

**Evanston Community Foundation, Inc.
and Subsidiary**

Independent Auditor's Report and Consolidated Financial Statements
December 31, 2020 and 2019



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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, 2020 and 2019, 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 consolidated financial position of Evanston Community Foundation, Inc. and Subsidiary as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 8, 2021

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

	December 31,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,689,059	\$ 3,089,732
Accounts receivable		
Pledges receivable	33,750	35,934
Investment income receivable	4,575	7,771
Other receivables	63,363	55,716
Investments, at fair value	30,875,583	26,275,300
Prepaid expenses and other assets	140,760	11,629
Leasehold improvements, furniture and equipment, net	<u>24,020</u>	<u>23,626</u>
 Total assets	 <u>\$ 33,831,110</u>	 <u>\$ 29,499,708</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 88,460	\$ 67,555
Deferred revenue	16,889	17,310
Grants payable	44,765	183,300
Charitable gift annuities payable	5,563	7,000
Funds held as organization endowments	<u>6,827,066</u>	<u>6,186,558</u>
 Total liabilities	 <u>6,982,743</u>	 <u>6,461,723</u>
 NET ASSETS		
Without donor restrictions	13,292,974	11,079,369
With donor restrictions	<u>13,555,393</u>	<u>11,958,616</u>
 Total net assets	 <u>26,848,367</u>	 <u>23,037,985</u>
 Total liabilities and net assets	 <u>\$ 33,831,110</u>	 <u>\$ 29,499,708</u>

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	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	\$ 261,772	\$ 56,855	\$ 318,627	\$ 575,597	\$ 36,408	\$ 612,005
Operating contributions	843,589	21,500	865,089	948,648	16,434	965,082
Other fund contributions	1,518,268	5,671,131	7,189,399	1,049,786	765,262	1,815,048
SBA Paycheck Protection Program - loan forgiveness	184,400	-	184,400	-	-	-
	<u>2,808,029</u>	<u>5,749,486</u>	<u>8,557,515</u>	<u>2,574,031</u>	<u>818,104</u>	<u>3,392,135</u>
Program revenue						
Tuition and fees plus event revenue - net	(4,072)	-	(4,072)	(4,401)	-	(4,401)
Investment income						
Interest and dividends	377,504	251,789	629,293	383,702	307,215	690,917
Realized gains on investments, net	98,040	64,272	162,312	16,176	11,691	27,867
Unrealized gains on investments, net	1,779,609	1,028,938	2,808,547	2,346,235	1,544,670	3,890,905
Funds held as organization endowments	(721,117)	-	(721,117)	(851,530)	-	(851,530)
	<u>1,534,036</u>	<u>1,344,999</u>	<u>2,879,035</u>	<u>1,894,583</u>	<u>1,863,576</u>	<u>3,758,159</u>
Net assets released from restrictions	<u>5,429,959</u>	<u>(5,429,959)</u>	<u>-</u>	<u>1,242,913</u>	<u>(1,242,913)</u>	<u>-</u>
Total revenues	<u>9,767,952</u>	<u>1,664,526</u>	<u>11,432,478</u>	<u>5,707,126</u>	<u>1,438,767</u>	<u>7,145,893</u>
EXPENSES						
Program services	<u>7,033,496</u>	<u>-</u>	<u>7,033,496</u>	<u>2,664,535</u>	<u>-</u>	<u>2,664,535</u>
Supporting services						
Management and general	343,126	-	343,126	273,791	-	273,791
Fund raising	177,725	-	177,725	179,449	-	179,449
	<u>520,851</u>	<u>-</u>	<u>520,851</u>	<u>453,240</u>	<u>-</u>	<u>453,240</u>
Total expenses	<u>7,554,347</u>	<u>-</u>	<u>7,554,347</u>	<u>3,117,775</u>	<u>-</u>	<u>3,117,775</u>
Transfer to funds held as agency endowments	<u>-</u>	<u>(67,749)</u>	<u>(67,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	2,213,605	1,596,777	3,810,382	2,589,351	1,438,767	4,028,118
Net assets, beginning of year	<u>11,079,369</u>	<u>11,958,616</u>	<u>23,037,985</u>	<u>8,490,018</u>	<u>10,519,849</u>	<u>19,009,867</u>
NET ASSETS, END OF YEAR	<u>\$ 13,292,974</u>	<u>\$ 13,555,393</u>	<u>\$ 26,848,367</u>	<u>\$ 11,079,369</u>	<u>\$ 11,958,616</u>	<u>\$ 23,037,985</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Functional Expenses
Year Ended December 31, 2020

