUE

Contributions from the general public or private foundation grants are recognized as support revenue. All contributions and private grants are classified as without donor restrictions unless specifically restricted by the donor or by laws and regulations.

Contributions primarily consist of cash and securities received from donors. Securities and other assets received as contributions are recorded at fair market value at the date of gift.

Tuition, fees and events are recognized during the period they are earned and are reflected net of scholarships of \$8,220 in 2018 and \$9,930 in 2017.

CONTRIBUTED GOODS AND SERVICES

The Foundation occasionally receives donated goods and services for its events, meetings, and programs. In 2018 and 2017, the Foundation received and recorded in-kind donations with a value of \$7,850 and \$6,261, respectively. In addition, a substantial number of unpaid volunteers and members of the Foundation's Board of Directors make significant contributions of their time to the Foundation and its programs. The value of these services is not reflected in these consolidated financial statements since they do not meet the criteria for recognition.

GRANT EXPENSE

Grants made are recorded in the year that the funds are authorized by the Board of Directors. Funds authorized but not disbursed are reported in the consolidated statements of financial position as grants payable.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are charged directly to programs, management and general or fundraising categories based upon specific identification where possible. The majority of other costs, including salaries, benefits, payroll taxes, occupancy and office expenses have been allocated to the programs and supporting services on the basis of time and effort estimates.

CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Foundation, adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. See Note 15 for more information on this change.

NOTE 3 – TAX STATUS

The Foundation is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the state law. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Foundation recognizes the consolidated financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation has no on-going federal or state income tax audits.

NOTE 4 – FISCAL SPONSORSHIP

On July 1, 2017, the Foundation became the fiscal sponsor for Evanston Cradle to Career (“EC2C”). Evanston Township High School, the former fiscal sponsor for EC2C, transferred the net assets of EC2C to the Foundation in July 2017 to capitalize Evanston Cradle to Career, LLC. Additionally, all of the employees of EC2C, as well as EC2C’s contracts and agreements, were transferred to the Foundation. There was no consideration transferred for this transaction. This change in control is an effort to fulfill EC2C’s mission under a governance structure that is effective for the collective member organizations.

The following table summarizes the assets acquired and liabilities assumed recognized at the acquisition date:

Cash and cash equivalents	<u>\$ 351,405</u>
Total identifiable net assets - contribution received	<u>\$ 351,405</u>

The 2017 transition resulted in ECF’s receipt of an inherent contribution of \$351,405, which represents the net recognized amount of the identifiable assets acquired over the liabilities assumed. This contribution has been included in other activities in the consolidated statement of activities and changes in net assets for the year ended December 31, 2017.

NOTE 5 – CONCENTRATIONS

In 2018 and 2017, five donors provided approximately 38% and 43%, respectively, of total support revenues.

The Foundation maintains cash in bank deposit and money market accounts which, at times, may exceed insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2018, the Foundation had funds in excess of insured limits of approximately \$282,000.

The invested assets of the Foundation are held in a custodial account of a major financial institution that maintains private insurance in an amount exceeding the Foundation’s assets to cover any potential fiduciary loss. Investments are 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 and the amounts reported in the consolidated statements of financial position and activities and changes in net assets. The Foundation has a diversified investment portfolio designed to maximize investment return and minimize market risk.

NOTE 6 – INVESTMENTS

The Foundation’s objective is to achieve over time an annual total return that exceeds budgeted spending plus an amount equal to the increase in the Consumer Price Index during the preceding year. The current spending policy is to distribute an amount equal to 5% of a moving three year average of the Foundation’s endowed fund balances. The Foundation’s Board of Directors approves the spending policy each year, within the range of 3.5% to 6%.

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

NOTE 6 – INVESTMENTS (Continued)

The investment policy has guidelines regarding both percentage allocations to asset classes as well as to holdings within asset classes. The Foundation’s Board has adopted the following asset allocation strategy to achieve its investment objective. The 2018 and 2017 portfolios were within policy guidelines.

