

**THE PARASOL TAHOE COMMUNITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**(WITH COMPARATIVE TOTALS  
AT DECEMBER 31, 2017)**

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
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DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2017)

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## Independent Auditors' Report

To the Board of Directors of  
The Parasol Tahoe Community Foundation, Inc.  
Incline Village, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of The Parasol Tahoe Community Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Parasol Tahoe Community Foundation, Inc. as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 12 to the financial statements, The Parasol Tahoe Community Foundation, Inc. has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the December 31, 2017 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, The Parasol Tahoe Community Foundation, Inc. adopted ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This provision removed the requirement to categorize investments measured at fair value by using the net asset value per share as a practical expedient within the fair value hierarchy. Our opinion is not modified with respect to this matter

**Report on Summarized Comparative Information**

The 2017 financial statements of The Parasol Tahoe Community Foundation, Inc. were audited by Kohn & Company LLP, who joined Eide Bailly LLP on December 3, 2018, and whose reported dated May 10, 2018 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
May 9, 2019

The Parasol Tahoe Community Foundation, Inc..  
Statement of Financial Position  
December 31, 2018  
(With Comparative Totals at December 31, 2017)

ASSETS	2018	2017 (Memorandum Only)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,033,225	\$ 2,291,867
Accounts receivable	5,619	1,927
Prepaid expenses	20,676	18,166
Total current assets	2,059,520	2,311,960
<b>NONCURRENT ASSETS</b>		
Property and equipment, net of accumulated depreciation of \$2,684,670 and \$2,644,400 for 2018 and 2017, respectively	4,147,968	4,299,957
<b>OTHER ASSETS</b>		
Investments	63,913,509	68,609,019
Artwork	11,230	11,230
	63,924,739	68,620,249
Total assets	\$ 70,132,227	\$ 75,232,166
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Grants payable	\$ 240,000	\$ 57,712
Accounts payable	3,195	43,900
Accrued expenses	12,162	9,097
Deferred revenue	15,800	15,100
Funds held as agency reserves and endowments	15,456,202	16,279,591
Split interest agreements	268,135	305,701
Total current liabilities /	15,995,494	16,711,101
Total liabilities	15,995,494	16,711,101
<b>NET ASSETS</b>		
Without donor restrictions		
Designated for donor advised grants	36,016,493	39,159,061
Designated by the board for operating reserve	1,356,593	1,502,149
	37,373,086	40,661,210
With donor restrictions		
Restricted for specified purpose	2,883,885	3,367,089
Restricted for capital purposes	4,093,990	4,231,347
Restricted for passage of time	603,977	582,128
Restricted for endowment	9,181,795	9,679,291
	16,763,647	17,859,855
Total net assets	54,136,733	58,521,065
Total liabilities and net assets	\$ 70,132,227	\$ 75,232,166

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECMEBER 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total (Memorandum Only)
<b>PUBLIC SUPPORT, REVENUE AND RECLASSIFICATIONS</b>				
Donations	\$ 3,530,688	\$ 15,200	\$ 3,545,888	\$ 1,655,971
Net investment returns	(2,195,224)	(393,804)	(2,589,028)	7,768,619
Program service fees	197,464	6,650	204,114	221,760
In-kind program service fees	363,858	-	363,858	223,598
Net assets released	724,254	(724,254)	-	-
Total public support, revenue and reclassifications	2,621,040	(1,096,208)	1,524,832	9,869,948
<b>EXPENSES</b>				
Program services	5,417,271	-	5,417,271	3,054,002
Support services				
Administrative support	305,286	-	305,286	357,419
Development and fund raising	174,881	-	174,881	162,908
Total support services	480,167	-	480,167	520,327
Total expenses	5,897,438	-	5,897,438	3,574,329
<b>OTHER LOSSES</b>				
Loss on abandonment of property and equipment	(11,726)	-	(11,726)	-
<b>CHANGE IN NET ASSETS</b>	(3,288,124)	(1,096,208)	(4,384,332)	6,295,619
<b>NET ASSETS, beginning of year, as restated</b>	40,661,210	17,859,855	58,521,065	52,225,446
<b>NET ASSETS, end of year</b>	\$ 37,373,086	\$ 16,763,647	\$ 54,136,733	\$ 58,521,065

