



THE WHITLOCK CO.

CPAs and Consultants

COMMUNITY FOUNDATION OF THE OZARKS, INC.

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2019 AND 2018**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Foundation of the Ozarks, Inc.
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Foundation of the Ozarks, Inc.** (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 audit. 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 of 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 **Community Foundation of the Ozarks, Inc.**, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of combined foundation and agency funds activity is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
October 16, 2019

STATEMENTS OF FINANCIAL POSITION

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 46,496,863	\$ 51,468,493
Current portion of notes receivable	<u>283,261</u>	<u>281,149</u>
Total current assets	<u>46,780,124</u>	<u>51,749,642</u>
Investments		
Diversified investment pool	205,089,611	195,373,075
Other investments	28,913,555	23,120,366
Supporting organization	<u>9,149,460</u>	<u>9,110,339</u>
Total investments	<u>243,152,626</u>	<u>227,603,780</u>
Other assets		
Contributions receivable	709,547	676,397
Notes receivable	1,605,107	852,069
Property and equipment, net of accumulated depreciation of \$686,083 at 2019 and \$643,106 at 2018	1,062,560	1,089,150
Cash surrender value of life insurance policies	1,051,900	1,368,903
Other	<u>-</u>	<u>1,100</u>
Total other assets	<u>4,429,114</u>	<u>3,987,619</u>
Total assets	<u><u>\$ 294,361,864</u></u>	<u><u>\$ 283,341,041</u></u>

LIABILITIES AND NET ASSETS

	June 30,	
	<u>2019</u>	<u>2018</u>
Current liabilities		
Accrued payroll	\$ 57,462	\$ -
Current portion of annuities payable	11,484	25,062
Current portion of notes payable	<u>228,207</u>	<u>153,686</u>
 Total current liabilities	 <u>297,153</u>	 <u>178,748</u>
 Other liabilities		
Annuities payable	230,343	300,591
Notes payable	257,546	409,896
Agency funds	<u>80,203,144</u>	<u>83,361,280</u>
 Total other liabilities	 <u>80,691,033</u>	 <u>84,071,767</u>
 Net assets		
Without donor restriction	7,061,031	6,204,202
With donor restriction	<u>206,312,647</u>	<u>192,886,324</u>
 Total net assets	 <u>213,373,678</u>	 <u>199,090,526</u>
 Total liabilities and net assets	 <u>\$ 294,361,864</u>	 <u>\$ 283,341,041</u>

The accompanying notes are an integral part of the financial statements

STATEMENTS OF ACTIVITIES

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2019		
	Without donor restriction	With donor restriction	Total
Support and revenue			
Contributions	\$ 2,783,539	\$ 22,595,272	\$ 25,378,811
Investment income	745,936	2,998,931	3,744,867
Management fee revenue	2,598,381	-	2,598,381
Net realized gain on investment transactions	664,323	1,720,277	2,384,600
Net unrealized gain on investments	332,039	2,796,097	3,128,136
Annuity actuarial adjustments	-	48,162	48,162
Other revenues	36,882	23,016	59,898
Net assets released from restrictions	16,512,422	(16,512,422)	-
Total support and revenue	23,673,522	13,669,333	37,342,855
Expenses			
Grants	17,846,814	-	17,846,814
Fund administrative fees	2,132,766	-	2,132,766
Cash value life insurance premium expense	349,218	-	349,218
Interest expense	31,275	-	31,275
Other fund expenses	437,012	-	437,012
Management and general	2,549,570	-	2,549,570
Total expenses	23,346,655	-	23,346,655
Increase in net assets	326,867	13,669,333	13,996,200
Reclassifications	529,962	(243,010)	286,952
Net assets at beginning of year	6,204,202	192,886,324	199,090,526
Net assets at end of year	\$ 7,061,031	\$ 206,312,647	\$ 213,373,678