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 649,994	\$ 178,670	\$ 84,545	\$ 263,215	\$ 913,209
Payroll taxes and benefits	89,462	30,229	12,519	42,748	132,210
Staff and board expenses	<u>4,737</u>	<u>3,779</u>	<u>884</u>	<u>4,663</u>	<u>9,400</u>
Total personnel	744,193	212,678	97,948	310,626	1,054,819
Annual report and newsletters	22,801	-	5,700	5,700	28,501
Class and meeting expense	20,620	-	-	-	20,620
Communications	27,770	2,398	32,042	34,440	62,210
Dues and subscriptions	7,422	2,466	2,670	5,136	12,558
Occupancy expenses	58,967	22,514	7,862	30,376	89,343
Office expenses and supplies	16,888	29,674	14,053	43,727	60,615
Postage	1,953	1,954	9,171	11,125	13,078
Printing	2,527	4,236	33	4,269	6,796
Professional fees	75,890	63,919	7,098	71,017	146,907
Depreciation and amortization	<u>8,607</u>	<u>3,287</u>	<u>1,148</u>	<u>4,435</u>	<u>13,042</u>
Total operating expenses	<u>987,638</u>	<u>343,126</u>	<u>177,725</u>	<u>520,851</u>	<u>1,508,489</u>
Donor advised grants	390,986	-	-	-	390,986
Foundation grants awarded	4,809,614	-	-	-	4,809,614
Fiscal sponsorship grants and expenses	<u>845,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>845,258</u>
Total grants and fiscal sponsorship expenses	<u>6,045,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,045,858</u>
Total functional expenses	<u>\$ 7,033,496</u>	<u>\$ 343,126</u>	<u>\$ 177,725</u>	<u>\$ 520,851</u>	<u>\$ 7,554,347</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Functional Expenses
Year Ended December 31, 2019

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total	
Personnel					
Salaries	\$ 510,397	\$ 163,204	\$ 88,603	\$ 251,807	\$ 762,204
Payroll taxes and benefits	61,087	28,510	13,565	42,075	103,162
Staff and board expenses	<u>17,242</u>	<u>11,526</u>	<u>3,651</u>	<u>15,177</u>	<u>32,419</u>
Total personnel	588,726	203,240	105,819	309,059	897,785
Annual report and newsletters	22,805	-	6,155	6,155	28,960
Class and meeting expense	29,491	-	-	-	29,491
Communications	18,734	1,234	34,256	35,490	54,224
Dues and subscriptions	4,027	1,256	1,955	3,211	7,238
Occupancy expenses	56,817	23,006	10,806	33,812	90,629
Office expenses and supplies	16,453	18,185	4,913	23,098	39,551
Postage	744	3,347	6,921	10,268	11,012
Printing	3,484	8,602	229	8,831	12,315
Professional fees	64,813	10,908	6,510	17,418	82,231
Depreciation and amortization	<u>9,910</u>	<u>4,013</u>	<u>1,885</u>	<u>5,898</u>	<u>15,808</u>
Total operating expenses	<u>816,004</u>	<u>273,791</u>	<u>179,449</u>	<u>453,240</u>	<u>1,269,244</u>
Donor advised grants	414,146	-	-	-	414,146
Foundation grants awarded	772,998	-	-	-	772,998
Fiscal sponsorship grants and expenses	<u>661,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,387</u>
Total grants and fiscal sponsorship expenses	<u>1,848,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,848,531</u>
Total functional expenses	<u>\$ 2,664,535</u>	<u>\$ 273,791</u>	<u>\$ 179,449</u>	<u>\$ 453,240</u>	<u>\$ 3,117,775</u>

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

	Years Ended December 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,810,382	\$ 4,028,118
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net investment gains	(2,970,859)	(3,918,772)
Depreciation and amortization	13,042	15,808
Stock gifts donated to investment account	(560,414)	(416,747)
Forgiveness of Paycheck Protection Program loan	(184,400)	-
(Increase) decrease in:		
Pledges receivable	2,184	100,816
Investment income receivable	3,196	476
Other receivables	(7,647)	61,042
Prepaid expenses and other assets	(129,131)	(4,761)
Increase (decrease) in:		
Accounts payable and accrued liabilities	20,905	(3,549)
Deferred revenue	(421)	(23,320)
Deferred lease incentive	-	(4,550)
Grants payable	(138,535)	(22,575)
Agency funds	640,508	1,874,935
Charitable gift annuities payable	(1,437)	(1,437)
Proceeds from Paycheck Protection Program loan	<u>184,400</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>681,773</u>	<u>1,685,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements, furniture and equipment	(13,436)	(11,006)
Proceeds from investments	5,338,549	1,852,962
Purchase of investments	<u>(6,407,559)</u>	<u>(1,888,120)</u>
Net cash used in investing activities	<u>(1,082,446)</u>	<u>(46,164)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(400,673)	1,639,320
Cash and cash equivalents		
Beginning of year	<u>3,089,732</u>	<u>1,450,412</u>
End of year	<u>\$ 2,689,059</u>	<u>\$ 3,089,732</u>

