

INFAITH COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**INFAITH COMMUNITY FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Management and Board of Directors
InFaith Community Foundation
Minneapolis, Minnesota

We have audited the accompanying financial statements of InFaith Community Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, 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.

Auditors' 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 auditors' 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.

Management and Board of Directors
InFaith Community Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InFaith Community Foundation as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of InFaith Community Foundation were audited by other auditors whose report dated July 30, 2019, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 20, 2020

**INFAITH COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 36,860,338	\$ 37,353,947
Investments	424,058,460	335,030,357
Loans	820,620	849,778
Life Insurance and Annuity Contracts	56,865,100	53,206,958
Real Assets Held for Sale	1,335,700	1,177,497
Due from Brokers and Other	858,673	695,978
Contributions and Other Receivables	3,054,978	1,864,481
Beneficial Interests in Trust Held by Others	56,542	104,794
Prepaid Expenses	26,265	27,981
Total Assets	\$ 523,936,676	\$ 430,311,771
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 299,346	\$ 178,699
Amounts Held for the Benefit of Others	67,798,326	56,953,134
Gift Annuities	26,312,670	26,235,354
Charitable Remainder Trust Agreements	24,333,667	21,538,854
Retained Life Estates	33,579	53,478
Total Liabilities	118,777,588	104,959,519
NET ASSETS		
Without Donor Restrictions	375,958,857	300,504,461
With Donor Restrictions	29,200,231	24,847,791
Total Net Assets	405,159,088	325,352,252
Total Liabilities and Net Assets	\$ 523,936,676	\$ 430,311,771

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 66,086,207	\$ 1,077,423	\$ 67,163,630
Net Investment Income	45,093,891	8,210,348	53,304,239
Change in Cash Surrender Value of Life Insurance Contracts	5,067,959	-	5,067,959
Change in Value of Split-Interest Agreements	(1,517,273)	(3,848,763)	(5,366,036)
Miscellaneous Income (Loss)	1,207,679	(410,722)	796,957
Total Revenue, Gains, and Other Support	115,938,463	5,028,286	120,966,749
EXPENSES			
Programs	31,747,239	-	31,747,239
Administrative	2,685,301	-	2,685,301
Fundraising	1,082,011	-	1,082,011
Initiatives	90,301	-	90,301
Premiums on Life Insurance Contracts	5,555,061	-	5,555,061
Total Expenses	41,159,913	-	41,159,913
CHANGE IN NET ASSETS	74,778,550	5,028,286	79,806,836
Net Assets Release from Restriction	675,846	(675,846)	-
Net Assets - Beginning of Year	300,504,461	24,847,791	325,352,252
NET ASSETS - END OF YEAR	\$ 375,958,857	\$ 29,200,231	\$ 405,159,088

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions	\$ 43,791,512	\$ 798,658	\$ 44,590,170
Net Investment Income	(23,104,800)	(2,103,006)	(25,207,806)
Change in Cash Surrender Value of Life Insurance Contracts	3,441,791	-	3,441,791
Change in Value of Split-Interest Agreements	(1,245,399)	1,476,021	230,622
Miscellaneous Income (Loss)	1,077,502	(301,869)	775,633
Total Revenue, Gains, and Other Support	23,960,606	(130,196)	23,830,410
EXPENSES			
Programs	24,105,469	-	24,105,469
Administrative	2,525,806	-	2,525,806
Fundraising	1,011,682	-	1,011,682
Initiatives	158,134	-	158,134
Premiums on Life Insurance Contracts	4,941,854	-	4,941,854
Total Expenses	32,742,945	-	32,742,945
CHANGE IN NET ASSETS	(8,782,339)	(130,196)	(8,912,535)
Net Assets Released to Successor Trustee	-	(862,067)	(862,067)
Net Assets Release from Restriction	1,578,704	(1,578,704)	-
Net Assets - Beginning of Year	307,708,096	27,418,758	335,126,854
NET ASSETS - END OF YEAR	\$ 300,504,461	\$ 24,847,791	\$ 325,352,252

