

KIWANIS FOUNDATION OF ROANOKE
Financial Statements
October 31, 2020



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2118 Rosalind Avenue
Roanoke, Virginia 24014
540-266-7178
540-266-7318 (fax)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kiwanis Foundation of Roanoke
Roanoke, Virginia

We have audited the accompanying financial statements of the Kiwanis Foundation of Roanoke (the Foundation), a nonprofit organization, which comprise the statements of financial position as of October 31, 2020 and 2019, and the related statements of activities 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.

Board of Directors
Kiwanis Foundation of Roanoke
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kiwanis Foundation of Roanoke as of October 31, 2020 and 2019, 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.

Cole & Associates CPAs, LLC

Certified Public Accountants
Roanoke, Virginia
December 14, 2020

KIWANIS FOUNDATION OF ROANOKE
 Statements of Financial Position
 October 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Cash and cash equivalents	2,955	89,223
Investments, at fair value	1,152,205	1,161,180
Total assets	\$ 1,155,160	\$ 1,250,403
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES	\$ -	\$ -
NET ASSETS		
Without donor restrictions	-	-
With donor restrictions	1,155,160	1,250,403
Total net assets	1,155,160	1,250,403
Total liabilities and net assets	\$ 1,155,160	\$ 1,250,403

See accompanying notes.

KIWANIS FOUNDATION OF ROANOKE
Statement of Activities
Year Ended October 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions:			
General contributions	\$ -	\$ 151,522	\$ 151,522
In-kind contributions	1,700	-	1,700
Net realized and unrealized gains on investments	-	17,257	17,257
Investment income	-	29,037	29,037
Assets released from restrictions	<u>291,337</u>	<u>(291,337)</u>	<u>-</u>
Total support and revenue	<u>293,037</u>	<u>(93,521)</u>	<u>199,516</u>
EXPENSES			
Program services			
Contribution – Kiwanis Club of Roanoke, Virginia	282,843	1,722	284,565
Management and general			
Investment fees	5,923	-	5,923
Professional fees	3,850	-	3,850
Other administrative expense	<u>421</u>	<u>-</u>	<u>421</u>
Total expenses	<u>293,037</u>	<u>1,722</u>	<u>294,759</u>
Change in net assets	-	(95,243)	(95,243)
NET ASSETS			
Beginning of year	<u>-</u>	<u>1,250,403</u>	<u>1,250,403</u>
End of year	<u>\$ -</u>	<u>\$ 1,155,160</u>	<u>\$ 1,155,160</u>

See accompanying notes.

KIWANIS FOUNDATION OF ROANOKE
Statement of Activities
Year Ended October 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Contributions:			
General contributions	\$ -	\$ 121,885	\$ 121,885
In-kind contributions	1,700	-	1,700
Net realized and unrealized gains on investments	-	64,641	64,641
Investment income	-	38,817	38,817
Assets released from restrictions	62,896	(62,896)	-
	<u>64,596</u>	<u>162,447</u>	<u>227,043</u>
Total support and revenue			
EXPENSES			
Program services			
Contribution – Kiwanis Club of Roanoke, Virginia	50,500	898	51,398
Management and general			
Investment fees	10,043	-	10,043
Professional fees	3,800	-	3,800
Other administrative expense	253	-	253
	<u>64,596</u>	<u>898</u>	<u>65,494</u>
Total expenses			
Change in net assets	-	161,549	161,549
NET ASSETS			
Beginning of year	<u>-</u>	<u>1,088,854</u>	<u>1,088,854</u>
End of year	<u>\$ -</u>	<u>\$ 1,250,403</u>	<u>\$ 1,250,403</u>

See accompanying notes.

KIWANIS FOUNDATION OF ROANOKE
Statements of Cash Flows
Years Ended October 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (95,243)	\$ 161,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(17,257)	(64,641)
Net cash flows from operating activities	(112,500)	96,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	64,293	79,915
Purchase of investments	(38,061)	(87,600)
Net cash flows from investing activities	26,232	(7,685)
Change in cash and cash equivalents	(86,268)	89,223
CASH AND CASH EQUIVALENTS		
Beginning of year	89,223	-
End of year	\$ 2,955	\$ 89,223

See accompanying notes.

KIWANIS FOUNDATION OF ROANOKE
Notes to Financial Statements
October 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Kiwanis Foundation of Roanoke (the Foundation) was formed to support the charitable activities of the Kiwanis Club of Roanoke, Virginia (the Club) by making annual contributions to the Club for use in the furtherance of its charitable and educational projects. The Foundation solicits contributions from Kiwanis Club members, and the income from the endowment funds its charitable purpose.

Basis of Presentation: The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Contributions received are recorded as increases in net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted contributions whose restrictions are met in the same reporting period are included in net assets without donor restrictions.