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECMEBER 31, 2017)

	2018				2017
	Program Services	Supporting Services		Total	Total (Memorandum only)
		Administrative Support	Development and Fundraising		
Advertising	\$ 105	\$ -	\$ 5,724	\$ 5,829	\$ 12,012
Conferences	-	3,976	-	3,976	5,230
Contract services	114,940	-	-	114,940	64,673
Depreciation	162,909	6,016	-	168,925	186,553
Employee benefits	8,450	6,323	457	15,230	17,610
Events	-	-	55,287	55,287	43,420
Fees for services-accounting	-	18,403	-	18,403	19,167
Information technology	32,984	-	1,871	34,855	20,431
Insurance	21,427	5,780	-	27,207	25,989
Miscellaneous	-	9,713	-	9,713	1,786
Occupancy	111,048	-	-	111,048	126,458
Office expenses	12,407	39,773	6,196	58,376	61,738
Payroll taxes	8,017	24,647	4,836	37,500	39,464
Salaries/wages	199,629	189,389	100,510	489,528	502,180
Travel	-	1,266	-	1,266	2,548
	<u>671,916</u>	<u>305,286</u>	<u>174,881</u>	<u>1,152,083</u>	<u>1,129,259</u>
Grants					
In-kind grants given	363,858	-	-	363,858	223,598
Grants given	4,381,497	-	-	4,381,497	2,221,472
	<u>4,745,355</u>	<u>-</u>	<u>-</u>	<u>4,745,355</u>	<u>2,445,070</u>
	<u>\$ 5,417,271</u>	<u>\$ 305,286</u>	<u>\$ 174,881</u>	<u>\$ 5,897,438</u>	<u>\$ 3,574,329</u>

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECMEBER 31, 2017)

	2018	2017 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,384,332)	\$ 6,295,619
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	168,925	186,552
Loss on disposal of fixed assets	11,726	-
Realized and unrealized (gain) loss on investments, net	3,363,752	(6,923,598)
Changes in certain components of operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(3,692)	717
Prepaid expenses	(2,510)	(8)
Increase (decrease) in:		
Grants payable	182,288	(39,711)
Accounts payable	(40,705)	28,194
Accrued expenses	3,065	(1,500)
Deferred revenue	700	(5,800)
Net cash flows from operating activities	(700,783)	(459,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,584,712	5,474,612
Purchase of investments	(3,113,909)	(4,201,222)
Purchase of furniture and equipment	(28,662)	(5,072)
Net cash flows from investing activities	442,141	1,268,318
NET CHANGE IN CASH AND CASH EQUIVALENTS	(258,642)	808,783
CASH AND CASH EQUIVALENTS, beginning of year	2,291,867	1,483,084
CASH AND CASH EQUIVALENTS, end of year	\$ 2,033,225	\$ 2,291,867



NOTES TO FINANCIAL STATEMENTS

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Parasol Tahoe Community Foundation, Inc. (the Foundation) was formed in 1996 as a tax-exempt, non-profit organization to benefit the Lake Tahoe Region. The Foundation envisions a thriving community created through meaningful philanthropy, inclusive communication, and the willingness to explore possibilities together.

The Foundation fulfills its mission of cultivating community philanthropy to enhance and preserve the quality of life at Tahoe by providing and assisting donors with a variety of charitable giving vehicles, supporting charitable organizations through effective grantmaking and partnering with others to create innovative solutions to community issues. It is the intention of the Foundation to continue to build charitable resources that will benefit the community today and well into the future.

Additionally, the Foundation operates the Donald W. Reynolds Community Non-Profit Center (DWR Center) which opened in August 2002. The purpose of the DWR Center is to provide an economical and collaborative environment for non-profit organizations. This innovative in-kind grant program provides local non-profit organizations with furnished office space, secure storage space and access to professional meeting rooms and event space. Operational support through the DWR Center has allowed local organizations to focus their fundraising efforts on supporting programs and services, rather than operational overhead, which has resulted in improved quality and increased quantity of services available in the community. Last year the DWR Center housed eleven non-profit offices and its meeting rooms and resources were accessed by an additional forty-five non-profit organizations. These accommodations and resources are provided by the Foundation at little or no cost.

