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# The Civic Federation

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**Financial Report**  
**September 30, 2020**

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## Independent Auditor's Report

To the Board of Directors  
The Civic Federation

We have audited the accompanying financial statements of The Civic Federation (the "Federation"), which comprise the statement of financial position as of September 30, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Civic Federation as of September 30, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the financial statements, significant uncertainty exists surrounding the COVID-19 pandemic. Our opinion is not modified with respect to this matter.

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

January 21, 2021

Statement of Financial Position

September 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 396,198	\$ 252,453
Investments	3,458,379	3,378,709
Receivables:		
Accounts receivable	267,510	93,983
Grants receivable	105,000	360,000
Trustee pledges receivable	235,000	410,000
Prepaid expenses and other assets	44,971	63,172
Leasehold improvements and equipment - Net	192,811	236,510
	<u>\$ 4,699,869</u>	<u>\$ 4,794,827</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 32,146	\$ 14,554
Deferred revenue	-	15,000
Accrued wages	58,500	57,238
Accrued vacation	39,343	39,116
Accrued retirement plan contribution	43,766	-
Deferred rent	319,559	364,779
	<u>493,314</u>	<u>490,687</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	260,507	77,762
Board designated	3,458,379	3,378,709
With donor restrictions	487,669	847,669
	<u>4,206,555</u>	<u>4,304,140</u>
Total net assets	<u>\$ 4,699,869</u>	<u>\$ 4,794,827</u>
Total liabilities and net assets	<u>\$ 4,699,869</u>	<u>\$ 4,794,827</u>

## Statement of Activities and Changes in Net Assets

Years Ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Membership dues	\$ 498,136	\$ -	\$ 498,136	\$ 436,711	\$ -	\$ 436,711
Sponsorships	-	-	-	3,600	-	3,600
Contributions	106,700	-	106,700	74,650	-	74,650
In-kind donations	2,700	-	2,700	-	-	-
Grants	37,700	60,000	97,700	56,100	960,000	1,016,100
Miscellaneous income	2,118	-	2,118	8,884	-	8,884
Special events	712,350	-	712,350	869,024	-	869,024
Net assets released from restrictions	420,000	(420,000)	-	337,331	(337,331)	-
Total revenue	1,779,704	(360,000)	1,419,704	1,786,300	622,669	2,408,969
<b>Expenses</b>						
Program services	1,034,865	-	1,034,865	1,170,786	-	1,170,786
Support services:						
Management and general	579,073	-	579,073	486,742	-	486,742
Fundraising	340,549	-	340,549	478,083	-	478,083
Total expenses	1,954,487	-	1,954,487	2,135,611	-	2,135,611
<b>(Decrease) Increase in Net Assets</b> - Before other items	(174,783)	(360,000)	(534,783)	(349,311)	622,669	273,358
<b>Other Items</b>						
Realized gain on investments	32,559	-	32,559	31,188	-	31,188
Dividend and interest income	70,692	-	70,692	82,081	-	82,081
Change in unrealized gain (loss) on investments	140,027	-	140,027	(37,252)	-	(37,252)
Paycheck Protection Program funding	193,920	-	193,920	-	-	-
Total other items	437,198	-	437,198	76,017	-	76,017
<b>Increase (Decrease) in Net Assets</b>	262,415	(360,000)	(97,585)	(273,294)	622,669	349,375
<b>Net Assets</b> - Beginning of year	3,456,471	847,669	4,304,140	3,729,765	225,000	3,954,765
<b>Net Assets</b> - End of year	<b>\$ 3,718,886</b>	<b>\$ 487,669</b>	<b>\$ 4,206,555</b>	<b>\$ 3,456,471</b>	<b>\$ 847,669</b>	<b>\$ 4,304,140</b>

## Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 671,729	\$ 138,322	\$ 370,706	\$ 1,180,757
Employee insurance benefits	79,707	14,435	38,129	132,271
Retirement plan contribution	29,905	4,093	16,940	50,938
Payroll taxes	40,327	8,061	23,593	71,981
Payroll services	-	-	3,422	3,422
<b>Total salaries and related expenses</b>	<b>821,668</b>	<b>164,911</b>	<b>452,790</b>	<b>1,439,369</b>
Management fee	-	70,000	-	70,000
Food and beverage	-	18,822	1,802	20,624
Audiovisual	150	14,947	-	15,097
Award expense	-	22,743	372	23,115
Photography	-	817	-	817
Postage and shipping	7	-	92	99
Printing and publications	1,166	5,662	1,205	8,033
Travel and transportation	1,108	543	312	1,963
Messenger	-	120	49	169
Supplies	16	496	2,929	3,441
Miscellaneous	25	2,772	690	3,487
Bad debt expense	-	8,665	11,000	19,665
Bank fees	-	-	7,183	7,183
Depreciation	29,279	5,244	9,177	43,700
Dues and subscriptions	16,564	1,538	2,873	20,975
Purchased equipment	-	-	523	523
Leased equipment	3,091	840	2,087	6,018
Consulting fees	33,330	175	9,476	42,981
Accounting fees	-	-	22,800	22,800
Insurance	-	-	8,580	8,580
Occupational licenses and fees	2,890	-	26	2,916
Meals	523	975	2,555	4,053
Meetings	2,341	42	1,309	3,692
Occupancy	96,230	17,235	30,162	143,627
Repairs and maintenance	559	118	304	981
Phone and internet service	7,728	1,634	5,123	14,485
Technology support	9,781	2,059	5,319	17,159
Website	5,991	-	-	5,991
Software	1,349	-	-	1,349
Utilities	1,069	191	335	1,595
<b>Total special event and operating expenses</b>	<b>213,197</b>	<b>175,638</b>	<b>126,283</b>	<b>515,118</b>
<b>Total functional expenses</b>	<b>\$ 1,034,865</b>	<b>\$ 340,549</b>	<b>\$ 579,073</b>	<b>\$ 1,954,487</b>

## Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services	Support Services		Total
		Fundraising	Management and General	
Salaries and wages	\$ 729,260	\$ 148,081	\$ 293,388	\$ 1,170,729
Employee insurance benefits	98,982	13,918	38,449	151,349
Retirement plan contribution	32,496	5,924	11,571	49,991
Payroll taxes	46,988	7,544	24,134	78,666
Payroll services	-	-	4,425	4,425
<b>Total salaries and related expenses</b>	<b>907,726</b>	<b>175,467</b>	<b>371,967</b>	<b>1,455,160</b>
Management fee	-	70,000	-	70,000
Food and beverage	-	66,015	13	66,028
Audiovisual	696	31,690	-	32,386
Award expense	-	22,780	1,193	23,973
Photography	-	1,641	-	1,641
Postage and shipping	11	2,353	600	2,964
Printing and publications	3,066	10,177	3,432	16,675
Travel and transportation	8,773	2,401	684	11,858
Messenger	-	576	-	576
Supplies	548	1,783	4,622	6,953
Miscellaneous	694	6,651	1,375	8,720
Bad debt expense	65	6,130	-	6,195
Bank fees	-	-	6,405	6,405
Depreciation	43,324	5,670	9,921	58,915
Dues and subscriptions	19,482	4,620	4,319	28,421
Purchased equipment	6,912	273	2,923	10,108
Leased equipment	2,363	682	1,170	4,215
Consulting fees	46,238	47,000	-	93,238
Accounting fees	-	-	20,250	20,250
Insurance	-	-	8,855	8,855
Occupational licenses and fees	2,506	-	952	3,458
Meals	1,152	747	5,044	6,943
Meetings	3,078	178	2,925	6,181
Occupancy	93,417	16,731	29,280	139,428
Repairs and maintenance	756	144	300	1,200
Phone and internet service	10,952	2,164	5,945	19,061
Technology support	9,929	1,891	3,940	15,760
Website	5,858	-	-	5,858
Software	1,775	57	168	2,000
Utilities	1,465	262	459	2,186
<b>Total special event and operating expenses</b>	<b>263,060</b>	<b>302,616</b>	<b>114,775</b>	<b>680,451</b>
<b>Total functional expenses</b>	<b>\$ 1,170,786</b>	<b>\$ 478,083</b>	<b>\$ 486,742</b>	<b>\$ 2,135,611</b>

