
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

Financial Report
June 30, 2020

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Independent Auditor's Report

To the Board of Trustees
The DuPage Community Foundation
(d.b.a. DuPage Foundation)

We have audited the accompanying financial statements of The DuPage Community Foundation (d.b.a. DuPage Foundation), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The DuPage Community Foundation (d.b.a. DuPage Foundation) as of June 30, 2020 and 2019 and its changes in its net assets, its functional expenses, 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 2 to the financial statements, significant uncertainty exists surrounding the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 20, 2020

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 3,856,813	\$ 2,978,663
Investments (Note 7)	91,286,128	93,215,390
Receivables:		
Pledges receivable	188,211	533,879
Charitable lead trust receivable (Note 6)	121,455	167,472
Fees receivable	153,523	159,718
Prepaid expenses and other assets:		
Prepaid expenses	34,299	35,078
Cash value of life insurance	505,942	525,206
Reinsurance contract (Note 5)	-	9,116
Property and equipment - Net (Note 4)	1,256,145	1,303,753
	<u>\$ 97,402,516</u>	<u>\$ 98,928,275</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 3,789	\$ 3,963
Accrued liabilities:		
Agency funds (Note 8)	18,071,527	18,153,225
Annuity payable (Note 5)	90,451	121,326
Accrued expenses	73,864	56,624
Other liabilities (Note 10)	174,300	-
	<u>18,413,931</u>	<u>18,335,138</u>
Net Assets		
Without donor restrictions	13,463,417	13,285,103
With donor restrictions	65,525,168	67,308,034
	<u>78,988,585</u>	<u>80,593,137</u>
	<u>\$ 97,402,516</u>	<u>\$ 98,928,275</u>

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Gifts, bequests, and grants	\$ 2,354,877	\$ 5,414,949	\$ 7,769,826	\$ 603,637	\$ 6,415,982	\$ 7,019,619
Net investment (loss) gain	(374,907)	(121,982)	(496,889)	210,226	1,494,649	1,704,875
Investment income - Net	48,225	1,501,934	1,550,159	35,713	1,739,452	1,775,165
Fee revenue	177,615	-	177,615	165,883	-	165,883
Net assets released from restrictions	8,577,767	(8,577,767)	-	7,728,233	(7,728,233)	-
Total revenue, gains, and other support	10,783,577	(1,782,866)	9,000,711	8,743,692	1,921,850	10,665,542
Expenses						
Grants awarded	8,814,664	-	8,814,664	6,756,791	-	6,756,791
Grant-making activities	633,058	-	633,058	896,820	-	896,820
Management and general	569,319	-	569,319	409,381	-	409,381
Fundraising	588,222	-	588,222	500,114	-	500,114
Total expenses	10,605,263	-	10,605,263	8,563,106	-	8,563,106
Increase (Decrease) in Net Assets	178,314	(1,782,866)	(1,604,552)	180,586	1,921,850	2,102,436
Net Assets - Beginning of year	13,285,103	67,308,034	80,593,137	13,104,517	65,386,184	78,490,701
Net Assets - End of year	\$ 13,463,417	\$ 65,525,168	\$ 78,988,585	\$ 13,285,103	\$ 67,308,034	\$ 80,593,137

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Functional Expenses

Year Ended June 30, 2020

	Grants Awarded and Grant-making Activities	Management and General	Fundraising	Total
Salaries	\$ 321,692	\$ 325,236	\$ 239,275	\$ 886,203
Health and disability insurance	38,319	38,741	28,502	105,562
Payroll taxes	22,692	22,942	16,879	62,513
Other benefits	13,851	14,003	10,302	38,156
Total salaries and related expenses	396,554	400,922	294,958	1,092,434
Grants and assistance	8,814,664	-	-	8,814,664
Consulting	11,320	48,512	101,875	161,707
Fund expenses	113,961	-	-	113,961
Professional fees	24,631	56,633	20,223	101,487
Special events	1,432	-	88,935	90,367
Public relations and marketing	27,331	5,107	29,896	62,334
Depreciation	16,467	17,622	13,519	47,608
Occupancy	15,433	16,516	12,673	44,622
Printing and publications	7,671	3,208	7,212	18,091
Supplies	4,856	5,196	3,987	14,039
Telecommunications	3,556	3,805	2,919	10,280
Insurance	3,492	3,736	2,867	10,095
Conferences and meetings	2,512	-	5,038	7,550
Bank charges and fees	-	4,580	-	4,580
Membership dues	1,606	1,623	1,194	4,423
Postage and delivery	993	1,063	816	2,872
Transportation and travel	846	394	909	2,149
Other expenses	397	402	296	1,095
Other fundraising costs	-	-	905	905
Total functional expenses	\$ 9,447,722	\$ 569,319	\$ 588,222	\$ 10,605,263