	Overall Asset Allocation	Intra Asset-Class Allocation		
		Domestic Markets	Foreign Including Emerging Markets	Other Categories
Equities	45-65%	min. 30%	max. 20%	
Fixed income	15-35%	min. 15%	max. 10%	
Other*	0-20%			max. of 10% in any of 4 subcategories*

*Other may include investments in real estate, commodity indexes, hedge funds or private equity.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities. There were no Level 3 assets as of December 31, 2018 and 2017

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

RECURRING MEASUREMENTS

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	Total Fair Value	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Significant Investments Measured at NAV (A)
December 31, 2018					
Equity mutual funds					
Domestic	\$ 9,330,796	\$ 9,330,796	\$ -	\$ -	\$ -
International	4,217,897	4,217,897	-	-	-
Fixed income mutual funds					
Domestic	4,401,438	4,401,438	-	-	-
International	485,707	485,707	-	-	-
U.S. treasury obligations	1,340,698	1,340,698	-	-	-
Other	<u>2,128,087</u>	<u>1,835,446</u>	<u>-</u>	<u>-</u>	<u>292,641</u>
Total	<u>\$ 21,904,623</u>	<u>\$ 21,611,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,641</u>
December 31, 2017					
Equity mutual funds					
Domestic	\$ 10,835,600	\$ 10,835,600	\$ -	\$ -	\$ -
International	4,290,891	4,290,891	-	-	-
Fixed income mutual funds					
Domestic	3,908,711	3,908,711	-	-	-
International	477,704	477,704	-	-	-
U.S. treasury obligations	1,007,739	1,007,739	-	-	-
Other	<u>2,199,862</u>	<u>2,199,862</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 22,720,507</u>	<u>\$ 22,720,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2018 and 2017.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

INVESTMENTS

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities if any are classified in Level 2 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ALTERNATIVE INVESTMENTS

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2018			
	<u>Fair Value</u>	<u>Unfunded Commitment*</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
Investment in real estate limited partnership	\$ 292,641	\$ 329,029	(A)	(A)

* Remaining life of the investment as of December 31, 2018: no later than March 23, 2020.

- (A) This class comprises a real estate fund that invests primarily in U.S. commercial, hospitality, industrial and residential real estate. The fair values of the investment in this class has been estimated using the net asset value per share of the investment. This investment can never be redeemed. Distributions from the fund will be made as the underlying investments of the fund are liquidated.

NOTE 8 – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computers, software and website	\$ 176,637	\$ 173,612
Leasehold improvements	53,445	53,445
Office equipment	10,407	12,127
Furniture	<u>3,403</u>	<u>3,403</u>
	243,892	242,587
Less: accumulated depreciation and amortization	<u>215,464</u>	<u>206,254</u>
	<u>\$ 28,428</u>	<u>\$ 36,333</u>

Depreciation and amortization expense was \$23,052 in 2018 and \$28,324 in 2017.

NOTE 9 – FUNDS HELD AS AGENCY ENDOWMENTS

Funds held as agency endowments represent assets of other nonprofit organizations that have been conveyed to the Foundation to establish funds for the benefit of the organizations. The assets become a part of the Foundation’s investment portfolio, and receive an allocation of investment returns, as well as of investment and accounting expenses. These funds are also assessed an administrative fee.

The Foundation currently holds 32 funds from 17 organizations. The fair value of these funds was \$4,311,623 at December 31, 2018, and \$4,528,880 at December 31, 2017. The Foundation may receive contributions to these funds, and the organizations receive periodic distributions from the funds. Total contributions received were \$243,807 in 2018 and \$180,975 in 2017. Total distributions were \$142,495 in 2018 and \$127,072 in 2017.

In accordance with generally accepted accounting principles, these assets are reported in the consolidated statements of financial position as a liability entitled *Funds held as agency endowments*. Accordingly, such assets received by the Foundation are not included in the consolidated statements of activities and changes in net assets as contributions to the Foundation.

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Notes to Consolidated Financial Statements
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NOTE 10 – ENDOWMENT FUNDS

The composition of Endowment Funds by type of fund as of December 31, 2018 and 2017, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2017			
Board-designated endowments	\$ 6,233,401	\$ -	\$ 6,233,401
Board-directed field of interest endowment funds	-	9,589,614	9,589,614
Donor-designated endowment funds	-	1,121,773	1,121,773
	<u>\$ 6,233,401</u>	<u>\$ 10,711,387</u>	<u>\$ 16,944,788</u>
December 31, 2018			
Board-designated endowments	\$ 5,796,545	\$ -	\$ 5,796,545
Board-directed field of interest endowment funds	-	8,638,075	8,638,075
Donor-designated endowment funds	-	996,101	996,101
	<u>\$ 5,796,545</u>	<u>\$ 9,634,176</u>	<u>\$ 15,430,721</u>

