



Financial Statements  
December 31, 2020

# The Parasol Tahoe Community Foundation, Inc.

(With Comparative Totals for 2019)

The Parasol Tahoe Community Foundation, Inc.

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December 31, 2020

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## Independent Auditor's Report

To the Board of Directors  
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 statements of financial position as of December 31, 2020, 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 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, 2020, 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.

**Report on Summarized Comparative Information**

We have previously audited the 2019 financial statements of The Parasol Tahoe Community Foundation, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada  
May 20, 2021

The Parasol Tahoe Community Foundation, Inc.

Statement of Financial Position

December 31, 2020

(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Assets		
Cash and cash equivalents	\$ 5,583,774	\$ 3,111,369
Accounts receivable	1,277	629
Prepaid expenses	21,635	20,789
Noncurrent Assets		
Property and equipment, net	3,853,029	4,003,818
Other Assets		
Investments	88,448,519	73,649,236
Artwork	4,800	4,800
	<u>4,800</u>	<u>4,800</u>
Total assets	<u>\$ 97,913,034</u>	<u>\$ 80,790,641</u>
Liabilities and Net Assets		
Current Liabilities		
Grants payable	\$ 288,565	\$ 325,000
Accounts payable	20,538	23,905
Accrued expenses	24,920	12,607
Deferred revenue	15,800	15,700
Funds held as agency reserves and endowments	25,336,861	18,961,517
Split interest agreements	313,503	296,891
	<u>313,503</u>	<u>296,891</u>
Total liabilities	<u>26,000,187</u>	<u>19,635,620</u>
Net Assets		
Without Donor Restrictions		
Designated for donor advised grants	49,484,610	41,102,986
Designated by the Board for operating reserve	1,823,506	1,551,455
	<u>1,823,506</u>	<u>1,551,455</u>
	<u>51,308,116</u>	<u>42,654,441</u>
With Donor Restrictions		
Restricted for specified purpose	3,443,910	3,141,247
Restricted for capital purposes	3,819,276	3,956,633
Restricted for passage of time	317,861	658,701
Restricted for endowment	13,023,684	10,743,999
	<u>13,023,684</u>	<u>10,743,999</u>
	<u>20,604,731</u>	<u>18,500,580</u>
Total net assets	<u>71,912,847</u>	<u>61,155,021</u>
Total liabilities and net assets	<u>\$ 97,913,034</u>	<u>\$ 80,790,641</u>

The Parasol Tahoe Community Foundation, Inc.

Statement of Activities

Year Ended December 31, 2020

(with comparative totals for 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support, Revenue and Reclassifications				
Donations	\$ 7,871,620	\$ 70,607	\$ 7,942,227	\$ 5,754,538
Paycheck Protection Program	95,800	-	95,800	-
Net investment returns	6,797,181	2,902,735	9,699,916	10,300,947
Program service fees	236,197	-	236,197	198,737
In-kind program service fees	168,610	-	168,610	347,245
Net assets released	869,191	(869,191)	-	-
Total public support, revenue and reclassifications	<u>16,038,599</u>	<u>2,104,151</u>	<u>18,142,750</u>	<u>16,601,467</u>
Expenses				
Grants paid	6,191,631	-	6,191,631	8,154,070
In-kind grants given	168,610	-	168,610	347,245
Building operations	549,300	-	549,300	585,356
Other	3,296	-	3,296	56,145
Program services	<u>6,912,837</u>	<u>-</u>	<u>6,912,837</u>	<u>9,142,816</u>
Support services				
Administrative support	352,106	-	352,106	240,721
Development and fund raising	119,424	-	119,424	188,412
Total support services	<u>471,530</u>	<u>-</u>	<u>471,530</u>	<u>429,133</u>
Total expenses	<u>7,384,367</u>	<u>-</u>	<u>7,384,367</u>	<u>9,571,949</u>
Other Losses				
Loss on abandonment of property and equipment and artwork	<u>(557)</u>	<u>-</u>	<u>(557)</u>	<u>(11,230)</u>
Change in Net Assets	8,653,675	2,104,151	10,757,826	7,018,288
Net Assets, Beginning of Year	<u>42,654,441</u>	<u>18,500,580</u>	<u>61,155,021</u>	<u>54,136,733</u>
Net Assets, End of Year	<u>\$ 51,308,116</u>	<u>\$ 20,604,731</u>	<u>\$ 71,912,847</u>	<u>\$ 61,155,021</u>

The Parasol Tahoe Community Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

(with comparative totals for 2019)