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Functional Expenses

Year Ended June 30, 2019

	Grants Awarded and Grant-making Activities	Management and General	Fundraising	Total
Salaries	\$ 309,751	\$ 240,821	\$ 234,713	\$ 785,285
Health and disability insurance	45,182	35,127	34,236	114,545
Payroll taxes	22,182	17,245	16,808	56,235
Other benefits	11,700	9,097	8,866	29,663
Total salaries and related expenses	388,815	302,290	294,623	985,728
Grants and assistance	6,756,791	-	-	6,756,791
Fund expenses	384,851	-	-	384,851
Special events	692	-	90,827	91,519
Professional fees	21,873	46,460	18,085	86,418
Public relations and marketing	27,186	5,090	28,937	61,213
Depreciation	17,803	15,086	14,720	47,609
Occupancy	17,313	14,671	14,315	46,299
Consulting	11,973	8,320	-	20,293
Printing and publications	8,978	2,638	8,417	20,033
Conferences and meetings	2,239	681	8,023	10,943
Insurance	3,651	3,094	3,019	9,764
Supplies	3,203	2,715	2,649	8,567
Telecommunications	3,116	2,641	2,576	8,333
Other fundraising costs	17	14	7,338	7,369
Membership dues	2,506	1,948	1,899	6,353
Transportation and travel	1,595	1,035	1,803	4,433
Postage and delivery	1,009	855	835	2,699
Other expenses	-	42	2,048	2,090
Bank charges and fees	-	1,801	-	1,801
Total functional expenses	\$ 7,653,611	\$ 409,381	\$ 500,114	\$ 8,563,106

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (1,604,552)	\$ 2,102,436
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Net investment losses (gains)	496,889	(1,704,875)
Depreciation	47,608	47,609
Noncash donations	(3,454,557)	(4,420,366)
Contributions restricted for long-term purposes	(2,369,863)	(1,731,657)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Fees receivable	6,195	(5,745)
Charitable lead trust receivable	46,017	2,809
Prepaid expenses and other	779	6,093
Cash value of life insurance	9,116	29,051
Pledges receivable	345,668	35,750
Accounts payable	(174)	(16,322)
Agency funds	(81,698)	1,951,452
Annuity payable	(30,875)	(35,609)
Accrued liabilities	17,240	(1,393)
Net cash and cash equivalents used in operating activities	(6,572,207)	(3,740,767)
Cash Flows from Investing Activities		
Purchases of investments	(26,096,574)	(14,547,347)
Proceeds from sales and maturities of investments	31,002,768	18,231,924
Net cash and cash equivalents provided by investing activities	4,906,194	3,684,577
Cash Flows from Financing Activities		
Contributions restricted for long-term purposes	2,369,863	1,731,657
Loan advance from Paycheck Protection Plan	174,300	-
Net cash and cash equivalents provided by financing activities	2,544,163	1,731,657
Net Increase in Cash and Cash Equivalents	878,150	1,675,467
Cash and Cash Equivalents - Beginning of year	2,978,663	1,303,196
Cash and Cash Equivalents - End of year	\$ 3,856,813	\$ 2,978,663

June 30, 2020 and 2019

Note 1 - Nature of Business

The DuPage Community Foundation (d.b.a. DuPage Foundation) (the "Foundation") is a grant-making community foundation created in 1986 to benefit the people of DuPage County, Illinois. The Foundation receives contributions and bequests into endowment funds. The earnings on these funds are used, according to donors' wishes, for the Foundation's grant-making and community leadership activities.