Changes in Endowment Net Assets for the years ended December 31, 2018 and 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2016	\$ 5,385,671	\$ 9,573,665	\$ 14,959,336
Contributions	257,037	91,592	348,629
Interest and dividends	106,037	184,599	290,636
Net realized gains	657,051	1,143,859	1,800,910
Net unrealized gains	95,409	182,173	277,582
Amounts released for expenditure	(267,804)	(464,501)	(732,305)
December 31, 2017	6,233,401	10,711,387	16,944,788
Contributions	221,821	39,385	261,206
Interest and dividends	207,492	345,772	553,264
Net realized gains	203,489	339,108	542,597
Net unrealized losses	(799,782)	(1,433,425)	(2,233,207)
Amounts released for expenditure	(269,876)	(368,051)	(637,927)
December 31, 2018	<u>\$ 5,796,545</u>	<u>\$ 9,634,176</u>	<u>\$ 15,430,721</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

NOTE 11 – NET ASSETS

Accounting policies related to Net Assets are presented in Note 2. Information regarding the two categories of net assets is as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 and 2017, consist of:

	<u>2018</u>	<u>2017</u>
Endowed Funds		
Board-designated endowed Fund for Evanston	\$ 3,587,356	\$ 4,165,918
Board-designated Foundation and Leadership		
Endowment Funds	<u>2,209,189</u>	<u>2,067,483</u>
Total Endowed Funds	<u>5,796,545</u>	<u>6,233,401</u>
Unendowed Funds		
General Operating Fund	148,108	102,698
Donor Advised Funds	<u>2,545,365</u>	<u>2,432,762</u>
Total Unendowed Funds	<u>2,693,473</u>	<u>2,535,460</u>
	<u>\$ 8,490,018</u>	<u>\$ 8,768,861</u>

The Board-designated endowed Fund for Evanston, the Foundation Fund, as well as the Leadership Endowment Fund, have been designated by the Board to grow in perpetuity while generating annual spending allowances to support Foundation operations, grantmaking and programs. The General Operating Fund, also known as the Annual Fund, was established in 2000 for funding the Foundation’s day-to-day operations.

In 2018, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$495,239, with \$359,494 paid to other charitable organizations, and a total of \$135,745 transferred to other funds of the Foundation. In 2017, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$268,780, with \$185,330 paid to other charitable organizations, and a total of \$83,450 transferred to other funds of the Foundation. Donor Advised Funds may also be restricted as to purpose.

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

NOTE 11 – NET ASSETS (Continued)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017, are restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Donor advised funds		
Avi Kurganoff Memorial Fund	\$ 50,040	\$ 52,678
David Mulder Mental Health Fund	184,019	172,683
Friends of the Arts Fund	24,756	26,625
Jon Kimmel Memorial Fund	36,718	40,596
Mickey's Children's Fund	591	57,505
	<u>296,124</u>	<u>350,087</u>
Other restricted funds for specified purpose:		
Acorn Spendable	500	500
Aspen Institute/Two Generation Initiative	-	10,288
Building the Future	14,188	-
Charitable Gift Annuities	36,237	41,730
Climate Action Fund	9,118	8,238
Communityworks Impact Fund	-	4,955
Evanston Cradle to Career	374,969	307,274
Evanston Gun Buyback Fund	10,488	12,388
Evanston Children's Savings Fund	3,397	5,000
Other - including anonymous fund for leadership development	8,402	-
School Supplies Fund	-	270
	<u>457,299</u>	<u>390,643</u>
	<u>753,423</u>	<u>740,730</u>
Subject to passage of time:		
Gifts and promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>132,250</u>	<u>163,760</u>
Endowments		
Subject to endowment spending policy and distribution for specified purpose:		
Restricted by donors for		
Beatty Family Scholarship Fund	88,316	98,165
William K. Beatty Medical History Scholarship Fund	73,069	80,343
Virginia L. and William Beatty Volunteer Service Award Fund	59,804	65,451
Chicago Urban Youth Scholarship Fund	376,910	420,767
Evanston Men Promise Award Fund	5,947	5,595
Foster Reading Center Fund	109,480	121,180
Fund for Curt's Café	18,342	19,505

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

NOTE 11 – NET ASSETS (Continued)