	Year Ended June 30, 2018		
	Without donor restriction	With donor restriction	Total
Support and revenue			
Contributions	\$ 1,300,313	\$ 29,354,634	\$ 30,654,947
Investment income	693,927	2,228,093	2,922,020
Management fee revenue	2,504,724	-	2,504,724
Net realized gain on investment transactions	536,044	1,393,454	1,929,498
Net unrealized gain on investments	1,284,017	4,517,117	5,801,134
Annuity actuarial adjustments	-	(44,498)	(44,498)
Other revenues	17,155	-	17,155
Net assets released from restrictions	<u>15,304,198</u>	<u>(15,304,198)</u>	<u>-</u>
Total support and revenue	<u>21,640,378</u>	<u>22,144,602</u>	<u>43,784,980</u>
Expenses			
Grants	16,417,199	-	16,417,199
Fund administrative fees	2,009,855	-	2,009,855
Cash value life insurance premium expense	279,295	-	279,295
Interest expense	23,854	-	23,854
Other fund expenses	463,657	-	463,657
Management and general	<u>3,229,742</u>	<u>-</u>	<u>3,229,742</u>
Total expenses	<u>22,423,602</u>	<u>-</u>	<u>22,423,602</u>
Increase (decrease) in net assets	(783,224)	22,144,602	21,361,378
Reclassifications	50,185	(1,465,213)	(1,415,028)
Net assets at beginning of year	<u>6,937,241</u>	<u>172,206,935</u>	<u>179,144,176</u>
Net assets at end of year	<u>\$ 6,204,202</u>	<u>\$ 192,886,324</u>	<u>\$ 199,090,526</u>

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

Expenses	<u>Grants</u>	<u>Fund administrative fees</u>	<u>Cash value life insurance premium</u>	<u>Interest expense</u>	<u>Other funds expenses</u>	<u>Management and general</u>	<u>Total</u>
Grants	\$ 17,846,814	\$ 2,629	\$ -	\$ -	\$ -	\$ -	\$ 17,849,443
Management fees	-	2,055,809	-	-	-	-	2,055,809
Salaries and wages	-	-	-	-	-	1,406,117	1,406,117
Insurance	-	-	349,218	-	-	48,136	397,354
Miscellaneous	-	-	-	-	275,228	101,137	376,365
Employee benefits	-	-	-	-	-	282,422	282,422
Interest	-	-	-	31,275	151,984	-	183,259
Utilities	-	-	-	-	-	154,764	154,764
Payroll taxes	-	-	-	-	-	102,801	102,801
Development	-	-	-	-	-	99,435	99,435
Publications	-	-	-	-	-	82,545	82,545
Maintenance	-	-	-	-	-	55,986	55,986
Depreciation	-	-	-	-	-	44,065	44,065
Professional fees	-	-	-	-	-	42,113	42,113
Credit card fees	-	37,760	-	-	-	-	37,760
Affiliate surcharge expense	-	36,568	-	-	-	-	36,568
Supplies	-	-	-	-	-	31,433	31,433
Donor expense	-	-	-	-	-	28,737	28,737
Community outreach	-	-	-	-	-	27,365	27,365
Travel	-	-	-	-	-	23,964	23,964
Rent	-	-	-	-	-	14,390	14,390
Distributions	-	-	-	-	9,800	-	9,800
Board expense	-	-	-	-	-	4,160	4,160
	<u>\$ 17,846,814</u>	<u>\$ 2,132,766</u>	<u>\$ 349,218</u>	<u>\$ 31,275</u>	<u>\$ 437,012</u>	<u>\$ 2,549,570</u>	<u>\$ 23,346,655</u>