During 2015, the Foundation started doing business as DuPage Foundation. Its legal name has not been changed.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. This method records revenue and related assets when earned and records expenses and related liabilities when the obligations are incurred.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. The Foundation maintains its cash in bank deposit accounts at Northern Trust, which at times may exceed federally insured limits. The Foundation has not experienced any losses and does not believe it is exposed to any significant credit risk on cash.

Investments

The Foundation's investments are reported at fair value. Donated investments are reflected as contributions at their fair values at the date the donor relinquishes control. Gain or loss on the sale of investments is computed using the specific recorded costs of each security. Investment income is recorded on the accrual basis and is reported in the statement of activities and changes in net assets.

The Foundation's investments are exposed to various risks, such as interest rate, credit risk, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Fees Receivable

Fees receivable represent administrative fees charged to agencies and other fund holders. Management determines the allowance for doubtful accounts by reviewing and identifying troubled accounts. For the years ended June 30, 2020 and 2019, all amounts are deemed to be collectible.

Note 2 - Significant Accounting Policies (Continued)

Agency Funds

The Foundation adopted the accounting treatment prescribed by generally accepted accounting principles, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, and, accordingly, records the funds received on behalf of others as a liability.

Property and Equipment

Property and equipment are stated at their estimated fair value at the date donated or at cost, if purchased. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The capitalization policy is set at \$5,000. Costs of maintenance and repairs are charged to expense when incurred.

Pledges Receivable

All pledges receivable are expected to be collected within one year and are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. As of June 30, 2020 and 2019, there was \$188,211 and \$533,879, respectively, in pledges receivable and no allowance for uncollectible contributions was recorded.

Gifts, Bequests, and Grants

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Conditional promises are recorded when donor stipulations are substantially met. Contributions are recorded net of allowances. There are no allowances recorded as of June 30, 2020 and 2019.

Contributions received with donor-imposed restrictions are reported as revenue with donor restrictions as required by the donor intent. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue without donor restrictions.

The bylaws of the Foundation include a variance provision and powers of modification, giving the board of trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the board's sole judgment (without the approval of any trustee, custodian, or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community that the Foundation serves. Based on these provisions, the Foundation accounts for contributions with the donor's imposed restrictions until they use variance power to modify the restrictions.

Donated Services

The Foundation records contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation. When such contributions are received, they are recorded at their fair values in the period received. The Foundation did not receive donated services during the years ended June 30, 2020 and 2019.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

June 30, 2020 and 2019

Note 2 - Significant Accounting Policies (Continued)

Grants

Grants are recognized as an expense at the time of formal approval by the board of trustees. Conditional grants, if any, are expensed when such conditions are substantially met. There were no conditional grants at June 30, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing various programs and other services have been reported on a functional basis in the statements of activities and changes in net assets and functional expenses. Costs are charged to program services and support services on an actual basis when available. In addition, costs may be allocated between the program and support functions based on various methods and estimates. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Adoption of New Accounting Pronouncement

For the fiscal year ended June 30, 2020, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Foundation adopted the new standard on a modified prospective basis and there was no impact to beginning of year net assets.

Use of Estimates

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 20, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the Foundation's operations have not been significantly impacted, but the Foundation continues to monitor the situation. In addition, while the Foundation's investment portfolio, results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2020 and 2019

Note 3 - Liquidity

The following reflects the Foundation's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Cash	\$ 3,856,813	\$ 2,978,663
Investments	91,286,128	93,215,390
Receivables	463,189	861,069
Other assets	505,942	534,324
Financial assets - At year end	96,112,072	97,589,446
Less those unavailable for general expenditures within one year due to:		
Subject to donor restriction:		
Agency funds	18,071,527	18,153,225
Donor-restricted endowment funds	65,525,168	67,308,034
Board-designated endowment funds	11,151,190	11,043,534
Pledges receivable - For restricted gifts	-	517,379
Financial assets unavailable for general expenditures within one year - At year end	94,747,885	97,022,172
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,364,187	\$ 567,274

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The pledges receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors.

The Foundation has board-designated endowment funds allocated for other purposes; however, the board-designated endowment funds could be made available for general expenditures upon board approval.

The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$818,000 and \$616,000 at June 30, 2020 and 2019, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short-term investments, including short-term treasury instruments.