	<u>2018</u>	<u>2017</u>
Grandmother Park Fund	18,648	21,002
Susan Willis Heiberger Memorial Garden Fund	25,217	28,201
Rayna and Marvin Miller Fund for Open Communities	57,023	63,633
Bruce E. Mitchell Short Story Fund	26,825	29,910
Chuck Remen Memorial Fund	25,401	26,709
Norman W. Thomas Jr. Scholarship Fund	23,797	25,004
Rose and Andy Thomas Jr. Scholarship Fund	49,327	54,966
YWCA Evanston/North Shore Education Fund	28,886	32,150
	<u>986,992</u>	<u>1,092,581</u>
Subject to NFP endowment spending policy and appropriation		
Acorn Fund	37,986	42,428
Anderson Fund	29,192	29,192
Shawn Patrick Afryl #56 Shoe Fund	18,283	17,839
All Our Sons Fund	216,629	240,916
Arts in Community Fund	208,159	231,286
Balkcom Family Fund for Literacy and Affordable Housing	43,850	48,290
Communityworks Fund	6,434,008	7,185,452
Cultural Diversity Fund	29,001	32,356
EDN Fund for Early Childhood	240,226	263,180
Leonard Fisher Fund for Nursing Education	67,613	70,969
Fund for Women and Girls	324,827	362,579
Green Communities Fund	42,714	47,596
Leadership Fund	463,947	516,625
Lydia Martin Memorial Fund for Children and the Arts	52,097	58,166
Lorraine Hairston Morton Fund for Youth	33,674	36,197
Sara Schastok Fund for Communityworks	133,996	144,403
Skokie Community Fund	72,470	77,950
Sweers Fund for Children and the Arts	72,597	72,073
YEA! Harvey Pranian Legacy Fund for the Arts	44,218	50,080
Faith Vilas Fund for Youth	81,697	91,229
	<u>8,647,184</u>	<u>9,618,806</u>
Total endowments	<u>9,634,176</u>	<u>10,711,387</u>
	<u>\$ 10,519,849</u>	<u>\$ 11,615,877</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

NOTE 11 – NET ASSETS (Continued)

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2018 and 2017, as follows:

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions	\$ 95,438	\$ 160,898
Satisfaction of purpose restrictions		
Donor advised funds		
Avi Kurganoff Memorial Fund	1,900	1,660
David Mulder Mental Health Fund	5,000	4,000
Jon Kimmel Memorial Fund	1,500	1,750
Mickey's Children's Fund	61,013	3,289
Other restricted funds for specified purpose		
Aspen Institute/Two Generation Initiative	5,169	-
Building the Future	22,317	494
Charitable Gift Annuities, Other	2,000	2,233
Climate Action Fund	-	4,550
Communityworks Impact Fund	4,955	938
Evanston 150 Project	-	3,249
Evanston Cradle to Career	623,180	250,242
Evanston Gun Buyback Fund	1,900	-
Evanston Children's Savings Fund	18,000	-
Other, including anonymous fund for leadership development	2,660	-
School Supplies Fund	270	3,342
Skokie Community Fund, pass through	-	32,941
Two Generation Initiative	5,119	-
Women & Girls Special Initiative	109	-
	<u>755,092</u>	<u>308,688</u>
Restricted purpose spending policy distributions		
Beatty Family Scholarship Fund	3,000	3,000
William K. Beatty Medical History Scholarship Fund	1,500	1,500
Virginia L. and William Beatty Volunteer Service Award Fund	1,000	1,000
Chicago Urban Youth Scholarship Fund	10,400	8,750
Evanston Men Promise Award Fund	1,000	1,000
Foster Reading Center Fund	4,190	3,967
Grandmother Park Fund	1,051	908
Susan Willis Heiberger Memorial Garden Fund	1,024	1,957
Rayna and Marvin Miller Fund for Open Communities	2,207	2,100
Bruce E. Mitchell Short Story Fund	1,000	1,000
Chuck Remen Memorial Fund	917	865

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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NOTE 11 – NET ASSETS (Continued)