Statement of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (97,585)	\$ 349,375
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	43,700	58,915
Bad debt expense	19,665	6,195
Net change in realized and unrealized investment (losses) gains	(172,586)	6,064
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(193,137)	13,714
Grants receivable	255,000	(360,000)
Trustee pledges receivable	174,944	(185,000)
Prepaid expenses	18,201	(1,099)
Accrued and other liabilities	62,847	1,846
Deferred revenue	(15,000)	4,000
Deferred rent	(45,220)	(42,403)
Net cash and cash equivalents provided by (used in) operating activities	50,829	(148,393)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,222,316)	(1,209,456)
Proceeds from sales of investments	865,232	788,902
Redemption of bond	450,000	425,000
Net cash and cash equivalents provided by investing activities	92,916	4,446
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	143,745	(143,947)
<b>Cash and Cash Equivalents - Beginning of year</b>	252,453	396,400
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 396,198</b>	<b>\$ 252,453</b>



**September 30, 2020 and 2019**

**Note 1 - Nature of Business**

The Civic Federation (the "Federation") was founded in 1894 with a mission to provide a citizen agency for promoting efficiency and economy in the organization and management of public business, guarding against wasteful expenditure of public funds and excessive taxes, and furnishing the public with accurate information concerning governmental revenue and expenditures.

**Note 2 - Significant Accounting Policies**

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand and all highly liquid investments with original maturities of three months or less when purchased.

***Investments***

Investments are recorded at fair value. Interest and dividends and unrealized and realized gains and losses are included in the statement of activities and changes in net assets as increases or decreases in net assets. Gains and losses resulting from the sale of investments are reported in the statement of activities and changes in net assets as of the trade date. Interest and dividend income is recorded on the accrual basis.

***Accounts Receivable***

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

***Grants Receivable***

The Federation's grants receivable are composed of grants for use in the Federation's activities. Grants receivable at September 30, 2020 and 2019 are expected to be collected within three years. Management considers all grants receivable collectible; therefore, an allowance for doubtful accounts has not been recorded.

***Trustee Pledges Receivable***

Unconditional promises to give in the future are reported as revenue and measured at fair value. These contributions are reported as an increase in net assets with donor restrictions. Trustee pledges receivable as of September 30, 2020 and 2019 are expected to be collected within two years. The Federation has not recorded a provision for doubtful accounts since it is the opinion of management that the balance is collectible in full.

***Leasehold Improvements and Equipment***

Leasehold improvements and equipment are stated at cost. Donated assets are recorded at their fair values as of the dates of the gifts. The Federation's policy is to capitalize all fixed assets with a cost greater than \$1,500 and to depreciate the cost over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the terms of the leases or their useful lives, if shorter. Expenditures for maintenance and repairs are generally charged to operating expenses.

When leasehold improvements and equipment are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in the statement of activities and changes in net assets.

**Note 2 - Significant Accounting Policies (Continued)**

***Classification of Net Assets***

Net assets of the Federation are classified based on the presence or absence of donor-imposed restrictions limiting the Federation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

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

Net assets with donor restrictions: Net assets consisting of contributions received with donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements. When donor restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets.

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

***Board-designated Net Assets***

Board-designated net assets are net assets without donor restrictions designated by the board primarily for particular functions or activities. These designations are based on board actions, which can be altered or revoked at a future time by the board.

***Revenue***

The Federation raises revenue through fundraising events, members' dues, grants, contributions, and investment income. Members' dues, grants, and special event revenue are recorded following the guidance for contribution revenue. Revenue from grants and contributions is recognized in the period the commitment for support is obtained. Membership dues and special event revenue are recognized in the period of commitment. Payments received prior to the event are restricted.

Unconditional promises to give cash and other assets to the Federation are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets release from restrictions. Donor-restricted contributions whose restrictions are met in the year the gift is received are reported as contributions without donor restrictions in the accompanying financial statements.

***Functional Allocation of Expenses***

Costs of providing program and support services have been reported on a functional basis in the statement of functional expenses. Costs are charged to program services and support services on an actual basis when available. Allocations for personnel expenses are based on estimates of time and effort of personnel involved in each function. Expenses deemed to be indirect, such as professional services, insurance, and supplies, are considered to be management and general unless used specifically by a program. Expenses related to occupancy, such as utilities and depreciation, are allocated based on square footage occupied by each function. Other indirect costs are allocated primarily based on estimates of time and effort of personnel. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

September 30, 2020 and 2019

**Note 2 - Significant Accounting Policies (Continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Tax Status***

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

***Adoption of New Accounting Pronouncements***

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

The Federation also adopted the provisions of FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related amendments (Accounting Standards Codification (ASC) 606), which serve to supersede most existing revenue recognition guidance, including all industry-specific guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Federation adopted the new standard on a modified prospective basis. There was no impact on significant revenue streams or beginning of year net assets as a result of adoption.