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
Operating Expenses:				
Grants	\$ 31,423,988	\$ -	\$ -	\$ 31,423,988
Compensation and Benefits	208,288	1,896,409	804,352	2,909,049
Information Technology	30,511	205,670	69,239	305,420
Outside Services	29,388	198,097	66,689	294,174
Travel	19,873	133,958	45,097	198,928
Marketing and Communications	14,827	99,946	33,647	148,420
Occupancy	9,107	61,386	20,665	91,158
Special Projects	9,021	60,809	20,471	90,301
Dues and Memberships	3,921	26,434	8,899	39,254
Legal Expense and Liability Insurance	3,775	25,450	8,568	37,793
Supplies and Office Expense	1,059	7,139	19,179	27,377
Fees and Filings	1,073	7,233	2,435	10,741
Other	1,429	23,579	3,241	28,249
Total Operating Expenses	<u>\$ 31,756,260</u>	<u>\$ 2,746,110</u>	<u>\$ 1,102,482</u>	<u>\$ 35,604,852</u>

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Operating Expenses:				
Grants	\$ 23,801,806	\$ -	\$ -	\$ 23,801,806
Compensation and Benefits	202,565	1,844,318	782,258	2,829,141
Information Technology	30,173	203,391	68,472	302,036
Outside Services	21,062	141,978	47,797	210,837
Travel	10,509	70,837	23,847	105,193
Marketing and Communications	16,189	109,128	36,738	162,055
Occupancy	8,640	58,239	19,606	86,485
Special Projects	15,798	106,487	35,849	158,134
Dues and Memberships	716	4,829	1,626	7,171
Legal Expense and Liability Insurance	6,059	40,843	13,750	60,652
Supplies and Office Expense	1,477	9,955	3,351	14,783
Fees and Filings	987	6,656	2,241	9,884
Other	5,286	35,632	11,996	52,914
Total Operating Expenses	<u>\$ 24,121,267</u>	<u>\$ 2,632,293</u>	<u>\$ 1,047,531</u>	<u>\$ 27,801,091</u>

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 79,806,836	\$ (8,912,536)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gain) Losses on Investments	(47,075,252)	34,844,187
Contribution of Investments	(35,094,901)	(14,136,851)
Other Forms of Contributions	(3,712,066)	(1,006,697)
Contributions for Charitable Remainder Trust Agreements	(1,077,423)	(383,256)
Change in Real Assets Held for Sale	338,240	-
Change in Cash Surrender Value of Life Insurance Contracts and Annuities	(5,137,652)	(1,198,931)
Changes in Assets and Liabilities:		
Due from Brokers and Others	(162,695)	39,599,989
Contributions and Other Receivables	(1,190,497)	761,992
Beneficial Interest in Trust Held by Others	48,252	47,399
Prepaid General Expenses	1,716	(11,592)
Accounts Payable	120,647	(49,148)
Amounts Held for the Benefit of Others	10,845,192	-
Gift Annuities	77,316	(693,830)
Charitable Remainder Trust Agreements	2,794,813	(3,171,752)
Retained Life Estate	(19,899)	9,540
Net Cash Provided by Operating Activities	562,627	45,698,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(142,035,418)	(117,123,898)
Proceeds from Sale of Investments	139,901,759	100,567,114
Net Cash Used by Investing Activities	(2,133,659)	(16,556,784)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Charitable Remainder Trust Agreements	1,077,423	383,256
Net Cash Provided by Financing Activities	1,077,423	383,256
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(493,609)	29,524,986
Cash and Cash Equivalents - Beginning of Year	37,353,947	7,828,961
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 36,860,338	\$ 37,353,947

See accompanying Notes to Financial Statements.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 ORGANIZATION

Organization

InFaith Community Foundation (the Foundation) is a Minnesota nonprofit corporation operated for charitable purposes. The Foundation is dedicated to supporting the charitable, religious, and educational purposes and activities of the Foundation's congregations, institutions, and communities and benefiting society in general. The Foundation was incorporated on December 22, 1994, was organized on April 1, 1995, and began operations on September 11, 1995.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 and assumptions.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in mutual and other investment funds and common stocks are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities and change in net assets as a component of net investment income. Net realized capital gains and losses are determined on the first-in, first-out cost basis method. Other investment funds are comprised of limited partnership investments, limited liability companies, and open-ended investment companies. Refer to Note 7 for more information.