The Foundation also realizes there could be unanticipated liquidity needs.

The Foundation's endowment funds consist of donor-restricted endowments of \$65,525,168 and \$67,308,034 at June 30, 2020 and 2019, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land	\$ 68,860	\$ 68,860	-
Buildings	1,019,839	1,019,839	7-40
Building improvements	350,014	350,014	3-10
Computer software	93,578	93,578	3-5
Furniture and equipment	56,667	56,667	5
	<u>1,588,958</u>	<u>1,588,958</u>	
Total cost	1,588,958	1,588,958	
Accumulated depreciation	<u>332,813</u>	<u>285,205</u>	
Net property and equipment	<u>\$ 1,256,145</u>	<u>\$ 1,303,753</u>	

Depreciation expense for the years ended June 30, 2020 and 2019 was \$47,608 and \$47,609, respectively.

Note 5 - Charitable Gift Annuities

In 2004, the Foundation entered into a charitable gift annuity agreement with a donor. The donor agreed to provide a gift to the fund in exchange for a lifetime annuity to be paid to the donor. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the fiscal year ended June 30, 2005. As required by state law, the Foundation entered into an agreement with an insurance company to fund payment of the annuity to this donor. The value of this annuity agreement is reflected as a reinsurance contract in the statement of financial position. It is expected that the reinsurance contract will offset the annuity liability, resulting in no net impact on the statement of activities and changes in net assets in future periods. At June 30, 2019, the asset and liability arising from this agreement was reported at \$9,116. During 2020, this charitable gift annuity was fully paid out.

During the fiscal years 2013 through 2019, the Foundation entered into eight charitable gift annuity agreements with donors. The donors agreed to provide a gift to the fund in exchange for a lifetime annuity to be paid to the donors. The present value of the annuity payments expected to be made has been shown as a liability in the statement of financial position. The gift, net of the annuity liability and the expenses related to the donation, was reported as a contribution in the statement of activities and changes in net assets in the respective year ends. The Foundation met state law requirements and was not required to enter into an agreement with an insurance company to fund payment of the annuity to those donors. At June 30, 2020 and 2019, the liability arising from these agreements is reported at \$90,451 and \$112,210, respectively.

Note 6 - Charitable Lead Trust

During fiscal year 2009, a donor established a trust naming the Foundation as one of the lead beneficiaries of a charitable lead annuity trust. Under terms of the split-interest agreement, the Foundation is to receive 45 percent of a unitrust amount equal to 4 percent of the net fair market value of the assets of the trust valued as of the first business day of each taxable year for the trust for a period of 22 years. After that time, the trust is to terminate, and remaining trust assets are to be distributed to others. The receivable for the split-interest agreement is carried at fair value, which the Foundation has estimated based on the present value of expected future cash inflows. Based on the duration of the trust and a 5 percent discount rate, the fair value of the Foundation's interest in the trust was estimated and recorded in 2009 as a contribution with donor restrictions and as a charitable lead trust receivable. The Foundation received \$22,012 and \$18,125 from the trust in 2020 and 2019, respectively, which was recorded as a reduction in the receivable and a corresponding reclassification from net assets with donor restrictions to net assets without donor restrictions. On an annual basis, the Foundation will revalue the contribution receivable based on asset valuation and current market conditions.

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The DuPage Community Foundation (d.b.a. DuPage Foundation)

Notes to Financial Statements

June 30, 2020 and 2019

Note 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2020
Assets - Investments:					
Domestic common stock	\$ 5,991,181	\$ -	\$ -	\$ -	\$ 5,991,181
Domestic mutual funds	23,550,534	-	-	3,446,695	26,997,229
Emerging markets mutual funds	955,275	-	-	1,618,987	2,574,262
Exchange-traded funds	6,777,356	-	-	-	6,777,356
Fixed-income securities	14,203,451	-	-	4,952,543	19,155,994
Hedge funds	202,605	-	-	1,521,610	1,724,215
International mutual funds	12,421,310	-	-	4,484,339	16,905,649
International common stock	407,762	-	-	-	407,762
Private equity funds	-	-	-	9,222,191	9,222,191
Real estate funds	1,530,289	-	-	-	1,530,289
Total assets	\$ 66,039,763	\$ -	\$ -	\$ 25,246,365	\$ 91,286,128