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2019	2018
Cash flows from operating activities		
Cash received from contributors	\$ 25,969,491	\$ 28,683,437
Interest and dividends received	3,744,867	2,922,020
Cash paid to grant recipients	(17,846,814)	(16,417,199)
Cash paid to employees and suppliers	(8,546,375)	(6,944,193)
Interest paid	(31,275)	(23,854)
Net cash provided by operating activities	3,289,894	8,220,211
Cash flows from investing activities		
Purchase of property and equipment	(30,839)	(15,671)
Issuance of notes receivable	(945,660)	(400,805)
Proceeds from notes receivable	190,510	914,979
Purchases of investments in diversified pool	(14,156,425)	(27,341,426)
Proceeds (purchases) of other investments	(4,470,594)	2,414,602
Proceeds from sales of investments in diversified pool	8,947,033	23,001,054
Net cash used in investing activities	(10,465,975)	(1,427,267)
Cash flows from financing activities		
Payments on annuity obligations	(25,062)	(24,077)
Payment of loan payable	(153,686)	(154,353)
Proceeds from loan payable	75,857	1,524
Proceeds from contributions restricted for investment in endowment	2,307,342	3,158,222
Net cash provided by financing activities	2,204,451	2,981,316
Net increase (decrease) in cash and temporary cash investments	(4,971,630)	9,774,260
Cash and temporary cash investments at beginning of year	51,468,493	41,694,233
Cash and temporary cash investments at end of year	\$ 46,496,863	\$ 51,468,493

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COMMUNITY FOUNDATION OF THE OZARKS, INC.

STATEMENTS OF CASH FLOWS

(Continued)

	Years Ended June 30,	
	2019	2018
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets (including reclassifications)	\$ 14,283,152	\$ 19,946,350
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	57,429	55,041
Increase (decrease) in actuarial liabilities	(83,826)	5,312
Contributions restricted for long term investments	(2,307,342)	(3,158,222)
Net realized and unrealized gains on investments	(5,512,736)	(7,730,632)
Net change in investment in supporting organization	(39,121)	(42,084)
Gain on sale of fixed assets	-	(2,271)
Decrease (increase) in:		
Contributions receivable	(33,150)	97,868
Other assets	1,100	-
Increase (decrease) in:		
Accrued salaries	57,462	-
Annuity obligations	25,062	24,077
Agency funds	(3,158,136)	(975,228)
Net cash provided by operating activities	\$ 3,289,894	\$ 8,220,211

The accompanying notes are an integral part of the financial statements

COMMUNITY FOUNDATION OF THE OZARKS, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

History and purpose

The Foundation was incorporated in 1973 by a group of Greene County, Missouri citizens who were interested in providing a way for the charitable desires of people to be given permanent, useful expression in furthering the welfare of the community. The Foundation receives, distributes and administers funds for charitable and public purposes for the Springfield Metropolitan area, and 49 regional community foundations serving the southern tier of Missouri.

Basis of presentation

The Foundation prepares its financial statements in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restriction and without donor restrictions.

The FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, (ASU 2016-14) in August 2016. ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about the Foundation's liquidity, financial performance, and cash flows. The Foundation implemented ASU 2016-14 for the year ended June 30, 2019.

Investments

Investments are carried at market value. Most funds participate in either a diversified investment pool or a cash pool using the market value unit method to determine the number of shares to be issued. Realized gains and losses from the diversified investment pool are allocated based on each participating fund's pro-rata share. Funds that don't participate in the Foundation's investment pools are invested individually at other financial institutions and reviewed monthly by CFO staff.

In 2009, the CFO Board of Directors approved committing up to 2% of assets to community investment through low-interest loans when conventional financing sources are not available. This Mission-

Related Investment Program represents the CFO's commitment to the "double-bottom line" of investing in enterprises that produce both financial and social returns for Ozarks communities rather than investing assets solely in financial markets.

Restricted and unrestricted support and revenue

Support that is restricted by the donor is reported as an increase in without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in with donor restriction net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Income taxes

The Foundation is exempt from income taxes under the provisions of the Internal Revenue Code Section 501(a). For the year ended June 30, 2019, the Foundation had no taxable income as a result of unrelated business activities. Accordingly, the financial statements contain no provision for income tax.

Generally Accepted Accounting Principles (GAAP) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as the position the Foundation has taken that the organization is exempt from income taxes.

The Foundation's information return filings are subject to audit by various taxing authorities. The Foundation's open tax audit periods are 2016 through 2019. In evaluating the Foundation's tax positions, interpretations and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on current facts and circumstances.

Cash equivalents

Cash equivalents represent short-term investments with original maturities of three months or less.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Foundation on December 15, 2018. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation is evaluating the effect that ASU 2014-09 will have on their financial statements.