Basis of Accounting

The Foundation prepares its financial statements using the accrual method of accounting, which recognizes revenue as earned and expenses as incurred, in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Investments

Investments in debt funds and equity funds with readily determinable market values are recorded at fair value with gains and losses included in the statement of activities. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. Securities are held in custodial investment accounts administered by certain financial institutions.

Fund investments are made according to the investment objectives and policies adopted by the Foundation's Board. These guidelines provide for investment in equities and fixed income securities with performance measured against the appropriate indices.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Investments (Continued)

In general, fund investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Accounts Receivable

The Foundation records support fees and unconditional promises to give that are expected to be collected within one year at net realizable value. These accounts are considered fully collectible by management; therefore, no allowance for doubtful accounts is included in the financial statements.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Such gifts of assets are reported as without donor restrictions unless donor stipulations specify how the donated assets must be used. The basis of property and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated, and any gain or loss is reported in other losses. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their useful lives on a straight-line basis. The estimated useful lives for office furniture, computers and program equipment range from three to ten years, and twenty to fifty years for buildings, service equipment and improvements.

The Foundation reviews the carrying value of equipment and leasehold improvements for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use or eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2018.

Artwork

Artwork is recorded at fair market value at the date of receipt for donated items.

Grants Payable

The Foundation records grants payable when the grants are approved under procedures established by the Board. All grants are made in accordance with the terms of the various governing instruments and are subject to approval by the Board. These grants can only be given to public charities, government agencies, schools and faith based organizations. In particular, the Foundation cannot provide grants to "partially-exempt" organizations such as social clubs and homeowner associations, private non-operating foundations or individuals.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Deferred Revenue and Prepaid Expenses

Funds received as deposits for meeting room use within the Donald W. Reynolds Non-Profit Center been recorded as deferred revenue. Any paid expenses related to future periods or events have been recorded as prepaid.

Funds Held as Agency Reserves and Endowments

FASB ASC 605, Transfers of Assets to a Not-for Profit Organization or Charitable Trust that Raises or Holds Contributions for Others establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. FASB ASC 605 specifically requires that, if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation refers to such funds as agency reserves and endowments.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for donor advised grants and net assets for an operating reserve.

*Net Assets With Donor Restrictions* – Net assets subject to donor-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. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donor-advised funds are gifts to the Foundation which are held and administered by the Foundation pursuant to written agreements with the donors. These agreements include the consideration of grants advised or recommended by the donor. While ultimate responsibility for disposition of these funds rests with the Foundation, every effort is made to seek the ongoing advice of the donor in order to effectuate the donor's intentions most closely. Donor-advised funds are subject to a variance power which provides the Foundation a way to administer funds that are no longer in a position to continue being used as originally intended. The Foundation plans to follow the intentions of the donor requests, except when the purpose for which the funds were created has become obsolete, without donor restrictions or incapable of fulfillment. Most of the Foundation's donor-advised funds are classified as without donor restrictions because they do not have specific restrictions on purpose or time. Current year contributions of donor-advised funds are reflected in the statement of activities in the accompanying financial statements.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Net Assets (Continued)

The Board of Directors has set aside a portion of the net assets without donor restrictions as a reserve fund for potential cash flow shortages. The Board may change the designation of these net assets in the future.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Pursuant to the construction grant agreement between The Parasol Tahoe Community Foundation, Inc. and the Donald W. Reynolds Foundation, the Foundation was obliged to commit \$1,324,300 to a restricted fund for the maintenance and upkeep of the non-profit center building and equipment such that it is maintained in "first-class" condition. During the year ended June 30, 2014, the grantor notified the Foundation that they could utilize up to 5% of the corpus each year for annual expenditures; however, the restriction on the type of expenditures is unchanged. The capital replacement fund, totaling \$2,300,213 cannot be used to operate the building or for its routine custodial services; however, \$1,340,095 of this amount is in excess of the amount required by the Donald W. Reynolds Foundation grant and is, therefore, available for use by the Foundation within the limits set out in the grant and included with other restricted net assets. Additionally, there are requirements related to the maintenance of the capital replacement fund in the lease described in Note 11.