	<u>2018</u>	<u>2017</u>
Norman W. Thomas Jr. Scholarship Fund	1,000	-
Rose and Andy Thomas Jr. Scholarship Fund	1,913	812
YWCA Evanston/North Shore Education Fund	1,000	1,087
Acorn Fund	1,500	-
Shawn Patrick Afryl #56 Shoe Fund	515	-
All Our Sons Fund	8,450	8,137
Arts in Community Fund	7,985	7,493
Balkcom Family Fund for Literacy and Affordable Housing	1,685	1,588
Communityworks Fund	255,348	240,491
Cultural Diversity Fund	1,109	1,187
EDN Fund for Early Childhood	9,535	9,225
Leonard Fisher Fund for Nursing Education	300	3,040
Fund for Women and Girls	12,705	12,234
Green Communities Fund	1,625	-
Leadership Fund	20,649	19,640
Lydia Martin Memorial Fund for Children and the Arts	2,035	1,966
Lorraine Hairston Morton Fund for Youth	1,245	1,187
Sara Schastok Fund for Communityworks	-	4,685
Sweers Fund for Children and the Arts	2,090	1,372
YEA! Harvey Pranian Legacy Fund for the Arts	2,500	-
Faith Vilas Fund for Youth	3,205	3,096
	<u>363,683</u>	<u>343,287</u>
	<u>\$ 1,214,213</u>	<u>\$ 812,873</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of December 31, 2018, comprise the following:

	<u>Financial Assets</u>	<u>Financial Liquidity</u>
Cash and cash equivalents	\$ 1,450,412	\$ 1,450,412
Receivables		
Pledges receivable	136,750	99,250
Investment income receivable	8,247	8,247
Other receivables	116,758	116,758
Investments, at fair value	<u>21,904,623</u>	<u>11,092,133</u>
	<u>\$ 23,616,790</u>	<u>\$ 12,766,800</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY (Continued)

The Foundation regularly monitors liquidity to support spending for operations, grants and other mission related activities, as well as to meet the distribution requirements of net assets with donor restrictions. Significant unrestricted donor contributions for current spending are received annually and are available to meet cash needs for general expenditures. For the year ended December 31, 2018, operating contributions of \$861,345 were added to financial assets available to meet cash needs for general expenditures within one year.

The Foundation’s endowment funds consist of donor-restricted endowments and funds designated by the Board as unrestricted endowments. Annual spending from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

The Board-designated, unrestricted endowment of \$5,796,545 is subject to an annual spending rate, currently 5% percent of the three year average fund balances, as described in Note 2 – Investment and Spending Policy. Although the Foundation does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval process), these amounts could be made available if necessary.

The Foundation manages its liquidity by operating within a prudent range of financial soundness and stability. The Foundation maintains adequate cash and short term investments to fund near-term operating needs and a prudent level of illiquid investment in its portfolio to provide reasonable assurance that longer-term obligations will be discharged.

NOTE 13 – LEASE

In November 2013, the Foundation signed a new sixty month lease agreement commencing July 1, 2014, for office space at One Rotary Center in Evanston, Illinois. The lease provides an allowance of \$45,500 for leasehold improvements and contains an ‘early out’ provision that becomes effective after the thirty-sixth month of the lease, subject to certain conditions. The lease provides for minimum rental payments of \$5,879 per month plus annual escalation, subject to additional rent for increases in taxes and operating expenses.

A first amendment to the Foundation’s current lease for office space at One Rotary Center was signed in November 2018. The amendment extends the current lease agreement through June 30, 2024 and contains an ‘early out’ provision that becomes effective after June 30, 2022, subject to certain conditions.

Rent expense was \$90,837 in 2018 and \$77,622 in 2017.

Future minimum base rental payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 88,635
2020	92,610
2021	94,154
2022	97,241
2023	100,328
Thereafter	<u>50,936</u>
	<u><u>\$ 523,904</u></u>

NOTE 14 – RETIREMENT AND PENSION PLAN

The Foundation has a noncontributory 403(b) plan in place for eligible employees. Employees are eligible to participate on the first of the month following employment. Effective January 1, 2009, the plan was amended to conform to new regulatory requirements. The Foundation elected to make voluntary contributions to the plan of \$10,600 in 2018 and \$10,175 in 2017.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Foundation adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

STATEMENT OF FINANCIAL POSITION

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

NOTES TO THE FINANCIAL STATEMENTS

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

NOTE 16 – FUTURE CHANGES IN ACCOUNTING PRINCIPLES

The FASB issued Accounting Standard Update (ASU) No. 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*,” which clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a “barrier or hurdle” that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources if the barrier or hurdle is not achieved. An agreement that includes both is a conditional contribution. The Foundation expects to first apply the ASU during its fiscal year ending December 31, 2019. The impact of applying the ASU has not yet been determined.