***Upcoming Accounting Pronouncement***

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. Due to the operating lease agreement that the Federation has in connection with its office facilities (see Note 7), this standard may have a material impact on the statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Federation's year ending September 30, 2023.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including January 21, 2021, which is the date the financial statements were available to be issued.

September 30, 2020 and 2019

**Note 2 - Significant Accounting Policies (Continued)**

**Impacts of COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to the pandemic declaration, the Federation moved to a predominantly remote working arrangement, and the annual in-person events were transitioned into a virtual format. Additionally, there were significant fluctuations in the Federation's investment portfolio, which resulted in a significant unrealized investment gain for the year ended September 30, 2020.

The Federation was approved for a loan under the Paycheck Protection Program (PPP) created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The Federation received funds totaling \$193,920 on April 29, 2020. As of November 2, 2020, the SBA has approved forgiveness of the entire amount advanced.

The Federation continues to monitor the ongoing situation. While the Federation's investment portfolio, results of operations, cash flows, and financial condition could be negatively impacted, the extent of the future impact cannot be reasonably estimated at this time.

**Note 3 - Investments**

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

The fair value of the investments consists of the following:

	2020	2019
U.S. government and agency securities	\$ -	\$ 251,224
Bond mutual funds:		
Northern Ultra-Short Fixed Income	281,809	289,067
Vanguard Inflation Protected SEC	317,959	290,382
Putnam Ultra Short Duration Income	-	123,573
Eaton Vance Short Duration Gov Inc A	270,962	-
iShares Core US Aggregate Bond ETF	105,073	-
Money market fund	218,436	142,729
Certificate of deposit	100,325	301,975
Stock mutual funds:		
Northern Global Real Estate	41,635	49,317
iShares Trust Russell 3000 Index Fund	496,125	505,671
Vanguard Total Stock Market ETF	442,806	392,600
Vanguard Specialized	115,794	107,622
Vanguard Index FDS Growth	138,159	100,932
Wisdom Tree Dividend	233,802	271,047
Flexshares Trust Morningstar Global	88,832	99,680
iShares MSCI EAFE ETF	197,315	202,151
iShares MSCI Emerging Markets ETF	-	98,496
SDPR S&P 500	171,799	152,243
Invesco Exchange Traded FD TR FINL PFD	98,628	-
Invesco QQQ TR Unit Ser 1	138,920	-
Total	<u>\$ 3,458,379</u>	<u>\$ 3,378,709</u>

September 30, 2020 and 2019

**Note 4 - Trustee Pledges Receivable**

Included in trustee pledges receivable are several unconditional promises to give generated from three-year contribution commitments. They are included as follows:

	2020	2019
Amounts due in:		
Less than one year	\$ 235,000	\$ 260,000
One to five years	-	150,000
Total	<u>\$ 235,000</u>	<u>\$ 410,000</u>

**Note 5 - Fair Value Measurements**

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

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

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

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

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

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

Assets Measured at Fair Value on a Recurring Basis  
at September 30, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2020
Assets - Investments:				
Money market fund	\$ 218,436	\$ -	\$ -	\$ 218,436
Certificate of deposit	100,325	-	-	100,325
Bond mutual funds	975,803	-	-	975,803
Stock mutual funds	2,163,815	-	-	2,163,815
Total assets	<u>\$ 3,458,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,458,379</u>

**Note 5 - Fair Value Measurements (Continued)**

	Assets Measured at Fair Value on a Recurring Basis at September 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2019
Assets - Investments:				
U.S. government and agency securities	\$ -	\$ 251,224	\$ -	\$ 251,224
Money market fund	142,729	-	-	142,729
Certificate of deposit	301,975	-	-	301,975
Bond mutual funds	703,022	-	-	703,022
Stock mutual funds	1,979,759	-	-	1,979,759
Total assets	<u>\$ 3,127,485</u>	<u>\$ 251,224</u>	<u>\$ -</u>	<u>\$ 3,378,709</u>

The Federation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period.