NOTE 1 – ORGANIZATION ACTIVITIES

Evanston Community Foundation, Inc. (“ECF”) was established in 1986 to address our community’s long-term challenges and unforeseeable future needs. Our founders saw the opportunity to realize Evanston’s potential to thrive as a vibrant, equitable and inclusive community. Together with our donors, partners and volunteers, we are committed to a better future for Evanston. We listen to the community, respond to the needs of our nonprofit partners, and engage our donors in our work. ECF is an Illinois nonprofit corporation and a federally tax-exempt organization under Section 501c3 the Internal Revenue Code.

ECF builds endowments for the future, while providing resources for the present. We are a catalyst for growth and change, taking on community issues by collaborating and connecting with partners throughout Evanston and beyond. ECF supports donors in achieving their philanthropic goals, providing expertise, local knowledge and a range of giving options for both the short- and long-term. ECF strengthens Evanston’s nonprofit organizations through innovative grantmaking and ongoing engagement with grantees, adapting our grant offerings and assessing their effectiveness. Our Leadership Evanston programs build leadership capacity for Evanston and expand civic engagement. Through the intersection of these activities, ECF fosters collaborative community leadership and encourages local charitable giving.

Taken together, the Foundation’s programs increase the capacity and impact of our community’s nonprofits and further the goals articulated in ECF’s 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

In mid-March 2020, the Foundation radically expanded its fundraising and restructured its grantmaking and programs to respond to the COVID-19 pandemic. With \$100,000 in seed money from endowment and with the support of several lead donors, ECF launched the Evanston Community Rapid Response Fund to foster a unified philanthropic response to the impact of COVID-19 on the Evanston community. Grants from the fund focused on three overlapping phases of response: relief, recovery and rebuilding. Through deep listening and partnership, new grant opportunities were launched to address immediate basic needs, support collective and enduring initiatives, and provide operating support for nonprofits. In 2020, more than \$4 million was raised and directed back to our community for COVID-19 relief. As Evanston moves forward toward rebuilding a more resilient and equitable community, ECF will continue to strategically align its grants and programs.

On July 1, 2017, ECF became the fiscal sponsor for Evanston Cradle to Career (“EC2C”). EC2C is a collective impact 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 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 services.

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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,361,293 and \$2,362,604 held in a custodial investment account at December 31, 2020 and 2019, 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, 2020 and 2019. Accordingly, no allowance for doubtful accounts is required. The preponderance of pledges receivable at December 31, 2020 and 2019, were due within one year.

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 statements 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 organization 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

\$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

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.

RECOGNITION OF SUPPORT AND REVENUE

Contributions from individuals, corporate donors, donor advised funds, other nonprofits and private foundations 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 \$11,108 in 2020 and \$8,340 in 2019.

CONTRIBUTED GOODS AND SERVICES

The Foundation occasionally receives donated goods and services for its events, meetings and programs. In 2020 and 2019, the Foundation received and recorded in-kind donations with a value of \$3,600 and \$23,072, respectively. In addition, numerous 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.

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 \$351,405 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.

NOTE 5 – CONCENTRATIONS AND UNCERTAINTIES

In 2020 and 2019, five donors provided approximately 50% and 52%, 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, 2020, the Foundation had funds in excess of insured limits of approximately \$714,000.

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 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.

In March 2020, the World Health Organization formally declared the outbreak of a novel strain of coronavirus (Covid-19) to constitute a global pandemic. The ongoing pandemic and related economic conditions continue to present difficult circumstances and challenges, which in some cases have resulted in financial market volatility and unanticipated declines in interest rates on deposits, and could result in declines in contributions, constraints on liquidity and difficulties obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Foundation. The overall consolidated financial impact and duration of the Covid 19 pandemic cannot be reasonably estimated at this time.

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
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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 2020 and 2019 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; up to 10% of the other segment may be collected to illiquid alternative investments.