The Donald W. Reynolds Community Non-Profit Center, less accumulated depreciation, and the capital replacement fund are considered restricted by virtue of a grant agreement for the construction of the building which states that the Foundation cannot use it for any purpose other than those approved by the grant. See Note 11.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Pledges are reported net of an allowance for uncollectible amounts and a discount to the present value of the future cash flows. Uncollectible promises are expected to be insignificant.

In-Kind Contributions

Contributed professional services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals. The Foundation reports as revenue the fair value of contributed services that would have been purchased had they not been donated.

In-kind contributions of equipment are recorded when there is an objective basis upon which to value these contributions, and when the contributions are an essential part of the Foundation's activities.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code 501(c)(3) and has been classified as a non-private foundation. Accordingly, no provision for federal income tax is reflected in the financial statements. Tax positions to consider include but are not limited to:

- Status as a non-private foundation
- Classification of excess contributions, unusual grants and their public support percentage
- Characterization of its activities as related or unrelated to its tax exempt purpose

It is the Foundation's tax position that it has not engaged in any activities that would jeopardize its tax exempt status. The income and expenses attributable to pass-through unrelated business income has been properly reported as unrelated activities.

Subsequent Events

Subsequent events have been evaluated through May 9, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and equivalents	\$	261,840
Accounts receivable		5,619
Endowment spending-rate distributions		407,181
	\$	<u>674,640</u>

In addition to these funds available for general expenditures, the Foundation's Board has chosen to charge an administrative fee to all funds based on the funds' average daily market value over the preceding quarter. The fees are assessed on a quarterly basis. Administrative fees of \$456,905 for 2018 and \$433,259 for 2017 were charged to specific funds. Such administrative fee income (Operating Fund) and administrative fee expense (other funds) is netted in the presentation of the statement of activities. Estimated administrative fees for general expenditure in 2019 are \$445,000.

As part of a liquidity management plan, cash in excess of daily requirements is invested in money market funds, equities, bonds and alternative investments. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$1,356,593 as of December 31, 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE

The fair value of investments as of December 31, 2018 and December 31, 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Domestic Equity Funds/Common Stock	\$ 23,561,086	\$ 26,619,761
International Equity Funds	11,028,653	12,238,306
Bonds and Treasury Funds	17,372,169	17,316,695
Alternate Investment Funds	11,951,601	12,434,257
	<u>\$ 63,913,509</u>	<u>\$ 68,609,019</u>

Investment return for the years ending December 31 is:

	<u>2018</u>		
	<u>Interest and</u>	<u>Net realized</u>	
	<u>dividends</u>	<u>and</u>	<u>Total</u>
		<u>unrealized</u>	
		<u>gains and</u>	
		<u>losses</u>	
Reported on income statement	\$ 854,236	\$ (3,443,264)	(2,589,028)
Received from split interest and agency funds	292,181	(605,617)	(313,436)
Total	<u>\$ 1,146,417</u>	<u>\$ (4,048,881)</u>	<u>(2,902,464)</u>

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE (Continued)

		2017	
	Interest and dividends	Net realized and unrealized gains and losses	Total
Reported on income statement	\$ 845,021	\$ 6,923,598	7,768,619
Received from split interest and agency funds	252,762	1,649,545	1,902,307
Total	\$ 1,097,783	\$ 8,573,143	9,670,926

FASB ASC 820, *Fair Value Measurements* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs are not available.

*Level 1 Fair Value Measurements*

The fair values of domestic equity funds/common stock, international equity funds, treasury funds and corporate bonds are based on quoted market prices, when available.

*Level 2 Fair Value Measurements*

The fair values of bond and equity funds for which quoted market prices are not available are provided by the investment manager in monthly statements. The bond and equity funds are valued by the custodians of the securities using pricing models based on credit quality and market-rate assumptions.

*Level 3 Fair Value Measurement*

These inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available. There are no investments valued using Level 3 inputs at December 31, 2018 and December 31, 2017.

The Foundation uses Net Asset Value (NAV) per share, or its equivalent, to estimate the fair value of private equity investments that consist of domestic equity securities which do not have readily determinable fair values. Investments valued at NAV are not classified within the fair value hierarchy.



THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE (Continued)

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost, and private equity investments at NAV as identified below, as of December 31, 2018:

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total
<u>2018</u>			
Domestic Equity Funds/ Common Stock	\$ 23,561,086	\$ -	\$ 23,561,086
International Equity Funds	11,028,653	-	11,028,653
Bonds and Treasury Funds	16,020,061	1,352,108	17,372,169
Alternate Investment Funds (NAV)	-	-	11,951,601
	<u>\$ 50,609,800</u>	<u>\$ 1,352,108</u>	<u>\$ 63,913,509</u>
<u>2017</u>			
Domestic Equity Funds/ Common Stock	\$ 26,619,761	\$ -	\$ 26,619,761
International Equity Funds	12,238,306	-	12,238,306
Bonds and Treasury Funds	16,004,373	1,312,322	17,316,695
Alternate Investment Funds (NAV)	-	-	12,434,257
	<u>\$ 54,862,440</u>	<u>\$ 1,312,322</u>	<u>\$ 68,609,019</u>

Gains and losses (realized and unrealized) included in the change in net assets for the twelve months December 31, 2018 are reported in net realized and unrealized gains (losses) on investments. Interest and dividend income are reported in the statement of activities as in interest and dividend income.

Fair Value Measurement and Disclosure (Topic 820): Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) requires disclosures of certain attributes in entities that calculate a net asset value per share (or its equivalent) and do not have readily determinable fair value. The following table sets forth the disclosure of the attributes:

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long/Short Hedge Funds	\$ 4,594,482	\$ -	Quarterly or Montly	45-90 days
Multi Strategy Hedge Funds	7,357,120	-	Quarterly	60-90 days
	<u>\$ 11,951,602</u>	<u>\$ -</u>		

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 3 - INVESTMENTS AND FAIR VALUE (Continued)

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long/Short Hedge Funds	\$ 5,221,854	\$ -	Quarterly or Monthly	45-90 days
Multi Strategy Hedge Funds	7,212,403	-	Quarterly	60-90 days
	\$ 12,434,257	\$ -		

Long/Short Hedge Funds – Funds that invest in long and short positions in equities and equity instruments and typically are not restricted by market capitalization, industry sector or geography. Leverage may be utilized which can magnify changes in the values of the underlying securities.

Multi Strategy Hedge Funds – Funds that can use a variety of investing strategies, including event driven investing in securities and credit oriented instruments, and are typically are not restricted by market capitalization, industry sector or geography.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018 and December 31, 2017:

	2018	2017
Building	\$ 6,296,702	\$ 6,296,702
Furniture and equipment	468,256	561,552
Computers	67,680	86,103
	6,832,638	6,944,357
Less: accumulated depreciation	(2,684,670)	(2,644,400)
	\$ 4,147,968	\$ 4,299,957

NOTE 5 - FUNDS HELD AS AGENCY RESERVES

All financial activities related to the agency funds are recorded in liability accounts in accordance with FASB ASC 605 (as described in Note 1) and, therefore, are not included in the statement of activities as of December 31, 2018 and December 31, 2017. The agency fund transactions are as follows:

	2018	2017
Donations	\$ 647,776	\$ 1,607,790
Interest and dividend income	287,588	247,882
Net realized and unrealized gains (losses)	(593,441)	1,612,170
Less: Distributions to agencies	(1,054,982)	(433,797)
Fees for administration	(110,330)	(100,933)
Net change	\$ (823,389)	\$ 2,933,112

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 6 - SPLIT INTEREST AGREEMENTS

The Foundation manages four charitable gift annuities, two since July 25, 2006, one since August 5, 2011, and another one since July 24, 2012 under which \$101,576 of assets were received for donor restricted use. The Foundation has also managed a charitable remainder unitrust since February 25, 2008 under which \$296,686 of assets were received for donor restricted use. The assets, which total that of the liabilities, are commingled with other Foundation investments and the income (loss) is allocated proportionately. Under terms of the agreement, the Foundation is required to pay a quarterly annuity to individuals specified by the donors. At the time the liability ceases to exist, the remaining assets will be released to the final beneficiary identified in the related agreement. The balance of the split interest agreements at December 31, 2018 totaled \$268,135 and quarterly payments totaled \$29,415 for the twelve months then ended.