In February 2016, the FASB issued ASU 2016-02 *Leases*. ASU 2016-02 requires recognition of the assets and liabilities that arise from leases. The new standard is effective for fiscal years beginning after December 15, 2020. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2. Investments

The Foundation holds most of its investments in a diversified investment pool which consists of various mutual fund companies. The remainder of its investments are held in separate accounts at various financial institutions.

Investments are composed of the following classes of securities at June 30:

	2019			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	\$ 149,768,048	\$ 16,260,610	\$ -	\$ 166,028,658
Bonds and bond funds	19,421,339	5,290,048	-	24,711,387
Common stocks	-	2,968,073	-	2,968,073
Real estate & other	35,900,224	4,394,824	9,149,460	49,444,508
	<u>\$ 205,089,611</u>	<u>\$ 28,913,555</u>	<u>\$ 9,149,460</u>	<u>\$ 243,152,626</u>
	2018			
	Diversified investment pool	Other investments	Supporting Organization	Total
Mutual funds and similar investments	\$ 140,758,198	\$ 10,870,727	\$ -	\$ 151,628,925
Bonds and bond funds	19,030,351	4,812,108	-	23,842,459
Common stocks	-	3,712,400	-	3,712,400
Real estate & other	35,584,526	3,725,131	9,110,339	48,419,996
	<u>\$ 195,373,075</u>	<u>\$ 23,120,366</u>	<u>\$ 9,110,339</u>	<u>\$ 227,603,780</u>

3. Supporting organizations

The Foundation is the beneficiary of assets consisting primarily of real estate held by a supporting organization. Under the terms of the supporting organization, the Foundation has the irrevocable right to receive all of the income earned on the assets. The Foundation has recorded its interest in these assets based on the fair value of assets held by the supporting organization. Net gain on assets held by the supporting organization of \$39,121 and \$42,084 were recognized in 2019 and 2018, respectively.

4. Notes receivable

Notes receivable at June 30, consists of the following:

	<u>2019</u>	<u>2018</u>
Note receivable from Gainsville Biomass dated April 8, 2011 in the original amount of \$1,064,894 to assist the school district with the purchase of a Biomass HVAC Unit. Note is paid in monthly installments of \$9,682, including interest at 1%. Note is scheduled to mature on March 1, 2022.	\$ 269,340	\$ 391,697
Note receivable from Chadwick School District dated April 23, 2015 in the original amount of \$65,250 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of \$862, including interest at 1%. Note is scheduled to mature on March 23, 2022.	27,912	37,972
Note receivable from Licking School District dated June 5, 2015 in the original amount of \$205,672 to assist the school district with the purchase of ground source heat pumps. Note is paid in monthly installments of \$1,802, including interest at 1%. Note is scheduled to mature on June 5, 2025.	125,862	146,114
Note receivable from Blansit Investment Group dated January 6, 2016 in the original amount of \$72,000 to assist the group with the infill of some property. Note is paid in monthly installments of \$702, including interest at 3.250%. Note is scheduled to mature on March 6, 2021.	50,200	56,630
Note receivable from Friends of the Zoo dated March 7 , 2018 in the original amount of \$100,000 to assist Dickerson Park Zoo in maintaining operations. Note is paid in monthly installments of accrued interest at 3.00%. Note is scheduled to mature on October 31, 2019.	100,000	100,000

Note Receivable from Freeway Ministries dated August 22, 2018 in the original amount of \$400,000 to assist the borrower in purchasing a building. Note is paid in monthly installments of \$3,056, including interest at 4.50%. Note is scheduled to mature on August 22, 2023.	388,424	-
Note receivable from the Simmering Center dated April 9, 2019 in the original amount of \$61,250 to provide the assist the borrower in purchasing a building. Note is paid in monthly installments of \$650, including interest at 5.00%. Note is schedule to mature on April 1, 2029	60,484	-
Note receivable from Springfield Little Theater dated June 5, 2018 in the original amount of \$1,214,000 to provide the theatre with funds to help with structural updating. Note is paid in monthly installments \$3,818, including interest at 3.75%. Note is scheduled to mature on January 5. 2023.	<u>866,146</u>	<u>400,805</u>
	1,888,368	1,133,218
Less current portion	<u>283,261</u>	<u>281,149</u>
	<u>\$ 1,605,107</u>	<u>\$ 852,069</u>

