

**COMMUNITY FOUNDATION OF
THE VIRGIN ISLANDS, INC.**

***INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS***

December 31, 2018 and 2017

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DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Community Foundation of the Virgin Islands, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of the Virgin Islands, Inc. (the "Foundation"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2018, and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 the 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 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 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 auditors consider internal controls 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 purposes 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.

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To the Board of Trustees of the
Community Foundation of the Virgin Islands, Inc.
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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 Community Foundation of the Virgin Islands, Inc. as of December 31, 2018 and 2017, and its activities and changes in its net assets, its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USVI, LLC

Certified Public Accountants

November 5, 2019
St. Thomas, US Virgin Islands

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 4,205,952	\$ 12,519,112
Investments, at fair value	12,171,889	11,836,232
Unconditional promises to give	90,138	309,128
Interest receivable	4,991	6,578
Leasehold improvements and equipment, net	436	436
Other assets	<u>6,428</u>	<u>19,554</u>
Total assets	<u>\$ 16,479,834</u>	<u>\$ 24,691,040</u>
LIABILITIES AND NET ASSETS		
LIABILITIES -		
Accounts payable and accrued expenses	<u>\$ 306,652</u>	<u>\$ 1,320,035</u>
NET ASSETS:		
Without donor restrictions	6,214,662	6,825,115
With donor restrictions	<u>9,958,520</u>	<u>16,545,890</u>
Total net assets	<u>16,173,182</u>	<u>23,371,005</u>
Total liabilities and net assets	<u>\$ 16,479,834</u>	<u>\$ 24,691,040</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues, gains and other public support:			
Grants and contributions	\$ 993,940	\$ 4,901,381	\$ 5,895,321
Investments losses	(504,054)	(304,740)	(808,794)
Net assets released from program restrictions	11,184,011	(11,184,011)	-
Total public support and revenues	<u>11,673,897</u>	<u>(6,587,370)</u>	<u>5,086,527</u>
Expenses:			
Program services:			
Education	742,934	-	742,934
Community	1,079,535	-	1,079,535
Children and families	177,670	-	177,670
Early childhood	88,016	-	88,016
Health	681,259	-	681,259
Environmental	-	-	-
Disaster assistance	9,064,534	-	9,064,534
Total program services	<u>11,833,948</u>	<u>-</u>	<u>11,833,948</u>
Supporting services:			
Community Foundation support	54,380	-	54,380
Management and general	341,253	-	341,253
Fundraising expenses	54,769	-	54,769
Total supporting services	<u>450,402</u>	<u>-</u>	<u>450,402</u>
Total expenses	<u>12,284,350</u>	<u>-</u>	<u>12,284,350</u>
Change in net assets	\$ (610,453)	\$ (6,587,370)	\$ (7,197,823)
Net assets, beginning of year	<u>6,825,115</u>	<u>16,545,890</u>	<u>23,371,005</u>
Net assets, end of year	<u>\$ 6,214,662</u>	<u>\$ 9,958,520</u>	<u>\$ 16,173,182</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues, gains and other public support:			
Grants and contributions	\$ 1,016,288	\$ 14,932,376	\$ 15,948,664
Investments return	1,063,108	423,998	1,487,106
Net assets released from program restrictions	3,758,541	(3,758,541)	-
Total public support and revenues	<u>5,837,937</u>	<u>11,597,833</u>	<u>17,435,770</u>
Expenses:			
Program services:			
Education	657,872	-	657,872