NOTE 7 - ENDOWMENTS

The Foundation has a donor-restricted endowment fund where the Foundation is the beneficiary and donor-restricted endowment funds where other public charities are the beneficiaries. Such endowments are established for a variety of purposes related to the operations and contributions of the Foundation and the other charities.

The Board of Directors 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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment funds
- General economic conditions, including the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The Foundation's investment policies

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 Uniform Act requires to be retained as perpetual funds. Such deficiencies are reflected as decreases in without donor restrictions or with donor restrictions restricted net assets for the period.

Investment and Spending Policies

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 7 - ENDOWMENTS (Continued)

During 2018 and 2017, the spending rate maximum was 4.5% percent of the previous 12 quarter rolling average balance in the endowment fund. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

The endowments held for other public charities have spending policies set by the Foundation and designated in the fund agreement with the Foundation.

Changes in Endowment net assets for the years ending December 31, 2018 and 2017 are as follows:

		2018		2017
		With Donor		With Donor
		Restrictions		Restrictions
Endowment net assets, beginning of the year	\$	9,679,291		8,736,390
Investment income (loss)		(314,110)		1,351,844
Contributions		7,850		1,250
Appropriation for expenditures		(191,236)		(410,193)
Endowment net assets, end of the year	\$	9,181,795		9,679,291

NOTE 8 - RELEASE AND TRANSFERS OF NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31:

		2018		2017
Net restricted interfund contributions	\$	296,078	\$	(28,340)
Resources for administrative support		19,544		13,399
Resources for community programs		37,008		21,608
Resources for grant expenses		234,267		128,879
Resources for building operations		137,357		137,357
	\$	724,254	\$	272,903

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 9 - CONCENTRATION OF RISK

The Foundation's cash equivalents consist primarily of money market and checking accounts in a commercial bank and one brokerage account. These financial instruments may subject the Foundation to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The market value of equity and fixed income funds is dependent on the valuation of the underlying fund investments which fluctuate with market conditions, and are subject to changes in market values. Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

The cash maintained in the commercial banks is insured by the FDIC up to \$250,000. The account maintained in the brokerage firm is not covered by FDIC insurance. The balances exceeded applicable insurance by \$1,939,196 at December 31, 2018.

NOTE 10 - IN-KIND GRANTS

The Foundation provides in-kind grants of office, meeting and storage space to various agencies. Since the Foundation does not charge the agencies rent, the Foundation calculates the value of the in-kind grant given to the agencies based on their usage of the building. The calculations are based upon fair value of comparable rental properties in the local area and is reported on the Statement of Activities.

NOTE 11 - DONALD W. REYNOLDS NON-PROFIT CENTER COMMITMENTS

Lease and Restrictions

The building (Donald W. Reynolds Community Non-Profit Center) for the Foundation (lessee) is located on property that is leased from the Incline Village General Improvement District (IVGID) (lessor). The lease was effective January 12, 2000, for thirty years at one dollar per year, due on the first day of each year. There are three additional twenty-three year options available (extending the lease on the same terms) if the Foundation is not in default on any material obligations, and if notice of the Foundation's intent to exercise the option to extend the lease is given in accordance with this lease.

The Donald W. Reynolds Community Non-Profit Center must be operated on a not-for-profit basis. The lessor has the right to terminate the lease if this status changes. The lessee must use the premises for the purpose of conducting a non-profit center and related facilities, activities, seminars, workshops, lectures, and occasional fund-raising events. Any other activity must have the prior approval of the lessor.

The lease requires that the Foundation maintain a capital replacement fund, as required by the Donald W. Reynolds Foundation grant, which provided the funds for the construction of the Donald W. Reynolds Community Non-Profit Center, see Note 1. On January 24, 2002, the agreement was amended to require the Foundation to develop a business plan which, in part, sets up a program endowment. The business plan was revised in 2009.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 11 - DONALD W. REYNOLDS NON-PROFIT CENTER COMMITMENTS (Continued)

Grant Restrictions

The grant from the Donald W. Reynolds Foundation, which provided the funds for the construction of the non-profit center, contains restrictions similar to those in the lease, and in addition provides that the non-profit center may not be used for certain other purposes, such as child care.

On April 4, 2017, the Foundation received a letter stating "The Donald W. Reynolds Foundation will officially close on December 31, 2017. After that date, the Parasol Board will have the authority to act in lieu of the Foundation in regard to any of the terms of the original grant agreement."