Fixed income investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of activities and change in net assets as a component of net investment income. Net realized capital gains and losses are determined using the specific identification method.

Loans

Loan investments are reflected at their outstanding principal balance due to the Foundation. Interest payments are reflected in the statements of activities and change in net assets as a component of net investment income.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Life Insurance and Annuity Contracts

Contributed life insurance and annuity contracts are carried at fair value which is estimated using the stated cash surrender value of the contracts and are reported as unrestricted contributions. Cash surrender value is the amount available to the contract owner for withdrawal prior to the death of the insured and is valued after taking expense charges and investment credits into account.

Real Assets Held for Sale

Investments in real assets are classified as held-for-sale and recorded at the lower of cost or fair value less estimated costs to sell. Management is actively marketing the investment in real assets at reasonable sale prices based on the advice of active third-party sales professionals.

Due from Brokers and Others

Due from brokers and others represents receivable balances owed from brokers for investments that have been sold, or have matured, but have not yet settled.

Contributions and Other Receivables

Promises to make contributions to the Foundation that are communicated to the Foundation prior to December 31, but which are received after December 31, are recorded as contributions receivable at the cash value of the contribution. The Foundation generally does not receive multi-year promises to give. Management considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Beneficial Interests in Trusts Held by Others

Beneficial interests in trusts held by others represent resources neither in the possession nor under the control of the Foundation, but held and administered by outside fiscal agents, with the Foundation deriving income from such funds and are reported at fair value. Fair values for beneficial interests in trusts held by others are based on the net present value of the future stream of payments receivable from a charitable lead annuity trust. Due to the short-term nature of the payments, the discount rate used is equal to the rate applicable on the date of the trust agreement.

Amounts Held for the Benefit of Others

The Foundation accepts cash and other financial assets from certain donors and agrees to use those assets on behalf of or transfer those assets to specified beneficiaries. The Foundation maintains legal ownership and variance power of these funds and continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability is recorded for the amounts held for the benefit of others at the value of the related assets.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gift Annuities and Charitable Remainder Trust Agreements

Liabilities for gift annuities and charitable remainder trust agreements represent the actuarial present value of amounts from contributed assets due to the donor. Liabilities are valued based on mortality and interest assumptions according to tables established by the Internal Revenue Service (IRS) and are calculated in a manner consistent with the assumptions underlying the American Council on Gift Annuities rates in effect at the time of issuance. The liabilities are revalued using updated IRS assumptions as of December 31 each year. The impact of the revaluation is reflected as a component of the change in value of split interest agreements on the statements of activities and change in net assets.

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 (or certain grantor) restrictions.

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. 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is communicated or received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Administrative fee revenue and other miscellaneous income is recognized over time when the related services have been provide and earned.

Investment Income

Net investment income is comprised of dividend and interest income, realized and unrealized gains and losses on investments, and investment expenses. Dividend and interest income are recorded when earned. Realized gains and losses are recorded at the time of sale for the amount of the difference between the sale price and the cost basis of the investment. Unrealized gains and losses are recorded for the change in the fair value of the securities which are still held as of year-end. Investment expenses are recorded as incurred.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefitted. All costs are allocated on the basis of estimates of time and effort.

Grants made by the Foundation are recorded as program expense at the time the recipient is notified. Other expenses are recognized when incurred. Certain expenses, such as compensation, other employee benefits, and space rental, are allocated among program, administrative, and fundraising expenses, as they are not directly attributable to those functions.