5. Notes payable

Notes payable at June 30, consist of the following:

	<u>2019</u>	<u>2018</u>
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the original amount of \$740,000 with funds used to assist the Gainsville School District with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of \$6,852, including no interest. Note is scheduled to mature on July 31, 2021.	\$ 171,284	\$ 253,507
Note payable to White River Valley Electric Cooperative, Inc. dated August 18, 2011, in the original amount of \$360,000 with funds used to assist the Gainsville School District with the purchase of a Biomass HVAC unit. Note is payable in monthly installments of \$3,334, including no interest. Note is scheduled to mature on July 31, 2021.	83,278	123,287

Note payable to Intercounty Electric Coop Assoc. dated October 1, 2015 in the original amount of \$206,000 with funds used to assist the Licking School District with the purchase of ground source heat pumps. Note is payable in monthly installments of \$1,717, including no interest. Note is scheduled to mature on October 1, 2025.	127,033	147,633
Note payable to White River Valley Electric Cooperative, Inc. dated March 23, 2015, in the original amount of \$65,250 with funds used to assist the Chadwick School District with the purchase of ground source heat pumps. Note is payable in monthly installments of \$833, including interest at 2.00%. Note is scheduled to mature on May 23, 2022.	29,158	39,155
Note payable to Bass Pro Shops dated March 19, 2019, in the original amount of \$75,000 with funds used to fund the Bass Pro Cares Fund, a component of CFO. Note was paid in full on July 16, 2019	<u>75,000</u>	<u>-</u>
	485,753	563,582
Less current portion	<u>228,207</u>	<u>153,686</u>
	<u>\$ 257,546</u>	<u>\$ 409,896</u>

The maturities of the notes payable during future fiscal years are as follows:

2020	\$ 228,207
2021	152,542
2022	39,771
2023	20,600
2024	20,600
Thereafter	<u>24,033</u>
Total notes payable maturities	<u>\$ 485,753</u>

6. Agency funds

Agency funds represent funds held by the Foundation on behalf of other entities that have retained the right to designate the recipients of the earnings and principal of funds. See the accompanying supplemental information for changes in agency funds for the years ended June 30, 2019 and 2018.

7. Net assets

At June 30, 2019, restricted net assets consisting of gifts and other unexpended revenue and gains totaling \$125,474,166 are available for grants in the areas of human services, education, arts and culture, health, and community betterment. Restricted endowment net assets consist of \$80,838,481,

the earnings from which are spendable for human services, education, arts and culture, health, and community betterment.

Due to investment performance, some of the individual donor restricted endowment funds have fair values that are cumulatively less than the amount of the corpus by approximately \$531,599. Corpus includes the aggregate of gift additions to the funds and investment return required to be retained. Such endowments are commonly referred to as “underwater” endowments. The Foundation intends to continue to invest its endowment funds prudently so that these funds are restored to their historical corpus amounts and subsequently produce positive earnings that can be used consistent with the purpose of the funds.

8. Pension plans

The Foundation has a defined contribution plan covering the participating employees who make contributions to the Plan. The Foundation makes a contribution to the Plan each month equal to the amount of the participants’ contributions, not to exceed an annual contribution of 5% of the participants’ annual salaries. Total expense for the years ended June 30, 2019 and 2018, were approximately \$59,655 and \$56,519, respectively.

9. Disclosure about fair value of assets and liabilities

Financial Accounting Standards Board (FASB) Accounting Standards Codification (*ASC*) 820, "*Fair Value Measurements and Disclosures*," establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 defines fair value as 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. *ASC 820* also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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 for identical or similar assets 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include

investments in hedge funds and real estate investment trusts. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include other less liquid securities.