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

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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, 2020 and 2019:

	Total Fair Value	Fair Value Measurements Using			Investments Measured at NAV (A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2020					
Equity mutual funds					
Domestic	\$ 15,746,426	\$ 15,746,426	\$ -	\$ -	\$ -
International	5,400,981	5,400,981	-	-	-
Fixed income mutual funds					
Domestic	4,945,486	4,945,486	-	-	-
International	513,026	513,026	-	-	-
U.S. Treasury obligations	1,518,423	1,518,423	-	-	-
Other	<u>2,751,241</u>	<u>2,356,002</u>	<u>-</u>	<u>-</u>	<u>395,239</u>
Total	<u>\$ 30,875,583</u>	<u>\$ 30,480,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,239</u>
December 31, 2019					
Equity mutual funds					
Domestic	\$ 12,357,632	\$ 12,357,632	\$ -	\$ -	\$ -
International	5,044,607	5,044,607	-	-	-
Fixed income mutual funds					
Domestic	4,405,817	4,405,817	-	-	-
International	505,343	505,343	-	-	-
U.S. Treasury obligations	1,427,117	1,427,117	-	-	-
Other	<u>2,534,784</u>	<u>2,182,049</u>	<u>-</u>	<u>-</u>	<u>352,735</u>
Total	<u>\$ 26,275,300</u>	<u>\$ 25,922,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,735</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, 2020 and 2019.

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:

	Fair Value Estimated Using NAV (or its Equivalent)			
	Fair Value	Unfunded Commitment*	Redemption Frequency	Redemption Period Notice
December 31, 2020				
Investment in real estate limited partnership	\$ 395,239	\$ 272,025	(A)	(A)
December 31, 2019				
Investment in real estate limited partnership	\$ 352,735	\$ 223,182	(A)	(A)

*Investment period runs through September 22, 2021, subject to a six-month extension through March 22, 2022. The investment term runs through March 22, 2026, subject to two, one-year extensions.

(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 have 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.

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NOTE 8 – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computers, software and website	\$ 196,404	\$ 183,084
Leasehold improvements	53,445	53,445
Office equipment	9,666	9,666
Furniture	<u>3,403</u>	<u>3,403</u>
	262,918	249,598
Less: accumulated depreciation and amortization	<u>238,898</u>	<u>225,972</u>
	<u>\$ 24,020</u>	<u>\$ 23,626</u>

Depreciation and amortization expense was \$13,042 in 2020 and \$15,808 in 2019.

NOTE 9 – FUNDS HELD AS ORGANIZATION ENDOWMENTS

Funds held as organization 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 37 funds from 21 organizations. The fair value of these funds was \$6,827,066 at December 31, 2020, and \$6,186,558 at December 31, 2019. The Foundation may receive contributions to these funds, and the organizations receive periodic distributions from the funds. Total contributions received were \$29,166 in 2020 and \$1,151,003 in 2019. Total distributions were \$177,583 in 2020 and \$127,598 in 2019.

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 organization 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.

NOTE 10 – ENDOWMENT FUNDS

The composition of Endowment Funds by type of fund as of December 31, 2020 and 2019, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2019			
Board-designated endowments	\$ 7,311,312	\$ -	\$ 7,311,312
Board-directed field of interest endowment funds	-	9,896,675	9,896,675
Donor-designated endowment funds	<u>-</u>	<u>1,141,977</u>	<u>1,141,977</u>
	<u>\$ 7,311,312</u>	<u>\$ 11,038,652</u>	<u>\$ 18,349,964</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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NOTE 10 – ENDOWMENT FUNDS (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Board-designated endowments	\$ 8,141,846	\$ -	\$ 8,141,846
Board-directed field of interest endowment funds	-	10,676,160	10,676,160
Donor-designated endowment funds	<u>-</u>	<u>1,170,444</u>	<u>1,170,444</u>
	<u>\$ 8,141,846</u>	<u>\$ 11,846,604</u>	<u>\$ 19,988,450</u>

Changes in Endowment Net Assets for the years ended December 31, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018	\$ 5,796,545	\$ 9,634,176	\$ 15,430,721
Contributions	616,163	134,500	750,663
Interest and dividends	178,375	274,808	453,183
Net realized gains	7,276	11,209	18,485
Net unrealized losses	1,024,587	1,497,334	2,521,921
Amounts released for expenditure	<u>(311,634)</u>	<u>(513,375)</u>	<u>(825,009)</u>
December 31, 2019	7,311,312	11,038,652	18,349,964
Contributions	279,277	124,130	403,407
Interest and dividends	157,390	239,728	397,118
Net realized gains	40,767	62,095	102,862
Net unrealized gains	730,898	1,062,073	1,792,971
Amounts released for expenditure	<u>(377,798)</u>	<u>(680,074)</u>	<u>(1,057,872)</u>
December 31, 2020	<u>\$ 8,141,846</u>	<u>\$ 11,846,604</u>	<u>\$ 19,988,450</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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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, 2020 and 2019, consist of:

	<u>2020</u>	<u>2019</u>
Endowed Funds		
Board-designated endowed Fund for Evanston	\$ 4,941,780	\$ 4,359,731
Board-designated Endowed Foundation and		
Leadership Funds	<u>3,200,066</u>	<u>2,951,581</u>
Total Endowed Funds	<u>8,141,846</u>	<u>7,311,312</u>
Unendowed Funds		
General Operating Fund	170,155	206,679
Donor Advised Funds	<u>4,980,973</u>	<u>3,561,378</u>
Total Unendowed Funds	<u>5,151,128</u>	<u>3,768,057</u>
	<u>\$ 13,292,974</u>	<u>\$ 11,079,369</u>

The Board-designated endowed Fund for Evanston, the Foundation Fund, as well as the Leadership 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 to fund the Foundation's day-to-day operations.