Premiums on Life Insurance Contracts

Premiums on life insurance contracts relate to life insurance policies which have been absolutely assigned (donated) to the Foundation. The Foundation is the beneficiary of those policies and at the time of absolute assignment, the Foundation becomes the owner of those policies. The insureds (donors) continue to make the policy premium payments. Income is recorded when the policy premiums are contributed, and a corresponding expense is recorded to premiums on life insurance contracts.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and only unrelated business income is subject to federal and state income tax. The Foundation is a nonprivate foundation and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation due to the implementation of this standard. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Fair Value Measurements

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair values of beneficial interests in charitable trusts are determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Foundation adopted the standard on January 1, 2019 using the full retrospective method of transition. The ASU converged and replaced existing revenue-recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration to which the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not result in changes to previously reported revenue.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of ASU 2018-08 guidance using the prospective approach. The adoption of this ASU did not impact the Foundation's reported revenue in total.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for grants and general expenditure within one year of the statement of financial position date are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 36,860,338	\$ 37,353,947
Investments, Short-Term and Liquid	231,048,487	193,291,612
Pledges, Notes, and Other Receivables	<u>3,839,941</u>	<u>2,472,007</u>
Total	<u>\$ 271,748,766</u>	<u>\$ 233,117,566</u>

The assets above include donor funds subject to donor restrictions and recommendations as of December 31, 2019 and 2018. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to terms of the fund agreement and approval by the board of directors.

The Foundation generally uses the assets held for donor advised funds for grantmaking based on donor recommendations although those funds are not donor-restricted.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation's core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The Foundation has established operating reserves to support operations during periods of market volatility, when administrative fees may fall short of budgeted expectations. Operating reserves of \$2,177,765 and \$2,262,293 at December 31, 2019 and 2018, respectively, are included in the amounts above and are invested in the Foundation's multi-asset pool.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to become available as its awarded grants, general expenditures, liabilities and other obligations become due. The Foundation invests cash in excess of daily requirements in money markets, sweep accounts, certificates of deposit, and short-term investments.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are held in trust by the Foundation. During the life of the trust, the Foundation, as trustee, makes payments to the income beneficiary/beneficiaries. Trust termination occurs upon death of the income beneficiary/beneficiaries or in accordance with the trust agreement. Upon trust termination, the restriction is lifted on the Foundation's use of principal and income remaining in accordance with the trust agreement. In each taxable year of the trusts until trust termination, the Foundation will make payments to the income beneficiary/beneficiaries in an amount determined in accordance with the trust agreement, generally a percentage of the net fair market value of the assets of each trust valued as of the first day of each taxable year or the original date of the gift for unitrusts or annuity trusts, respectively. Net assets with donor restrictions shown in the statements of financial position and above are net of a related liability to income beneficiary/beneficiaries of \$24,394,195 and \$21,592,332 at December 31, 2019 and 2018, respectively.

Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Charitable Remainder Trust Agreements	\$ 29,080,865	\$ 24,731,724
Real Estate Remainder Interest in Trust	119,366	116,067
Total	<u>\$ 29,200,231</u>	<u>\$ 24,847,791</u>

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 INVESTMENTS

Investments in mutual and other investment funds, common stocks, and fixed income investments are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mutual Funds:		
Large Cap Equities	\$ 123,775,367	\$ 95,955,556
Mid Cap Equities	21,172,989	14,772,679
Small Cap Equities	8,892,830	5,982,342
Marketable Alternatives	5,462,707	4,874,842
Fixed Income	49,862,878	53,400,363
Total Mutual Funds	<u>209,166,771</u>	<u>174,985,782</u>
Common Stocks:		
Large Cap Stocks	5,588,674	4,255,917
Mid Cap Stocks	1,474,443	1,265,081
Small Cap Stocks	372,781	439,875
Total Common Stocks	<u>7,435,898</u>	<u>5,960,873</u>
Fixed Income Investments:		
U.S. Treasury Notes	8,133,045	6,786,966
Corporate Bonds	4,555,306	3,334,472
Municipal Bonds	1,484,414	1,870,022
Foreign Bonds	51,353	353,496
Total Fixed Income Investments	<u>14,224,118</u>	<u>12,344,956</u>
Other Investment Funds	<u>193,231,673</u>	<u>141,738,746</u>
Total Investments	<u><u>\$ 424,058,460</u></u>	<u><u>\$ 335,030,357</u></u>