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2019
Assets - Investments:					
Commodity funds	\$ 47,373	\$ -	\$ -	\$ -	\$ 47,373
Domestic common stock	11,187,005	-	-	-	11,187,005
Domestic mutual funds	14,673,513	-	-	5,455,564	20,129,077
Emerging markets mutual funds	1,900,719	-	-	1,494,464	3,395,183
Exchange-traded funds	10,470,594	-	-	-	10,470,594
Fixed-income securities	13,890,159	-	-	3,250,083	17,140,242
Hedge funds	2,219,364	-	-	1,977,904	4,197,268
International mutual funds	11,773,936	-	-	5,346,390	17,120,326
International common stock	144,152	-	-	-	144,152
Private equity funds	-	-	-	6,487,226	6,487,226
Real estate funds	2,896,944	-	-	-	2,896,944
Total assets	\$ 69,203,759	\$ -	\$ -	\$ 24,011,631	\$ 93,215,390

Investments in Entities That Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

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Notes to Financial Statements

June 30, 2020 and 2019

Note 7 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic mutual funds (a)	\$ 3,446,695	\$ -	Daily	1-2 days
Emerging market mutual funds (b)	1,618,987	-	Daily	1-2 days
Fixed-income securities (c)	4,952,543	-	Daily	None
Funds of hedge funds (d)	1,521,610	-	90 days or less	90 days or less
International mutual funds (e)	4,484,339	-	Daily	2-3 days
Private equity (f)	9,222,191	3,350,000	Not eligible	None
Total	\$ 25,246,365	\$ 3,350,000		

	Investments Held at June 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic mutual funds (a)	\$ 5,455,564	\$ -	Daily	1-2 days
Emerging markets mutual funds (b)	1,494,464	-	Daily	1-2 days
Fixed-income securities (c)	3,250,083	-	Daily	None
Funds of hedge funds (d)	1,977,904	-	90 days or less	90 days or less
International mutual funds (e)	5,346,390	-	Daily	2-3 days
Private equity (f)	6,487,226	3,350,000	Not eligible	None
Total	\$ 24,011,631	\$ 3,350,000		

- (a) Domestic mutual funds invest in domestic equities in the Russell 1000, Midcap, and 2000 Indices with the objective of outperforming the Russell 1000, Midcap, and 2000 Indices.
- (b) Emerging markets mutual funds invest in international securities that are in the MSCI Emerging Markets Index with the objective of replicating the performance of the MSCI Emerging Markets Index.
- (c) Fixed-income securities invest in domestic fixed-income securities with the objective of replicating the BC US Aggregate Bond Index.
- (d) Funds of hedge funds are designated to provide a competitive rate of return. Generally, these investments have a redemption period of 90 days or less and a notification period of 90 days or less. Approximately 0.2 percent of the investments are inside pocket arrangements. The Foundation will not be able to redeem such value from any particular underlying investments until such amount is released from its respective side-pocket arrangement. The Foundation is not able to estimate the timing of receipt of such amounts.
- (e) International mutual funds invest in international securities that are in the MSCI EAFE Index and in the MSCI Emerging Markets Index with the objective of outperforming the MSCI EAFE Index and replicating the performance of the MSCI ACWI ex-US.
- (f) Private equity invests in private equity with the objective of obtaining a competitive rate of return.

Note 8 - Agency Funds

The financial effects of transactions related to agency funds are recorded as changes in the agency funds liability on the statement of financial position and are not included in the statement of activities and changes in net assets. The changes are summarized as follows:

	<u>2020</u>	<u>2019</u>
Additions:		
Deposits	\$ 975,790	\$ 1,909,953
Investment income	399,296	423,888
Net realized and unrealized gain	<u>15,826</u>	<u>597,392</u>
Total additions	1,390,912	2,931,233
Deductions:		
Distributions	1,297,115	809,761
Investment expenses	<u>175,495</u>	<u>170,020</u>
Total deductions	<u>1,472,610</u>	<u>979,781</u>
Change in balance	(81,698)	1,951,452
Agency funds - Beginning of year	<u>18,153,225</u>	<u>16,201,773</u>
Agency funds - End of year	<u>\$ 18,071,527</u>	<u>\$ 18,153,225</u>