The FASB issued ASU No. 2016-02, “*Leases*,” which requires lessees to recognize assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The Foundation expects to first apply the ASU during its fiscal year ending December 31, 2020. The impact of applying the ASU has not yet been determined.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 22, 2019, which is the date the consolidated financial statements were available to be issued.

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Financial Position Information
December 31, 2018

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,138,573	\$ 311,839	\$ -	\$ 1,450,412
Accounts receivable				
Pledges receivable	136,750	-	-	136,750
Investment income receivable	8,247	-	-	8,247
Other receivables	24,113	95,943	(3,298)	116,758
Investments, at fair value	21,904,623	-	-	21,904,623
Prepaid expenses and other assets	5,879	989	-	6,868
Leasehold improvements, furniture and equipment, net	28,428	-	-	28,428
Investment in Evanston Cradle to Career, LLC	<u>351,405</u>	<u>-</u>	<u>(351,405)</u>	<u>-</u>
 Total assets	 <u>\$ 23,598,018</u>	 <u>\$ 408,771</u>	 <u>\$ (354,703)</u>	 <u>\$ 23,652,086</u>
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 39,958	\$ 34,444	\$ (3,298)	\$ 71,104
Deferred revenue	40,630	-	-	40,630
Deferred lease incentive	4,550	-	-	4,550
Grants payable	205,875	-	-	205,875
Charitable gift annuities payable	8,437	-	-	8,437
Funds held as agency endowments	<u>4,311,623</u>	<u>-</u>	<u>-</u>	<u>4,311,623</u>
 Total liabilities	 <u>4,611,073</u>	 <u>34,444</u>	 <u>(3,298)</u>	 <u>4,642,219</u>
 NET ASSETS				
Without donor restrictions	8,490,018	-	-	8,490,018
With donor restrictions	<u>10,496,927</u>	<u>374,327</u>	<u>(351,405)</u>	<u>10,519,849</u>
 Total net assets	 <u>18,986,945</u>	 <u>374,327</u>	 <u>(351,405)</u>	 <u>19,009,867</u>
 Total liabilities and net assets	 <u>\$ 23,598,018</u>	 <u>\$ 408,771</u>	 <u>\$ (354,703)</u>	 <u>\$ 23,652,086</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Financial Position Information
December 31, 2017

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,947,741	\$ 349,638	\$ -	\$ 2,297,379
Accounts receivable				
Pledges receivable	169,300	-	-	169,300
Investment income receivable	5,264	-	-	5,264
Other receivables	28,461	6,525	(10,820)	24,166
Investments, at fair value	22,720,507	-	-	22,720,507
Prepaid expenses and other assets	8,360	-	-	8,360
Leasehold improvements, furniture and equipment, net	36,333	-	-	36,333
Investment in Evanston Cradle to Career, LLC	<u>351,405</u>	<u>-</u>	<u>(351,405)</u>	<u>-</u>
 Total assets	 <u>\$ 25,267,371</u>	 <u>\$ 356,163</u>	 <u>\$ (362,225)</u>	 <u>\$ 25,261,309</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 22,224	\$ 23,889	\$ (10,820)	\$ 35,293
Deferred revenue	29,730	-	-	29,730
Deferred lease incentive	13,650	-	-	13,650
Grants payable	234,143	25,000	-	259,143
Charitable gift annuities payable	9,875	-	-	9,875
Funds held as agency endowments	<u>4,528,880</u>	<u>-</u>	<u>-</u>	<u>4,528,880</u>
 Total liabilities	 <u>4,838,502</u>	 <u>48,889</u>	 <u>(10,820)</u>	 <u>4,876,571</u>
NET ASSETS				
Without donor restrictions	8,768,861	-	-	8,768,861
With donor restrictions	<u>11,660,008</u>	<u>307,274</u>	<u>(351,405)</u>	<u>11,615,877</u>
 Total net assets	 <u>20,428,869</u>	 <u>307,274</u>	 <u>(351,405)</u>	 <u>20,384,738</u>
 Total liabilities and net assets	 <u>\$ 25,267,371</u>	 <u>\$ 356,163</u>	 <u>\$ (362,225)</u>	 <u>\$ 25,261,309</u>

Note:

Per Note 4 in the notes to the consolidated financial statements, Evanston Community Foundation became the fiscal sponsor for Evanston Cradle to Career, LLC on July 1, 2017.