During the years ended September 30, 2020 and 2019, there were no transfers between Levels 1 and 2. The fair values of the Federation's stock mutual funds, bond mutual funds, certificate of deposit, and money market fund were determined based on Level 1 inputs. These inputs were quoted prices in active markets for identical assets.

The fair values of the Federation's U.S. government and agency securities were determined by the use of other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rate and yield curves, that are observable at commonly quoted intervals. The Federation estimates the fair value of these investments based on similar investments that are traded on the secondary market.

**Note 6 - Leasehold Improvements and Equipment**

Leasehold improvements and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Furniture and fixtures	\$ 31,762	\$ 31,762	5
Computer equipment and software	164,941	164,941	5
Leasehold improvements	366,340	366,340	11
Total cost	563,043	563,043	
Less accumulated depreciation	370,232	326,533	
Net leasehold improvements and equipment	<u>\$ 192,811</u>	<u>\$ 236,510</u>	

**Note 7 - Lease Commitments**

The Federation leases its office facilities under an operating lease agreement and entered into a new operating lease agreement with a commencement date of July 1, 2015. The lease expires in July 2026. The Federation has an option to renew the lease for a period of five years provided that the Federation notifies the lessor in writing at least 12 months prior to the expiration date of the initial term of the lease.

**Note 7 - Lease Commitments (Continued)**

As part of the lease, the lessor paid for leasehold improvements in the amount of \$366,340. The Federation has recorded these improvements as an asset and a corresponding lease incentive as deferred rent liability. The leasehold improvements will be amortized on a straight-line basis over the life of the operating lease, which is 133 months. The lease liability was amortized in the amount of \$33,053 in 2020 and 2019 and recorded as a reduction to rental expense.

The Federation also records, as a deferred rent liability, the excess of straight-line rent expenses over the actual rent payments required under the lease agreement.

The following is a schedule of future minimum rental payments under the operating lease, which do not include the effects of the amortization of the deferred rent liability:

Years Ending September 30	Amount
2021	\$ 161,330
2022	164,148
2023	166,967
2024	169,784
2025	172,602
Thereafter	145,597
Total	<u>\$ 980,428</u>

**Note 8 - Retirement Plan**

The Federation maintains a qualified simplified employee pension plan that covers substantially all employees. Under the plan, the Federation may provide for discretionary contributions in each calendar year, at the discretion of the executive committee, to the individual retirement accounts or individual retirement annuity of the employees. Retirement plan contribution expenses amounted to \$50,938 and \$49,991 for the years ended September 30, 2020 and 2019, respectively.

**Note 9 - Net Assets**

Amounts placed in investment accounts are designated by the board of directors as a long-term reserve fund. Earnings on such investments are available for current operations.

Net assets with donor restrictions represent grants and pledges received for projects that the Federation will be involved with during fiscal years related to the Federation's purpose. Net assets with donor restrictions consisted of the following as of September 30, 2020 and 2019:

	2020	2019
Time restrictions:		
Trustee pledges	\$ 235,000	\$ 410,000
Robert R. McCormick Foundation Grant	-	100,000
Motorola Solutions Foundation Grant	60,000	60,000
Time and purpose restrictions:		
Elizabeth Morse Charitable Trust Grant	177,669	277,669
Other time and purpose restricted contributions	15,000	-
Total net assets with donor restrictions	<u>\$ 487,669</u>	<u>\$ 847,669</u>

**Note 10 - Concentrations**

There is no concentration of revenue for the year ended September 30, 2020. Grant revenue consisting of a multiyear grant from one major contributor amounted to approximately 12 percent of total revenue for the year ended September 30, 2019. As of September 30, 2020 and 2019, pledges receivable from the major contributor amounted to \$100,000 and \$200,000, respectively.

**Note 11 - Liquidity and Availability of Resources**

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

	2020	2019
Cash and cash equivalents	\$ 396,198	\$ 252,453
Receivables	607,510	863,983
Short-term investments	3,458,379	3,378,709
Financial assets - At year end	4,462,087	4,495,145
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions	100,000	350,000
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,362,087</u>	<u>\$ 4,145,145</u>

The Federation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Federation aims to maintain sufficient liquidity, including cash and short-term investments, on hand to meet six months of normal operating expenses. As part of its liquidity management, the Federation invests cash in various short-term investments, including short-term treasury instruments.

The Federation also realizes there could be unanticipated liquidity needs.