The following tables presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	Fair Value Measurements Using			
	06/30/19 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	\$ 2,799,015	\$ 2,799,015	\$ -	\$ -
Vanguard 500 Inst'l Index Fund	16,056,461	16,056,461	-	-
Vanguard Value Index Fund	8,399,203	8,399,203	-	-
Vanguard Inflation PS Fund	6,243,299	6,243,299	-	-
Vanguard Total Bond Fund	15,731,195	15,731,195	-	-
Vanguard Dividend Growth Fund	7,845,666	7,845,666	-	-
Vanguard Extended Index Fund	15,604,982	15,604,982	-	-
Victory Sycamore Mid Cap Fund	6,234,565	6,234,565	-	-
Westfield HSBC	6,737,374	6,737,374	-	-
Artisan International	16,854,103	16,854,103	-	-
Dodge & Cox	9,586,496	9,586,496	-	-
Parametric Emerging Markets	15,657,709	15,657,709	-	-
Met West Total Return	15,804,035	15,804,035	-	-
IShares REIT	6,213,945	6,213,945	-	-
Polaris	9,504,892	-	9,504,892	-
Colchester	9,916,447	-	9,916,447	-
TAPS Fund	5,451,373	-	-	5,451,373
Anchorage Capital	3,963,842	-	-	3,963,842
Blackstone Partners Invest. Fund	8,027,734	-	-	8,027,734
Farallon Capital	5,477,075	-	-	5,477,075
Knighthead Offshore Fund	5,066,535	-	-	5,066,535
Highline Capital, Ltd.	3,929,795	-	-	3,929,795
Valinor Capital Partners Offshore	3,983,870	-	-	3,983,870
Other investment portfolios:				
Mutual funds and				
common stock	19,228,683	19,228,683	-	-
Bonds	5,290,048	-	5,290,048	-
Real estate and other				
investment property	4,394,824	-	-	4,394,824
Supporting Organization	<u>9,149,460</u>	<u>-</u>	<u>-</u>	<u>9,149,460</u>
	<u>\$ 243,152,626</u>	<u>\$ 168,996,731</u>	<u>\$ 24,711,387</u>	<u>\$ 49,444,508</u>

Fair Value Measurements Using

	06/30/18 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Diversified Pool:				
Cash and cash equivalents	\$ 438,140	\$ 438,140	\$ -	\$ -
Mission related investments	104,480	-	-	104,480
Vanguard 500 Inst'l Index Fund	15,539,266	15,539,266	-	-
Vanguard Value Index Fund	7,877,366	7,877,366	-	-
Vanguard Total Bond Fund	14,891,003	14,891,003	-	-
Vanguard Inflation Protected Fund	5,962,904	5,962,904	-	-
Vanguard Dividend Growth Fund	7,417,654	7,417,654	-	-
Vanguard Extended Index Fund	15,870,822	15,870,822	-	-
Victory Sycamore Mid Cap Fund	6,088,923	6,088,923	-	-
Westfield HSBC	7,239,338	7,239,338	-	-
Artisan International	14,942,265	14,942,265	-	-
Dodge & Cox	9,097,147	9,097,147	-	-
Met West Total Return	14,898,007	14,898,007	-	-
Brookfield	6,166,138	6,166,138	-	-
Parametric Emerging Markets	14,329,225	14,329,225	-	-
Polaris	9,608,246	-	9,608,246	-
Colchester	9,422,105	-	9,422,105	-
Anchorage Capital	3,910,520	-	-	3,910,520
TAPS Fund	5,967,574	-	-	5,967,574
Blackstone Partners Invest. Fund	7,686,106	-	-	7,686,106
Farallon Capital	5,036,255	-	-	5,036,255
Knighthead Offshore Fund	4,664,157	-	-	4,664,157
Highline Capital, Ltd.	4,193,982	-	-	4,193,982
Valinor Capital Partners Offshore	4,021,452	-	-	4,021,452
Other investment portfolios:				
Mutual funds and common stock	14,583,127	14,583,127	-	-
Bonds	4,812,108	-	4,812,108	-
Real estate and other investment property	3,725,131	-	-	3,725,131
Supporting Organization	<u>9,110,339</u>	<u>-</u>	<u>-</u>	<u>9,110,339</u>
	<u>\$ 227,603,780</u>	<u>\$ 155,341,325</u>	<u>\$ 23,842,459</u>	<u>\$ 48,419,996</u>