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2018

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 206,231	\$ -	\$ -	\$ 206,231
Operating contributions	943,595	-	-	943,595
Other fund contributions	<u>762,646</u>	<u>679,670</u>	-	<u>1,442,316</u>
	<u>1,912,472</u>	<u>679,670</u>	-	<u>2,592,142</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>23,544</u>	<u>8,779</u>	<u>(6,000)</u>	<u>26,323</u>
Investment income (loss)				
Interest and dividends	801,926	1,784	-	803,710
Realized gains on investments, net	782,170	-	-	782,170
Unrealized losses on investments, net	(3,016,712)	-	-	(3,016,712)
Funds held as agency endowments	<u>318,568</u>	<u>-</u>	<u>-</u>	<u>318,568</u>
	<u>(1,114,048)</u>	<u>1,784</u>	<u>-</u>	<u>(1,112,264)</u>
Total revenues	<u>821,968</u>	<u>690,233</u>	<u>(6,000)</u>	<u>1,506,201</u>
EXPENSES				
Program services	<u>1,832,634</u>	<u>617,180</u>	-	<u>2,449,814</u>
Supporting services				
Management and general	242,273	6,000	(6,000)	242,273
Fund raising	<u>188,985</u>	<u>-</u>	<u>-</u>	<u>188,985</u>
	<u>431,258</u>	<u>6,000</u>	<u>(6,000)</u>	<u>431,258</u>
Total expenses	<u>2,263,892</u>	<u>623,180</u>	<u>(6,000)</u>	<u>2,881,072</u>
CHANGE IN NET ASSETS	(1,441,924)	67,053	-	(1,374,871)
Net assets, beginning of year	<u>20,428,869</u>	<u>307,274</u>	<u>(351,405)</u>	<u>20,384,738</u>
NET ASSETS, END OF YEAR	<u>\$ 18,986,945</u>	<u>\$ 374,327</u>	<u>\$ (351,405)</u>	<u>\$ 19,009,867</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2017

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 363,384	\$ -	\$ -	\$ 363,384
Operating contributions	1,101,955	-	-	1,101,955
Other fund contributions	<u>1,133,752</u>	<u>205,905</u>	<u>-</u>	<u>1,339,657</u>
	<u>2,599,091</u>	<u>205,905</u>	<u>-</u>	<u>2,804,996</u>
 Program revenue				
Tuition and fees plus event revenue - net	<u>61,123</u>	<u>-</u>	<u>(6,300)</u>	<u>54,823</u>
 Investment income (loss)				
Interest and dividends	620,025	206	-	620,231
Realized gains on investments, net	2,547,552	-	-	2,547,552
Unrealized gains on investments, net	111,655	-	-	111,655
Funds held as agency endowments	<u>(593,984)</u>	<u>-</u>	<u>-</u>	<u>(593,984)</u>
	<u>2,685,248</u>	<u>206</u>	<u>-</u>	<u>2,685,454</u>
 Total revenues	<u>5,345,462</u>	<u>206,111</u>	<u>(6,300)</u>	<u>5,545,273</u>
EXPENSES				
Program services	<u>1,755,651</u>	<u>250,242</u>	<u>(6,300)</u>	<u>1,999,593</u>
Supporting services				
Management and general	203,247	-	-	203,247
Fund raising	<u>181,991</u>	<u>-</u>	<u>-</u>	<u>181,991</u>
	<u>385,238</u>	<u>-</u>	<u>-</u>	<u>385,238</u>
 Total expenses	<u>2,140,889</u>	<u>250,242</u>	<u>(6,300)</u>	<u>2,384,831</u>
 CHANGE IN NET ASSETS BEFORE OTHER ACTIVITIES	3,204,573	(44,131)	-	3,160,442
OTHER ACTIVITIES				
Contribution received in the acquisition of change in control of Evanston Cradle to Career, LLC	<u>351,405</u>	<u>-</u>	<u>-</u>	<u>351,405</u>
 CHANGE IN NET ASSETS	3,555,978	(44,131)	-	3,511,847
Net assets, beginning of year	<u>16,872,891</u>	<u>351,405</u>	<u>(351,405)</u>	<u>16,872,891</u>
 NET ASSETS, END OF YEAR	<u>\$ 20,428,869</u>	<u>\$ 307,274</u>	<u>\$ (351,405)</u>	<u>\$ 20,384,738</u>

Note:

Per Note 4 in the notes to the consolidated financial statements, Evanston Community Foundation became the fiscal sponsor for Evanston Cradle to Career, LLC on July 1, 2017 and therefore, this statement is only six months of activity.