Community	1,163,775	-	1,163,775
Children and families	139,461	-	139,461
Early childhood	57,323	-	57,323
Health	491,778	-	491,778
Environmental	1,000	-	1,000
Disaster assistance	2,429,479	-	2,429,479
Total program services	<u>4,940,688</u>	<u>-</u>	<u>4,940,688</u>
Supporting services:			
Community Foundation support	51,170	-	51,170
Management and general	219,352	-	219,352
Fundraising expenses	46,216	-	46,216
Total supporting services	<u>316,738</u>	<u>-</u>	<u>316,738</u>
Total expenses	<u>5,257,426</u>	<u>-</u>	<u>5,257,426</u>
Change in net assets	\$ 580,511	\$ 11,597,833	\$ 12,178,344
Net assets, beginning of year	6,244,604	4,948,057	11,192,661
Net assets, end of year	<u>\$ 6,825,115</u>	<u>\$ 16,545,890</u>	<u>\$ 23,371,005</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS (USED IN)/PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (7,197,823)	\$ 12,178,344
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation and amortization expense	-	1,436
Unrealized losses/(gains)	1,643,459	(908,270)
Losses/(gains) on sales of marketable securities	12,226	(17,891)
Donated securities	20,394	120,367
Changes in operating assets and liabilities		
increase/(decrease) cash:		
Unconditional promises to give	218,990	(74,981)
Interest receivable	1,587	9,419
Other assets	13,126	(5,167)
Accounts payable and accrued expense	<u>(1,013,383)</u>	<u>1,295,024</u>
Total adjustments	<u>896,399</u>	<u>419,937</u>
Net cash (used in)/provided by operating activities	<u>(6,301,424)</u>	<u>12,598,281</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of marketable securities	(2,957,699)	(4,345,654)
Proceeds from sales of marketable securities	<u>945,963</u>	<u>874,792</u>
Net cash used in investing activities	<u>(2,011,736)</u>	<u>(3,470,862)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	\$ (8,313,160)	\$ 9,127,419
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,519,112</u>	<u>3,391,693</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,205,952</u>	<u>\$ 12,519,112</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services										Supporting Services			Total for the Year Ended December 31, 2018
	Education	Community	Children and Families	Early Childhood	Health	Disaster assistance	Environmental	Total Program Services	CFVI Capacity	Management and General	Fundraising Expenses	Total Support Services		
Operating:	\$ 74,729	\$ 68,135	\$ 65,937	\$ 63,739	\$ 17,583	\$ 50,552	\$ -	\$ 340,675	\$ -	\$ 63,739	\$ 35,166	\$ 98,905	\$ 439,580	
Salaries	5,704	5,201	5,033	4,865	1,342	3,859	-	26,004	-	4,865	2,684	7,549	33,553	
Fringe benefits										173,228		173,228	173,228	
Professional fees												7,181	31,917	
Payroll taxes	5,426	4,947	4,788	4,628	1,277	3,670	-	24,736	-	4,628	2,553	11,360	11,360	
Donor development											1,514	4,258	18,924	
Occupancy	3,217	2,933	2,839	2,744	757	2,176	-	14,666	-	2,744	-	11,332	11,332	
Internship										2,704		4,196	18,649	
Office expense and printing	3,170	2,891	2,797	2,704	746	2,145	-	14,453	-	7,500	1,492	7,500	7,500	
Telephone										3,865		3,865	3,865	
Insurance										6,928		6,928	6,928	
Bank charges										2,021		2,021	2,021	
Postage										4,488		4,488	4,488	
Advertising										5,600		5,600	5,600	
Internet														
Depreciation expense														
Repairs and maintenance										7,637		7,637	7,637	
Dues and subscriptions										16,535		16,535	16,535	
Meetings										2,359		2,359	2,359	
Travel										9,733		9,733	9,733	
Board expenses										421		421	421	
Other										9,596		9,596	9,596	
Security										777		777	777	
Total operating	\$ 92,246	\$ 84,107	\$ 81,394	\$ 78,680	\$ 21,705	\$ 62,402	\$ -	\$ 420,534	\$ -	\$ 340,700	\$ 54,769	\$ 395,469	\$ 816,003	