	2020			2019	
	Program Services	Supporting Services		Total	Total
		General and Administrative	Fundraising		
Advertising	\$ -	\$ -	\$ 3,810	\$ 3,810	\$ 6,726
Conferences	-	849	30	879	9,196
Contract services	-	-	6,848	6,848	7,414
Depreciation	149,061	2,404	-	151,465	155,073
Employee benefits	23,049	14,998	6,507	44,554	37,586
Events	-	-	439	439	51,409
Fees for services-accounting	-	19,038	-	19,038	18,390
Information technology	23,142	5,807	8,818	37,767	33,589
Insurance	24,842	6,715	-	31,557	29,304
Miscellaneous	-	11,590	-	11,590	10,094
Occupancy	123,362	-	-	123,362	107,376
Office expenses	3,330	64,349	5,739	73,418	63,176
Payroll taxes	15,509	15,140	5,497	36,146	37,224
Salaries/wages	190,301	211,216	81,736	483,253	502,878
Travel	-	-	-	-	1,199
	<u>552,596</u>	<u>352,106</u>	<u>119,424</u>	<u>1,024,126</u>	<u>1,070,634</u>
Grants					
In-kind grants given	168,610	-	-	168,610	347,245
Grants given	<u>6,191,631</u>	<u>-</u>	<u>-</u>	<u>6,191,631</u>	<u>8,154,070</u>
	<u>6,360,241</u>	<u>-</u>	<u>-</u>	<u>6,360,241</u>	<u>8,501,315</u>
	<u><u>\$ 6,912,837</u></u>	<u><u>\$ 352,106</u></u>	<u><u>\$ 119,424</u></u>	<u><u>\$ 7,384,367</u></u>	<u><u>\$ 9,571,949</u></u>

The Parasol Tahoe Community Foundation, Inc.

Statement of Cash Flows

Year Ended December 31, 2020

(with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 10,757,826	\$ 7,018,288
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	151,465	155,073
Loss on disposal of property and equipment and artwork	557	11,230
Contribution of artwork	-	(4,800)
Realized and unrealized gain on investments, net	(8,510,435)	(9,512,660)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(648)	4,990
Prepaid expenses	(846)	(113)
Increase (decrease) in:		
Grants payable	(36,435)	85,000
Accounts payable	(3,367)	20,710
Accrued expenses	12,313	445
Deferred revenue	100	(100)
Net Cash Flows from (used for) Operating Activities	<u>2,370,530</u>	<u>(2,221,937)</u>
Investing Activities		
Proceeds from sale of investments	6,931,870	6,169,932
Purchase of investments	(6,828,762)	(2,858,928)
Purchase of furniture and equipment	(1,233)	(10,923)
Net Cash Flows from Investing Activities	<u>101,875</u>	<u>3,300,081</u>
Net Change in Cash and Cash Equivalents	2,472,405	1,078,144
Cash and Cash Equivalents, Beginning of Year	<u>3,111,369</u>	<u>2,033,225</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,583,774</u>	<u>\$ 3,111,369</u>



## **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 nineteen non-profit organizations. These accommodations and resources are provided by the Foundation at little or no cost.

### **Comparative Financial Information**

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

### **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.

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 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 unrestricted 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 operations. 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, 2020.

#### **Artwork**

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

#### **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 expenses related to the future periods or events have been recorded as prepaid expenses.

**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.

**Assets Held and Liabilities Under Split-Interest Agreements***Charitable Trusts*

The Organization acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The irrevocable trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

*Charitable Gift Annuities*

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

**Funds Held as Agency Reserves and Endowments**

FASB ASC 605 *Revenue Recognition*, 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 an operating reserve and donor advised grants.

*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 statements 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 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.

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 \$2,879,674 cannot be used to operate the building or for its routine custodial services; however, \$2,085,094 of this amount is in excess of the amount required by the Donald W. Reynolds Foundation 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.

### **Revenue Recognition**

The Foundation recognizes revenue from program service fees at the time service is provided. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

### **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.

### **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 statement of functional expenses 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, and payroll taxes which are allocated on the basis of estimates of time and effort.

### **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 organized as a Nevada nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Subsequent Events**

Subsequent events have been evaluated through May 20, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

### **Recent Accounting Guidance**

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. The new guidance will require the asset and the liability to be initially measured at the present value of the lease payments in the consolidated statement of financial position. The new guidance will also require the Foundation to recognize interest expense on the lease liability separately from the amortization of the right-use-asset for finance leases and recognize a single lease cost allocated on a straight-line basis over the term of the lease term for operating leases, in the consolidated statement of comprehensive income. This ASU is effective for annual reporting periods beginning after December 15, 2021. The Foundation is currently evaluating this guidance to determine the impact it may have on the consolidated financial statements.

**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 at December 31, 2020:

Cash and equivalents	\$	742,716
Accounts receivable		1,277
Endowment distribution		<u>437,912</u>
	\$	<u><u>1,181,905</u></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 \$506,195 for December 31, 2020 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 2021 are \$445,000.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Other than the specific endowment for the benefit of the Foundation, other donor-restricted endowment funds are not available for general expenditure.

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 \$1,823,506 as of December 31, 2020.