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 INVESTMENTS (CONTINUED)

Investment income (loss) is comprised of the following for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and Interest Income	\$ 5,978,188	\$ 250,799	\$ 6,228,987
Net Realized Gain on Investments	2,871,798	201,607	3,073,405
Net Unrealized Gain (Loss) on Investments	37,234,105	7,881,007	45,115,112
Investment Expenses	(990,200)	(123,065)	(1,113,265)
Total	\$ 45,093,891	\$ 8,210,348	\$ 53,304,239
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and Interest Income	\$ 9,428,894	\$ 207,486	\$ 9,636,380
Net Realized Gain on Investments	1,409,449	192,336	1,601,785
Net Unrealized Gain (Loss) on Investments	(33,091,187)	(2,355,034)	(35,446,221)
Investment Expenses	(851,956)	(147,794)	(999,750)
Total	\$ (23,104,800)	\$ (2,103,006)	\$ (25,207,806)

NOTE 6 MANAGEMENT AND ADMINISTRATIVE CONTRACTS AND OTHERS

The Foundation reimbursed Thrivent Financial for Lutherans for certain management and administrative services provided to the Foundation, including rent, IT services, postage, and other related expenses of \$243,435 and \$222,693 for the years ended December 31, 2019 and 2018, respectively. Financial representatives of Thrivent Financial for Lutherans are involved in the generation of contributions to the Foundation. Additionally, the Foundation invests in Thrivent Mutual Funds advised by and held by Thrivent Asset Management, LLC and Thrivent Investment Management, Inc., wholly owned subsidiaries of Thrivent Financial for Lutherans. These investments equate to approximated 46% and 48% of total investments at December 31, 2019 and 2018, respectively.

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of the Foundation's financial instruments carried at fair value as of December 31 were as follows:

	2019			Total
	Level 1	Level 2	Level 3	
Investments and Assets at Fair Value:				
Mutual Funds:				
Large Cap Equities	\$ 123,775,367	\$ -	\$ -	\$ 123,775,367
Mid Cap Equities	21,172,989	-	-	21,172,989
Small Cap Equities	8,892,830	-	-	8,892,830
Marketable Alternatives	5,462,707	-	-	5,462,707
Fixed Income	49,862,878	-	-	49,862,878
Common Stocks:				
Large Cap Stocks	5,588,674	-	-	5,588,674
Mid Cap Stocks	1,474,443	-	-	1,474,443
Small Cap Stocks	372,781	-	-	372,781
Fixed Income Investments:				
U.S. Treasury Notes	8,133,045	-	-	8,133,045
Corporate Bonds	-	4,555,306	-	4,555,306
Municipal Bonds	-	1,484,414	-	1,484,414
Foreign Bonds	-	51,353	-	51,353
Total	<u>\$ 224,735,714</u>	<u>\$ 6,091,073</u>	<u>\$ -</u>	<u>230,826,787</u>
Investments Measured at Net Asset Value or its Equivalent				193,009,973
Stock in Privately Held Company				221,700
Total Investments				<u>\$ 424,058,460</u>
	2018			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Mutual Funds:				
Large Cap Equities	\$ 95,955,555	\$ -	\$ -	\$ 95,955,555
Mid Cap Equities	14,772,679	-	-	14,772,679
Small Cap Equities	5,982,342	-	-	5,982,342
Marketable Alternatives	4,874,842	-	-	4,874,842
Fixed Income	53,400,364	-	-	53,400,364
Common Stocks:				
Large Cap Stocks	4,255,917	-	-	4,255,917
Mid Cap Stocks	1,265,081	-	-	1,265,081
Small Cap Stocks	439,875	-	-	439,875
Fixed Income Investments:				
U.S. Treasury Notes	6,786,966	-	-	6,786,966
Corporate Bonds	-	3,334,472	-	3,334,472
Municipal Bonds	-	1,870,022	-	1,870,022
Foreign Bonds	-	353,496	-	353,496
Total	<u>\$ 187,733,621</u>	<u>\$ 5,557,990</u>	<u>\$ -</u>	<u>193,291,611</u>
Investments Measured at Net Asset Value or its Equivalent				141,738,746
Total Investments				<u>\$ 335,030,357</u>

**INFAITH COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no significant transfers into or out of Level 1 or Level 2 in 2019 and 2018. Transfers between fair value hierarchy levels are recognized at the date of the event or change in circumstance that caused the transfer.