Land Restrictions

IVGID obtained the land via the November 16, 1977 deed from Boise Cascade Home & Land Corporation, a Delaware corporation. The deed contains a restrictive covenant which affects the realty being leased. The deed's covenants, conditions and restrictions restrict IVGID's use of the realty to the following: "...parks and recreational and related purposes and for no other purposes." The restrictions have been amended twice and the relevant amendment, executed July 1, 1999 was signed by Irving Littman, President of Gardena Service Company, a California corporation, which is the successor corporation of Boise Cascade Home & Land Corporation. The amendment reiterates the previous restrictions but allows "...the construction of a building for the use of The Parasol Foundation, Parasol Foundation collaborators, or The Parasol Foundation legal successors."

Other Restrictions

The Boise Cascade Home & Land Corporation land restriction, the IVGID lease, and the grant from the Donald W. Reynolds Foundation, together largely restrict the Foundation's use of the land and building to the non-profit activities described herein. Taken together, these documents also require the Foundation to comply with the requirements of the Internal Revenue Code and the laws of the State of Nevada to maintain its non-profit tax-exempt status. Among other effects, the Foundation is prohibited from providing any form of benefit to any party other than a qualified IRC Section 501(c)(3) charitable organization or similarly qualified entity.

Lease of Equipment

The Foundation had leased three copiers and a postage machine for use in the non-profit center. The leases were operating leases and did not include a purchase option. The copier leases expired June 2018. The postage machine lease expired in December 2017. Lease expenses for these items totaled \$7,917 for the 12 months ended December 31, 2018.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

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NOTE 12 - RELATED PARTY TRANSACTIONS

For the 12 months ending December 31, 2018, the Board of Directors contributed \$162,989 to the Foundation. Members of the Board of Directors serve without compensation. The Foundation has no other material financial relationships with any member of the Board of Directors or employees (except normal compensation).

NOTE 13 – CHANGE IN ACCOUNTING POLICY

As of January 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

As of January 1, 2018, the Foundation adopted the provisions of ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This update removes the requirement to categorize investments measured at fair value by using the net asset value per share as a practical expedient within the fair value hierarchy. Adoption of this accounting standard update requires retroactive application by restating the financial statements of all prior periods presented.

The Foundation has adopted this standard as it eliminates a known diversity in practice for determining whether assets measured at fair value by using the net asset value per share as practical expedient are classified as Level 2 or Level 3 within the fair value hierarchy. The implementation resulted in the decrease of Level 2 investments of \$12,434,257 as of December 31, 2017.

NOTE 14 – RESTATEMENT RESULTING FROM CHANGE IN ACCOUNTING POLICY

As disclosed in Note 13, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of December 31, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's December 31, 2017 net assets.

THE PARASOL TAHOE COMMUNITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2018

NOTE 14 – RESTATEMENT RESULTING FROM CHANGE IN ACCOUNTING POLICY (Continued)

The effect on the Foundation’s statement of financial position as of December 31, 2017 is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Restated</u>
Unrestricted	\$ 40,661,210	\$ (40,661,210)	\$ -
Temporarily restricted net assets	8,180,564	(8,180,564)	-
Permanently restricted net assets	9,679,291	(9,679,291)	-
Net assets without donor restrictions		40,661,210	40,661,210
Net assets with donor restrictions		17,859,855	17,859,855

The effect on the Foundation’s statement of activities as of December 31, 2017 is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Restated</u>
Net assets, beginning of year			
Unrestricted	\$ 35,486,834	\$ (35,486,834)	\$ -
Temporarily restricted net assets	8,002,222	(8,002,222)	-
Permanently restricted net assets	8,736,390	(8,736,390)	-
Net assets without donor restrictions	-	35,486,834	35,486,834
Net assets with donor restrictions	-	16,738,612	16,738,612
Net assets, end of year			
Unrestricted	\$ 40,661,210	\$ (40,661,210)	\$ -
Temporarily restricted net assets	8,180,564	(8,180,564)	-
Permanently restricted net assets	9,679,291	(9,679,291)	-
Net assets without donor restrictions		40,661,210	40,661,210
Net assets with donor restrictions		17,859,855	17,859,855