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level 3) inputs:

	<u>Hedge funds</u>	<u>Real estate and other</u>	<u>Supporting</u>	<u>Total</u>
Balance, beginning of year	\$ 35,584,526	\$ 3,725,131	\$ 9,110,339	\$ 48,419,996
Transfers in and out of Level 3	-	-	-	-
Total realized and unrealized gains and losses included in change in net assets	420,178	53,788	39,121	513,087
Purchases, issues, sales, and settlements:				
Purchases	-	632,386	-	632,386
Sales	<u>(104,480)</u>	<u>(16,481)</u>	<u>-</u>	<u>(120,961)</u>
Balance, end of year	<u>\$ 35,900,224</u>	<u>\$ 4,394,824</u>	<u>\$ 9,149,460</u>	<u>\$ 49,444,508</u>
Change in unrealized gains or losses for the period included in changes in net assets for assets held at the end of the reporting period	\$ 420,178	\$ 53,788	\$ -	\$ 473,966

Quantitative information about significant unobservable inputs used in the measurement of fair value for Level 3 investments is not developed by the Foundation and is not considered reasonably available. Therefore, the Foundation is not subject to the disclosure requirements under FASB Codification Topic 820 *Fair Value Measurement* regarding quantitative information about significant unobservable inputs used in Level 3 fair value measurement.

Additional disclosures as required per FASB Codification Topic 820 set forth in the following table are certain private equity funds' redemption frequency and redemption notice periods:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Anchorage Capital	\$ 3,963,842	monthly	90 days
TAPS Fund	5,451,373	monthly	5 days
Blackstone Partners Invest. Fund	8,027,734	monthly	95 days
Farallon Capital	5,477,075	monthly	45 days
Knighthead Offshore Fund	5,066,535	monthly	90 days
Highline Capital, Ltd.	3,929,795	monthly	30 days
Valinor Capital Partners Offshore	3,983,870	monthly	60 days

10. Endowments

The Foundation's endowment consists of approximately 1,383 individual funds. Most are donor-restricted endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as with donor restriction net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Interpretation of relevant law

- The duration and preservation of funds
- The purposes of the donor-restricted endowment funds
- General economic conditions
- 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

Return objectives and risk parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objectives relate to spending policy

Spending is guided by several factors; most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and distributions from endowment funds to 4% of the value of fund assets based on a 12-quarter rolling average. The spending amount will be calculated by multiplying the 12-quarter rolling average of fund assets times 4%, divided by 4 (to arrive a quarterly spending).

Furthermore, in recognition of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), spending shall comply with the evolving “prudent spending” guidelines of UPMIFA. This policy will be reviewed annually as part of the budgeting process. Investment managers should be given

ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

Endowment net assets composition by type of fund and changes in endowment net assets

For the Year Ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets, 7/01/18	\$ -	\$ 136,747,304	\$ 136,747,304
Contributions	-	8,439,888	8,439,888
Other income	-	180,208	180,208
Investment return:			
Interest and dividends	-	1,089,378	1,089,378
Net appreciation	-	1,840,132	1,840,132
Reclassifications	-	879,658	879,658
Released from restrictions	<u>-</u>	<u>(3,905,223)</u>	<u>(3,905,223)</u>
Net assets, 6/30/19	<u>\$ -</u>	<u>\$ 145,271,345</u>	<u>\$ 145,271,345</u>

For the Year Ended June 30, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets, 7/01/17	\$ -	\$ 128,053,421	\$ 128,053,421
Contributions	-	7,547,160	7,547,160
Other income	-	194,463	194,463
Investment return:			
Interest and dividends	-	948,268	948,268
Net depreciation	-	2,694,468	2,694,468
Reclassifications	-	684,787	684,787
Released from restrictions	<u>-</u>	<u>(3,375,263)</u>	<u>(3,375,263)</u>
Net assets, 6/30/18	<u>\$ -</u>	<u>\$ 136,747,304</u>	<u>\$ 136,747,304</u>