In 2020, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$547,836, with \$390,986 paid to other charitable organizations, and a total of \$156,850 transferred to other funds of the Foundation. In 2019, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$533,696, with \$414,146 paid to other charitable organizations, and a total of \$119,550 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, 2020 and 2019

NOTE 11 – NET ASSETS (Continued)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019, are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Donor advised funds		
Friends of the Arts Fund	\$ 29,990	\$ 26,792
Jon Kimmel Memorial Fund	44,312	42,378
Avi Kurganoff Memorial Fund	64,315	58,633
David Mulder Mental Health Fund	318,609	274,018
Hazel E. Smart Memorial Fund	28,329	26,225
Samuel Isaac Wiener Memorial Fund	61,119	-
	<u>546,674</u>	<u>428,046</u>
Other restricted funds for specified purpose:		
Acorn Spendable	500	500
Building the Future	753	-
Charitable Gift Annuities	46,035	42,510
Citizens' Greener Evanston Fund for Evanston Trees	30,377	-
Climate Action Fund	10,918	10,764
Evanston Community Rapid Response Fund	442,168	-
Evanston Cradle to Career	453,818	377,683
Evanston Gun Buyback Fund	4,783	8,508
Evanston Children's Savings Fund	16,339	17,184
Evanston Reparations Community Fund	21,675	-
Foster Center Our Place Project Fund	6,093	6,052
PTA Equity Project Fund	97,315	-
	<u>1,130,774</u>	<u>463,201</u>
	<u>1,677,448</u>	<u>891,247</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>31,341</u>	<u>28,717</u>
Endowments		
Subject to endowment spending policy and distribution for specified purpose:		
Restricted by donors for		
Beatty Family Scholarship Fund	110,100	101,640
William K. Beatty Medical History Scholarship Fund	92,173	84,666
Virginia L. and William Beatty Volunteer Service Award Fund	74,567	68,909
Chicago Urban Youth Scholarship Fund	461,798	432,362
Evanston Men Promise Award Fund	12,635	6,469
Foster Reading Center Fund	140,082	126,349
Fund for Curt's Café	24,894	21,968

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 11 – NET ASSETS (Continued)

	<u>2020</u>	<u>2019</u>
Grandmother Park Fund	\$ 23,945	\$ 22,156
Susan Willis Heiberger Memorial Garden Fund	31,027	28,861
Rayna and Marvin Miller Fund for Open Communities (refer to Transfers to Funds Held as Organization Endowments on page 22)	-	67,749
Bruce E. Mitchell Short Story Fund	33,413	30,876
Chuck Remen Memorial Fund	33,591	29,364
Norman W. Thomas Jr. Scholarship Fund	32,549	29,185
Rose and Andy Thomas Jr. Scholarship Fund	62,324	57,104
YWCA Evanston/North Shore Education Fund	37,346	34,319
	<u>1,170,444</u>	<u>1,141,977</u>

Subject to NFP endowment spending policy and
distribution for specified purpose:

Acorn Fund	48,870	43,738
Anderson Fund	29,192	29,192
Shawn Patrick Afryl #56 Shoe Fund	29,696	24,830
All Our Sons Fund	269,869	249,665
Arts in Community Fund	256,387	239,380
Balkcom Family Fund for Literacy and Affordable Housing	55,549	51,416
Communityworks Fund	7,935,059	7,390,592
Cultural Diversity Fund	35,930	33,280
EDN Fund for Early Childhood	298,867	276,415
Leonard Fisher Fund for Nursing Education	88,349	78,418
Fund for Women and Girls	399,914	372,561
Green Communities Fund	53,312	49,384
Leadership Fund	633,376	577,522
Lydia Martin Memorial Fund for Children and the Arts	64,517	59,754
Lorraine Hairston Morton Fund for Youth	42,344	38,713
Sara Schastok Fund for Communityworks	159,649	148,618
Sweers Fund for Children and the Arts	117,655	88,966
YEA! Harvey Pranian Legacy Fund for the Arts	56,461	50,532
Faith Vilas Fund for Youth	101,164	93,699
	<u>10,676,160</u>	<u>9,896,675</u>
 Total endowments	 <u>11,846,604</u>	 <u>11,038,652</u>
 Total net assets with donor restrictions	 <u>\$ 13,555,393</u>	 <u>\$ 11,958,616</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	<u>\$ 11,253</u>	<u>\$ 33,543</u>
Satisfaction of purpose restrictions		
Donor advised funds		
Friends of the Arts	-	2,500
Jon Kimmel Memorial Fund	3,000	1,500
Avi Kurganoff Memorial Fund	2,150	2,000
Mickey's Children's Fund	7	591
David Mulder Mental Health Fund	15,000	11,993
Hazel E. Smart Memorial Fund	1,000	-
Other restricted funds for specified purpose		
Building the Future	(1,665)	15,100
Charitable Gift Annuities, Other	2,000	2,000
Children's Savings Accounts Fund	845	(12,287)
Evanston Community Rapid Response Fund	3,619,585	-
Evanston Cradle to Career	853,497	661,991
Evanston Gun Buyback Fund	3,725	2,000
Evanston Reparations Community Fund	265	-
Other, including anonymous fund for leadership development	-	8,606
PTA Equity Project Fund	<u>518,910</u>	<u>-</u>
	<u>5,018,319</u>	<u>695,994</u>
Restricted purpose spending policy distributions		
Beatty Family Scholarship Fund	3,000	3,000
William K. Beatty Medical History Scholarship Fund	2,000	2,000
Virginia L. and William Beatty Volunteer Service Award Fund	2,000	2,000
Chicago Urban Youth Scholarship Fund	11,570	10,400
Evanston Men Promise Award Fund	1,000	1,000
Foster Reading Center Fund	910	3,390
Grandmother Park Fund	779	-
Susan Willis Heiberger Memorial Garden Fund	1,045	1,005
Bruce E. Mitchell Short Story Fund	1,700	1,000
Chuck Remen Memorial Fund	-	950
Norman W. Thomas Jr. Scholarship Fund	1,000	250
Rose and Andy Thomas Jr. Scholarship Fund	1,500	1,370
YWCA Evanston/North Shore Education Fund	<u>1,000</u>	<u>-</u>
	<u>27,504</u>	<u>• 26,365</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 11 – NET ASSETS (Continued)

	<u>2020</u>	<u>2019</u>
Board directed, restricted purpose spending policy distributions		
Acorn Fund	\$ -	\$ 1,300
Shawn Patrick Afryl #56 Shoe Fund	760	600
All Our Sons Fund	9,065	9,025
Arts in Community Fund	8,635	8,105
Balkcom Family Fund for Literacy and Affordable Housing	1,825	1,695
Communityworks Fund	291,646	243,696
Cultural Diversity Fund	1,205	1,115
EDN Fund for Early Childhood	9,780	9,245
Leonard Fisher Fund for Nursing Education	-	2,365
Fund for Women and Girls	11,465	12,670
Green Communities Fund	1,791	1,635
Leadership Fund	21,476	93,627
Lydia Martin Memorial Fund for Children and the Arts	2,160	2,030
Lorraine Hairston Morton Fund for Youth	1,375	1,265
Sara Schastok Fund for Communityworks	5,410	10,084
Skokie Community Fund (Fund closed in 2019)	-	81,089
Sweers Fund for Children and the Arts	2,900	2,475
YEA! Harvey Pranian Legacy Fund for the Arts	-	1,800
Faith Vilas Fund for Youth	3,390	3,190
	<u>372,883</u>	<u>487,011</u>
 Total releases	 <u>\$ 5,429,959</u>	 <u>\$ 1,242,913</u>

TRANSFER TO FUNDS HELD AS ORGANIZATION ENDOWMENTS

During fiscal year 2020, there was \$67,749 transferred from donor designated funds (Rayna and Marvin Miller Fund for Open Communities) to funds held as organization endowments.

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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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, 2020 and 2019, comprise the following:

	Financial Assets	Financial Liquidity
December 31, 2020		
Cash and cash equivalents	\$ 2,689,059	\$ 2,689,059
Receivables		
Pledges receivable	33,750	24,000
Investment income receivable	4,575	4,575
Other receivables	63,363	63,363
Investments, at fair value	<u>30,875,583</u>	<u>16,924,951</u>
	<u>\$ 33,666,330</u>	<u>\$ 19,705,948</u>
December 31, 2019		
Cash and cash equivalents	\$ 3,089,732	\$ 3,089,732
Receivables		
Pledges receivable	35,934	25,934
Investment income receivable	7,771	7,771
Other receivables	55,716	55,716
Investments, at fair value	<u>26,275,300</u>	<u>13,963,949</u>
	<u>\$ 29,464,453</u>	<u>\$ 17,143,102</u>

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 years ended December 31, 2020 and 2019, operating contributions of \$843,589 and \$948,648, respectively, 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 \$8,141,846 and \$7,311,312 as of December 31, 2020 and 2019, respectively, 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.