Contributed Services: Contributed services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that normally would be purchased by the Foundation. Contributed services include the value of accounting services amounting to \$1,700 for both years ended October 31, 2020 and 2019.

Cash and Cash Equivalents: For the purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. All gains and investment income are with donor restrictions.

Income Taxes: The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation.

The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of October 31, 2020. The Foundation's Form 990, *Return of Organization Exempt from Income Tax* is subject to examination by the IRS generally for three years after they are filed.

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.

Subsequent Events: Management has evaluated subsequent events through December 14, 2020 the date the financial statements were available to be issued.

KIWANIS FOUNDATION OF ROANOKE
Notes to Financial Statements
October 31, 2020 and 2019

NOTE 2: INVESTMENTS

The Foundation invests in premium grade mutual funds, equity securities, government obligations and corporate debt. Generally accepted accounting principles define fair value, establish a framework for measuring fair value and establish a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The three levels in the hierarchy used to measure fair value are as follows:

Level 1 – Unadjusted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs (other than quoted prices included with Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in valuation techniques in the years ended October 31, 2020 and 2019.

Fair value measurements for investments reported at fair value on a recurring basis were determined as follows:

	2020		
	Level 1	Level 2	Balance 2020
Money market funds	\$ 116,043	\$ -	\$ 116,043
Mutual funds	48,092	-	48,092
Common stocks	727,266	-	727,266
Corporate and government bonds	260,804	-	260,804
Total investments	\$ 1,152,205	\$ -	\$ 1,152,205
	2019		
	Level 1	Level 2	Balance 2019
Money market funds	\$ 99,856	\$ -	\$ 99,856
Mutual funds	50,058	-	50,058
Common stocks	674,506	-	674,506
Corporate and government bonds	336,760	-	336,760
Total investments	\$ 1,161,180	\$ -	\$ 1,161,180

KIWANIS FOUNDATION OF ROANOKE
Notes to Financial Statements
October 31, 2020 and 2019

NOTE 2: INVESTMENTS *(continued)*

Unrealized gain (loss) on investments held for years ended October 31, 2020 and 2019 were \$18,725 and \$66,345. Investment return is summarized as follows:

	2020	2019
Investment income	\$ 29,037	\$ 38,817
Net realized and unrealized gains	17,257	64,641
Total investment income	\$ 46,294	\$ 103,458

NOTE 3: ENDOWMENT FUNDS

Contributions received by the Foundation, unless otherwise directed by the donor, are added to the with donor restriction fund in accordance with the solicitation information provided to potential donors. The income from such restricted funds is with donor restriction to be used to fund the Foundation's annual contribution to the Kiwanis Club of Roanoke, Virginia, and necessary operating expenses.

The Foundation classifies as with donor restrictions the full value of gifts donated to the endowment and the full value of subsequent gifts to the endowment. The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of income while also maintaining the purchasing power of the assets over the long-term. Investment policies call for a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent rate of return such that the Foundation has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible.

Spending Policy. The Foundation's policy is to appropriate for the annual distribution approximately 4.5% of the average value of the endowment fund for the previous three years. In determining the distribution amount the Foundation also considers the prior year investment income and the total investment return of the previous year.

KIWANIS FOUNDATION OF ROANOKE
Notes to Financial Statements
October 31, 2020 and 2019

NOTE 4: LIQUIDITY

The Foundation manages its financial assets to ensure resources are available to meet obligations over the next twelve months. Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	<u>\$ 118,997</u>	<u>\$ 189,078</u>
Financial assets available for general expenditures	<u>\$ 118,997</u>	<u>\$ 189,078</u>

NOTE 5: RELATED PARTY

The Foundation and the Kiwanis Club of Roanoke, Virginia (the Club) are related through common control and economic interests. The Foundation directors elect their successors from the membership of the Club. The directors so elected shall serve at the pleasure of the Board of Directors of the Club. In addition, the Foundation president serves as a director on the Board of Directors of the Club. Most of the contributions received by the Foundation are solicited from Club members.

The annual contribution to the Club as determined by the Foundation Board was \$55,000 and \$34,300 for the years ended October 31, 2020 and 2019, respectively. Additional pass through contributions of \$15,200 and \$16,200 were remitted to the Club in 2020 and 2019, respectively. In 2019 the Foundation began collections of funds specifically for a playground project. All funds collected in 2019 and 2020 for the purpose of the playground project totaled \$212,643 for the year ended October 31, 2020. Funds approved to be contributed to the Club and unpaid at October 31, 2020 amounted to \$97,000.

NOTE 6: SUBSEQUENT EVENTS

In early March, the COVID-19 virus was declared a global pandemic. The duration and full effects of the COVID-19 outbreak are unknown as of the date of this report. Therefore, the Foundation is not able to provide an estimate of the financial effect of the crisis. No adjustments have been made to these financial statements as a result of this uncertainty.