11. Liquidity and availability of resources

The Foundation's financial assets available within one year of the statement of financial position for general expenditure are as follows:

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 46,496,863
Current portion of notes receivable	283,261
Investments	<u>243,152,626</u>
	<u>289,932,750</u>
Less assets unavailable for general expenditure:	
Accrued payroll	57,462
Current portion of annuities payable	11,484
Current portion of notes payable	228,207
Agency funds	80,203,144
Assets that are restricted by donor	<u>206,312,647</u>
	<u>286,812,944</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,119,806</u>

The Foundation's financial assets are supported by contributions and investment returns. A portion of the Foundation's investments are donor restricted for future needs of the Foundation. Notes receivable and notes payable are unique in that the debt is passed through the Foundation to community organizations.

12. Reclassifications

From time to time, the Foundation reviews its classifications of donor restricted net assets. As part of the review process, funds are analyzed and reclassified if needed. This year, the Foundation identified funds where the donor had switched their intention, or earnings had previously been allocated to a different fund.

13. Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 16, 2019, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

COMMUNITY FOUNDATION OF THE OZARKS, INC.
SCHEDULE OF COMBINED FOUNDATION AND AGENCY FUNDS ACTIVITY

	<u>Year Ended June 30, 2019</u>			<u>Year Ended June 30, 2018</u>		
	<u>Foundation Funds</u>	<u>Agency Funds</u>	<u>Total</u>	<u>Foundation Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Support and revenue						
Contributions	\$ 25,378,811	\$ 20,913,224	\$ 46,292,035	\$ 30,654,947	\$ 28,291,770	\$ 58,946,717
Investment income	3,744,867	1,735,980	5,480,847	2,922,020	1,513,372	4,435,392
Management fee revenue	2,598,381	-	2,598,381	2,504,724	-	2,504,724
Net realized gain on investment transactions	2,384,600	626,560	3,011,160	1,929,498	588,514	2,518,012
Net unrealized gain (loss) on investments	3,128,136	939,599	4,067,735	5,801,134	2,281,812	8,082,946
Other revenues	59,898	-	59,898	17,155	-	17,155
Annuity actuarial adjustments	<u>48,162</u>	<u>-</u>	<u>48,162</u>	<u>(44,498)</u>	<u>-</u>	<u>(44,498)</u>
Total support and revenue	<u>37,342,855</u>	<u>24,215,363</u>	<u>61,558,218</u>	<u>43,784,980</u>	<u>32,675,468</u>	<u>76,460,448</u>
Expenses						
Grants	17,846,814	26,160,373	44,007,187	16,417,199	34,144,560	50,561,759
Fund administrative fees	2,132,766	768,330	2,901,096	2,009,855	708,693	2,718,548
Cash value life insurance premium expense	349,218	-	349,218	279,295	-	279,295
Interest expense	31,275	-	31,275	23,854	-	23,854
Other fund expenses	437,012	157,844	594,856	463,657	170,330	633,987
Management and general	<u>2,549,570</u>	<u>-</u>	<u>2,549,570</u>	<u>3,229,742</u>	<u>-</u>	<u>3,229,742</u>
Total expenses	<u>23,346,655</u>	<u>27,086,547</u>	<u>50,433,202</u>	<u>22,423,602</u>	<u>35,023,583</u>	<u>57,447,185</u>
Increase (decrease) in available funds	13,996,200	(2,871,184)	11,125,016	21,361,378	(2,348,115)	19,013,263
Reclassifications	286,952	(286,952)	-	(1,415,028)	1,372,887	(42,141)
Total - beginning of year	<u>199,090,526</u>	<u>83,361,280</u>	<u>282,451,806</u>	<u>179,144,176</u>	<u>84,336,508</u>	<u>263,480,684</u>
Total - end of year	<u>\$ 213,373,678</u>	<u>\$ 80,203,144</u>	<u>\$ 293,576,822</u>	<u>\$ 199,090,526</u>	<u>\$ 83,361,280</u>	<u>\$ 282,451,806</u>

See independent auditor's report.