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 12 – LIQUIDITY AND AVAILABILITY (Continued)

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 provided an allowance of \$45,500 for leasehold improvements and specified 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. A second lease amendment and forbearance agreement was signed in October 2020. The amendment deferred base rent payments for the months of October and November 2020 and extended the lease term for an additional two months to August 31, 2024.

Rent expense was \$98,449 in 2020 and \$99,058 in 2019.

Future minimum base rental payments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 94,154
2022	97,241
2023	100,328
2024	<u>67,914</u>
	<u>\$ 359,637</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 both 2020 and in 2019.

NOTE 15 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 16, 2020, the Foundation received a PPP loan established by the CARES Act in the amount of \$184,400. The Foundation has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification (ASC) Topic 958-605, *Revenue Recognition*.

NOTE 15 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN (Continued)

Under ASC Topic 958-605, revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. The Foundation has used all of the proceeds to make eligible payments. The PPP loan was forgiven by the bank on December 29, 2020. Conditions have been met and therefore the \$184,400 has been recognized as contribution revenue in the year ended December 31, 2020. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required.

NOTE 16 – FUTURE CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Leases

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, the long-awaited standard on lease accounting. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard is effective for annual periods beginning after December 15, 2021, and interim periods within annual reporting periods that begin after December 15, 2022. The Foundation expects to first apply the ASU during its fiscal year ending December 31, 2022. The impact of applying the ASU has not yet been determined.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 8, 2021, 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, 2020

	Evanston Community Foundation	Evanston Cradle to Career, LLC	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 2,260,041	\$ 429,018	\$ -	\$ 2,689,059
Accounts receivable				
Pledges receivable	33,750	-	-	33,750
Investment income receivable	4,575	-	-	4,575
Other receivables	39,463	70,400	(46,500)	63,363
Investments, at fair value	30,875,583	-	-	30,875,583
Prepaid expenses and other assets	139,317	1,443	-	140,760
Leasehold improvements, furniture and equipment, net	24,020	-	-	24,020
Investment in Evanston Cradle to Career, LLC	351,405	-	(351,405)	-
	<u>\$ 33,728,154</u>	<u>\$ 500,861</u>	<u>\$ (397,905)</u>	<u>\$ 33,831,110</u>
Total assets				
	<u>\$ 33,728,154</u>	<u>\$ 500,861</u>	<u>\$ (397,905)</u>	<u>\$ 33,831,110</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 24,417	\$ 110,543	\$ (46,500)	\$ 88,460
Deferred revenue	16,889	-	-	16,889
Grants payable	44,765	-	-	44,765
Charitable gift annuities payable	5,563	-	-	5,563
Funds held as organization endowments	6,827,066	-	-	6,827,066
	<u>6,918,700</u>	<u>110,543</u>	<u>(46,500)</u>	<u>6,982,743</u>
Total liabilities				
	<u>6,918,700</u>	<u>110,543</u>	<u>(46,500)</u>	<u>6,982,743</u>
NET ASSETS				
Without donor restrictions	13,292,974	-	-	13,292,974
With donor restrictions	13,516,480	390,318	(351,405)	13,555,393
	<u>26,809,454</u>	<u>390,318</u>	<u>(351,405)</u>	<u>26,848,367</u>
Total net assets				
	<u>26,809,454</u>	<u>390,318</u>	<u>(351,405)</u>	<u>26,848,367</u>
Total liabilities and net assets				
	<u>\$ 33,728,154</u>	<u>\$ 500,861</u>	<u>\$ (397,905)</u>	<u>\$ 33,831,110</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Financial Position Information
December 31, 2019

	Evanston Community Foundation	Evanston Cradle to Career, LLC	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 2,714,067	\$ 375,665	\$ -	\$ 3,089,732
Accounts receivable				
Pledges receivable	35,934	-	-	35,934
Investment income receivable	7,771	-	-	7,771
Other receivables	12,239	50,810	(7,333)	55,716
Investments, at fair value	26,275,300	-	-	26,275,300
Prepaid expenses and other assets	10,629	1,000	-	11,629
Leasehold improvements, furniture and equipment, net	23,626	-	-	23,626
Investment in Evanston Cradle to Career, LLC	351,405	-	(351,405)	-
	<u>\$ 29,430,971</u>	<u>\$ 427,475</u>	<u>\$ (358,738)</u>	<u>\$ 29,499,708</u>
Total assets				
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 25,096	\$ 49,792	\$ (7,333)	\$ 67,555
Deferred revenue	17,310	-	-	17,310
Grants payable	183,300	-	-	183,300
Charitable gift annuities payable	7,000	-	-	7,000
Funds held as organization endowments	6,186,558	-	-	6,186,558
	<u>6,419,264</u>	<u>49,792</u>	<u>(7,333)</u>	<u>6,461,723</u>
Total liabilities				
NET ASSETS				
Without donor restrictions	11,079,369	-	-	11,079,369
With donor restrictions	11,932,338	377,683	(351,405)	11,958,616
	<u>23,011,707</u>	<u>377,683</u>	<u>(351,405)</u>	<u>23,037,985</u>
Total net assets				
Total liabilities and net assets	<u>\$ 29,430,971</u>	<u>\$ 427,475</u>	<u>\$ (358,738)</u>	<u>\$ 29,499,708</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2020