Note 9 - Donor-restricted and Board-designated Endowments

The Foundation's endowment consists of 345 individual funds established for a variety of purposes. Endowments include both donor-restricted funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- Donor requests
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions

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Notes to Financial Statements

June 30, 2020 and 2019

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 65,525,168	\$ 65,525,168
Board-designated endowment funds	11,151,190	-	11,151,190
Total funds	\$ 11,151,190	\$ 65,525,168	\$ 76,676,358

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 11,043,534	\$ 67,308,034	\$ 78,351,568
Investment return:			
Investment income	31,528	1,501,934	1,533,462
Net depreciation (realized and unrealized)	(377,212)	(121,982)	(499,194)
Total investment return	(345,684)	1,379,952	1,034,268
Contributions	1,693,574	5,414,949	7,108,523
Appropriation of endowment assets for expenditure	(1,240,234)	(8,577,767)	(9,818,001)
Endowment net assets - End of year	\$ 11,151,190	\$ 65,525,168	\$ 76,676,358

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 67,308,034	\$ 67,308,034
Board-designated endowment funds	11,043,534	-	11,043,534
Total funds	\$ 11,043,534	\$ 67,308,034	\$ 78,351,568

Notes to Financial Statements

June 30, 2020 and 2019

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 10,872,754	\$ 65,386,184	\$ 76,258,938
Investment return:			
Investment income	31,046	1,739,452	1,770,498
Net appreciation (realized and unrealized)	207,825	1,494,649	1,702,474
Total investment return	238,871	3,234,101	3,472,972
Contributions	85,940	6,415,982	6,501,922
Appropriation of endowment assets for expenditure	(154,031)	(7,728,233)	(7,882,264)
Endowment net assets - End of year	\$ 11,043,534	\$ 67,308,034	\$ 78,351,568

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. The corpus and fair value of the funds with deficiencies as of June 30, 2020 were \$16,897,272 and \$8,267,931, respectively, and as of June 30, 2019 were \$13,715,570 and \$6,373,868, respectively. This resulted in deficiencies that are reported in net assets with donor restrictions of \$8,629,341 and \$7,341,702 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from individual donor requests that were deemed appropriate by the board of trustees in order to comply with the donor's intent.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return with acceptable levels of risk, including investment income and capital appreciation, which exceeds the annual distribution.

Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to minimize risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation will use the moving average method to plan year-to-year grants in order to reduce annual variations in the amounts distributed from the aggregate portfolio. The amount will be determined based on the moving average of the portfolio's fair value from the previous 12 quarters (that is, the moving average will be determined in the last quarter of the calendar year based on 12 averaged quarters ending September 30 before the calendar year in which the funds are to be spent). For funds less than three years old, the market value will be the average of all averaged quarters to date. This policy creates more consistent and predictable granting by the Foundation over the long term.

June 30, 2020 and 2019

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment assets are invested in a well-diversified asset mix intended to result in consistent inflation-protected rates of return with sufficient liquidity to make an annual distribution of between 4 percent and 5 percent while growing the funds, if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return, net of fees of approximately 8 percent annually. Actual returns in any given year may vary from this amount. The Foundation has a policy that permits spending from underwater endowment funds in order to comply with donor requests, unless otherwise precluded by relevant laws and regulations. The Foundation will communicate with donors annually the recommended spending for their endowment assets, which is based on the Foundation's spending policy of an annual distribution of between 4 percent and 5 percent. There were grants paid from underwater endowment funds of \$1,267,949 and \$1,596,212 during the years ended June 30, 2020 and 2019, respectively.

Note 10 - Other Liabilities

On April 16, 2020, the Foundation received a Paycheck Protection Program term note through a bank of \$174,300. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program. The note structure required foundation officials to certify certain statements that permitted the Foundation to qualify for the loan and provides loan forgiveness for a portion up to all of the borrowed amount if the Foundation uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will require the Foundation to pay back this amount in full after two years, under 18 equal monthly principal installment payments beginning after the six-month deferral period, with interest at 1.00 percent. The Foundation has the right to prepay any amount outstanding at any time without penalty.