Investments in Entities that Calculate Net Asset Value Per Share (or its Equivalent)

The following tables include information related to investments in certain other invested assets whose fair value is measured on a recurring basis using the net asset value (NAV) per share as an expedient to measure fair value.

	Net Asset Value 2019	Unfunded Commitments at December 31, 2019	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equities Collective Funds	\$ 18,135,035	\$ -	Quarterly	90 Days
Global Equities Collective Funds	84,478,268	-	Monthly	5 to 15 Days
Emerging Market Equities Collective Funds	15,379,598	-	Quarterly	90 Days
Emerging Market Equities Collective Funds	17,757,890	-	Monthly	10 to 60 Days
Fixed Income Collective Fund	1,760,231	-	Monthly	30 Days
Hedge Funds	26,082,698	-	Monthly	3 to 30 Days
Hedge Funds	14,444,481	-	Quarterly	60 Days
Hedge Funds	12,942,333	-	Annually	90 Days
Private Equity	2,029,439	5,996,031	N/A	N/A
Total	<u>\$ 193,009,973</u>	<u>\$ 5,996,031</u>		

	Net Asset Value 2018	Unfunded Commitments at December 31, 2018	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equities Collective Funds	\$ 10,893,519	\$ -	Quarterly	90 Days
Global Equities Collective Funds	55,109,379	-	Monthly	5 to 15 Days
Emerging Market Equities Collective Funds	11,738,035	-	Quarterly	90 Days
Emerging Market Equities Collective Funds	15,837,778	-	Monthly	10 to 60 Days
Fixed Income Collective Fund	1,803,570	-	Monthly	30 Days
Hedge Funds	22,618,365	-	Monthly	3 to 30 Days
Hedge Funds	13,526,871	-	Quarterly	60 Days
Hedge Funds	10,111,229	-	Annually	90 Days
Private Equity	100,000	850,000	N/A	N/A
Total	<u>\$ 141,738,746</u>	<u>\$ 850,000</u>		

Global Equities and Emerging Market Equities Collective Funds includes investments in funds that are invested in international developed and emerging markets common stocks. The unobservable inputs used to determine the fair value of the equity collective funds are based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

**INFAITH COMMUNITY FOUNDATION
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NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

**Investments in Entities that Calculate Net Asset Value Per Share (or its Equivalent)
(Continued)**

Fixed Income Collective Funds includes investments in a diversified fixed income product that provides both financial return and positive economic and social impact. The investable universe is comprised of U.S. small businesses that have passed through a loan underwriting process and aims to construct a balanced investment portfolio of high-yield, short duration fixed income assets diversified by loan, sector, and geography. The unobservable inputs used to determine the fair value of the fixed income collective funds are based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Hedge Funds are invested primarily in a diversified portfolio of directly originated loan investments, distressed corporate and mortgage bonds, long/short credit, long/short equity, global macro, event driven and other strategies. The unobservable inputs used to determine the fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Private Equity funds includes investments in venture capital, buy-outs, U.S. private equity, growth equity, and natural resources. The unobservable inputs used to determine the fair value of the fund of private equity funds and direct investments has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity funds' management review and judgment.

NOTE 8 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition or disclosure in these combined financial statements through August 20, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared a global pandemic of the novel Coronavirus (COVID-19). Both domestic and international equity markets have experienced significant volatility since December 31, 2019. As of August 20, 2020, the amount and likelihood of any loss relating to these events is not determined. These losses are not included in the financial statements as of and for the year ended December 31, 2019.