	<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	\$ 318,627	\$ -	\$ -	\$ 318,627
Operating contributions	865,089	-	-	865,089
Other fund contributions	6,326,834	862,565	-	7,189,399
SBA Paycheck Protection Program - loan forgiveness	184,400	-	-	184,400
	<u>7,694,950</u>	<u>862,565</u>	<u>-</u>	<u>8,557,515</u>
Program revenue				
Tuition and fees plus event revenue - net	(3,572)	(500)	-	(4,072)
Investment income				
Interest and dividends	625,721	3,572	-	629,293
Realized gains on investments, net	162,312	-	-	162,312
Unrealized gains on investments, net	2,808,547	-	-	2,808,547
Funds held as organization endowments	(721,117)	-	-	(721,117)
	<u>2,875,463</u>	<u>3,572</u>	<u>-</u>	<u>2,879,035</u>
Total revenues	<u>10,566,841</u>	<u>865,637</u>	<u>-</u>	<u>11,432,478</u>
EXPENSES				
Program services	<u>6,180,494</u>	<u>853,002</u>	<u>-</u>	<u>7,033,496</u>
Supporting services				
Management and general	343,126	-	-	343,126
Fund raising	177,725	-	-	177,725
	<u>520,851</u>	<u>-</u>	<u>-</u>	<u>520,851</u>
Total expenses	<u>6,701,345</u>	<u>853,002</u>	<u>-</u>	<u>7,554,347</u>
Transfer to funds held as agency endowments	(67,749)	-	-	(67,749)
CHANGE IN NET ASSETS	3,797,747	12,635	-	3,810,382
Net assets, beginning of year	<u>23,011,707</u>	<u>377,683</u>	<u>(351,405)</u>	<u>23,037,985</u>
NET ASSETS, END OF YEAR	<u>\$ 26,809,454</u>	<u>\$ 390,318</u>	<u>\$ (351,405)</u>	<u>\$ 26,848,367</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2019

	<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	\$ 612,005	\$ -	\$ -	\$ 612,005
Operating contributions	965,082	-	-	965,082
Other fund contributions	<u>1,149,045</u>	<u>666,003</u>	<u>-</u>	<u>1,815,048</u>
	<u>2,726,132</u>	<u>666,003</u>	<u>-</u>	<u>3,392,135</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>(4,276)</u>	<u>(125)</u>	<u>-</u>	<u>(4,401)</u>
Investment income				
Interest and dividends	684,180	6,737	-	690,917
Realized gains on investments, net	27,867	-	-	27,867
Unrealized losses on investments, net	3,890,905	-	-	3,890,905
Funds held as organization endowments	<u>(851,530)</u>	<u>-</u>	<u>-</u>	<u>(851,530)</u>
	<u>3,751,422</u>	<u>6,737</u>	<u>-</u>	<u>3,758,159</u>
Total revenues	<u>6,473,278</u>	<u>672,615</u>	<u>-</u>	<u>7,145,893</u>
EXPENSES				
Program services	<u>1,995,276</u>	<u>669,259</u>	<u>-</u>	<u>2,664,535</u>
Supporting services				
Management and general	273,791	-	-	273,791
Fund raising	<u>179,449</u>	<u>-</u>	<u>-</u>	<u>179,449</u>
	<u>453,240</u>	<u>-</u>	<u>-</u>	<u>453,240</u>
Total expenses	<u>2,448,516</u>	<u>669,259</u>	<u>-</u>	<u>3,117,775</u>
CHANGE IN NET ASSETS	4,024,762	3,356	-	4,028,118
Net assets, beginning of year	<u>18,986,945</u>	<u>374,327</u>	<u>(351,405)</u>	<u>19,009,867</u>
NET ASSETS, END OF YEAR	<u>\$ 23,011,707</u>	<u>\$ 377,683</u>	<u>\$ (351,405)</u>	<u>\$ 23,037,985</u>