**Note 3 - Investments and Fair Value**

The fair value of investments as of December 31, 2020 is as follows:

Domestic Equity Funds/Common Stock	\$	36,693,612
Real Estate Equity Funds		634,347
International Equity Funds		17,764,181
Bonds and Treasury Funds		21,027,867
Alternative Investment-NAV		<u>12,328,512</u>
	\$	<u><u>88,448,519</u></u>

Investment return for the year ending December 31, 2020:

	Interest and Dividends	Net Realized and Unrealized Gains and Losses	Total
Reported on income statement	\$ 1,262,880	\$ 8,437,036	\$ 9,699,916
Received from split interest and agency funds	417,436	2,934,308	3,351,744
	\$ 1,680,316	\$ 11,371,344	\$ 13,051,660

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 certificates of deposit for which quoted market prices are not available are valued based on stated interest rates and accrued interest based on broker estimates. The fair values of international equity funds, bond funds and alternate investment funds for which quoted market prices are not available are provided by the investment manager in monthly statements. Detailed investment holdings with the alternate funds are not provided.
- *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, 2020 and 2019.

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

December 31, 2020

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, 2020:

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Total
Domestic Equity Funds/Common Stock	\$ 36,693,612	\$ -	\$ 36,693,612
Real Estate Equity Funds	634,347	-	634,347
International Equity Funds	17,764,181	-	17,764,181
Bonds and Treasury Funds	17,714,480	3,313,387	21,027,867
Alternative Investment Funds-NAV	-	-	12,328,512
	<u>\$ 72,806,620</u>	<u>\$ 3,313,387</u>	<u>\$ 88,448,519</u>

Gains and losses (realized and unrealized) included in the change in net assets for the twelve months ended December 31, 2020 are reported in net realized and unrealized gains (losses) on investments. Interest and dividend income are reported in the statement of activities as 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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Long/Short Hedge Funds	\$ 5,227,833	\$ -	Quarterly or Monthly	45-90 days
Multi-Strategy Hedge Funds	6,766,504	-	Quarterly	60-90 days
Other Investments	334,175	-	As Available	Notice Submitted
	<u>\$ 12,328,512</u>	<u>\$ -</u>		

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, 2020:

Building	\$ 6,296,702
Furniture and equipment	461,140
Computers	<u>40,931</u>
	6,798,773
Less: Accumulated depreciation	<u>(2,945,744)</u>
	<u><u>\$ 3,853,029</u></u>

**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, 2020. The agency fund transactions are as follows:

Donations	\$ 4,548,181
Interest and dividend income	411,876
Net realized and unrealized gains (losses)	2,893,458
Less:	
Distributions to agencies	(1,348,574)
Fees for administration	<u>(129,597)</u>
Net change	<u><u>\$ 6,375,344</u></u>

**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 temporarily 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, 2020 totaled \$313,503 and quarterly payments totaled \$29,316 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, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, for accounting and financial statement purposes, the Foundation classifies as net assets with restrictions the fair value of the original gift as of the gift date, the original value of subsequent gifts, and any accumulations to the donor-restricted endowments made in accordance with the direction of the applicable gift instruments. Donor-restricted endowments remain net assets with donor restriction until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard prudence defined 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

As of December 31, 2020, endowment net asset composition by type of fund is as follows:

Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 6,326,967
Accumulated investment gains	<u>6,696,717</u>
	<u>\$ 13,023,684</u>

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 unrestricted or temporarily 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 Foundation's 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.

During 2020 and 2019, the spending rate maximum was 4.5% percent of the previous 3-year rolling average balance in the Endowment. 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 forth in their fund agreements with the Foundation.

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Changes in Endowment net assets for the years ending December 31, 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 10,743,999
Investment income	2,367,860
Contributions	21,507
Appropriation or expenditures	<u>(109,682)</u>
Endowment net assets, end of year	<u><u>\$ 13,023,684</u></u>

### 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, 2020:

Net restricted interfund contributions	\$ 236,430
Resources for administrative support	20,567
Resources of community programs	46,156
Resources for grant expenses	428,681
Resources of building operations	<u>137,357</u>
	<u><u>\$ 869,191</u></u>

### **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 Foundation's Investment Committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Investment Committee believe that their investment policies and guidelines are prudent for the long-term welfare of the organization.

The cash maintained in the commercial banks are 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 \$5,303,620 at December 31, 2020.

### **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 Functional Expenses.

### **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.

#### **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.

#### **Note 12 - Related Party Transactions**

For the 12 months ending December 31, 2020, the Board of Directors contributed \$81,000 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 - Paycheck Protection Program (PPP) Loan**

The Foundation was granted a \$95,800 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$95,800 as contribution revenue for the year ended December 31, 2020.

**Note 14 - Risks and Uncertainties**

The Foundation closely monitors its operations, liquidity, and capital resources to minimize event driven impact, including the effects of the coronavirus pandemic. Fundraising strategies are being assessed as pandemic related restrictions are eased as of May 20, 2021.