The accompanying notes are an integral part of these financial statements.

Continues

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services							Supporting Services				Total for the Year Ended December 31, 2018	
	Education	Community	Children and Families	Early Childhood	Health	Disaster assistance	Environmental	Total Program Services	CFVI Capacity	Management and General	Fundraising Expenses		Total Support Services
Program services:													
Grants and awards	\$ 176,344	\$ 689,690	\$ 66,281	\$ -	\$ 479,245	\$ 7,563,966	\$ -	\$ 8,975,526	\$ 54,380	\$ -	\$ -	\$ 54,380	\$ 9,029,906
Scholarship	372,783	-	-	-	-	-	-	372,783	-	-	-	-	372,783
Staffing	-	2,584	9,699	-	-	-	-	12,283	-	503	-	503	12,786
Rent and utilities	-	20,182	-	-	-	5,182	-	25,364	-	-	-	-	25,364
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops and meetings	60,268	79,869	2,060	1,764	176,674	874,204	-	1,194,839	-	-	-	-	1,194,839
Printing	6,566	4,758	1,970	-	1,693	84,037	-	99,024	-	-	-	-	99,024
Technical assistance	5,419	44,740	4,425	-	-	417,130	-	471,714	-	-	-	-	471,714
Conferences and travel	13,455	78,035	10,089	7,033	1,277	34,340	-	144,229	-	50	-	50	144,279
Special events	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	13,263	-	-	-	-	-	-	13,263	-	-	-	-	13,263
Other	2,590	75,570	1,752	539	665	23,273	-	104,389	-	-	-	-	104,389
Total program services	\$ 650,688	\$ 995,428	\$ 96,276	\$ 9,336	\$ 659,554	\$ 9,002,132	\$ -	\$ 11,413,414	\$ 54,380	\$ 553	\$ -	\$ 54,933	\$ 11,468,347
Total expenses	\$ 742,934	\$ 1,079,535	\$ 177,670	\$ 88,016	\$ 681,259	\$ 9,064,534	\$ -	\$ 11,833,948	\$ 54,380	\$ 341,253	\$ 54,769	\$ 450,402	\$ 12,284,350

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services						Supporting Services				Total for the Year Ended December 31, 2017		
	Education	Community	Children and Families	Early Childhood	Health	Disaster assistance	Environmental	Total Program Services	CFV Capacity	Management and General		Fundraising Expenses	Total Support Services
Operating:													
Salaries	\$ 58,224	\$ 52,931	\$ 10,586	\$ 19,408	\$ 17,644	\$ 113,915	\$ -	\$ 272,708	\$ -	\$ 29,994	\$ 22,937	\$ 52,931	\$ 325,639
Fringe benefits	7,762	7,056	1,411	2,587	2,352	-	-	21,168	-	3,998	3,058	7,056	28,224
Professional fees	-	-	-	-	-	21,000	-	21,000	-	85,629	-	85,629	106,629
Payroll taxes	4,454	4,049	810	1,485	1,350	7,243	-	19,391	-	2,295	1,755	4,050	23,441
Donor development	-	-	-	-	-	-	-	-	-	-	12,067	12,067	12,067
Occupancy	7,302	6,638	1,328	2,434	2,213	-	-	19,915	-	3,762	2,877	6,639	26,554
Internship	542	493	99	181	164	-	-	1,479	-	279	214	493	1,972
Office expense and printing	2,190	1,991	398	730	664	923	-	6,896	-	1,128	863	1,991	8,887
Telephone	-	-	-	-	-	1,159	-	1,159	-	4,728	-	4,728	5,887
Insurance	-	-	-	-	-	-	-	-	-	3,412	-	3,412	3,412
Bank charges	-	-	-	-	-	-	-	-	-	7,807	-	7,807	7,807
Postage	67	61	12	22	20	588	-	770	-	35	27	62	832
Advertising	198	180	36	66	60	1,929	-	2,469	-	102	78	180	2,649
Internet	-	-	-	-	-	-	-	-	-	5,391	-	5,391	5,391
Depreciation expense	-	-	-	-	-	-	-	-	-	1,436	-	1,436	1,436
Repairs and maintenance	-	-	-	-	-	-	-	-	-	4,256	-	4,256	4,256
Dues and subscriptions	-	-	-	-	-	-	-	-	-	9,164	-	9,164	9,164
Meetings	-	-	-	-	-	40	-	40	-	18,275	-	18,275	18,315
Travel	-	-	-	-	-	917	-	917	-	3,294	-	3,294	4,211
Board expenses	-	-	-	-	-	-	-	-	-	466	-	466	466
Other	-	-	-	-	-	-	-	-	-	206	-	206	206
Security	-	-	-	-	-	-	-	-	-	763	-	763	763
Total operating	\$ 80,739	\$ 73,399	\$ 14,680	\$ 26,913	\$ 24,467	\$ 147,714	\$ -	\$ 367,912	\$ -	\$ 186,420	\$ 43,876	\$ 230,296	\$ 598,208

The accompanying notes are an integral part of these financial statements.

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**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services						Supporting Services			Total for the Year Ended December 31, 2017			
	Education	Community	Children and Families	Early Childhood	Health	Disaster assistance	Environmental	Total Program Services	CFVI Capacity		Management and General	Fundraising Expenses	Total Support Services
Program services:													
Grants and awards	\$ 309,825	\$ 510,739	\$ 38,394	\$ 1,100	\$ 419,024	\$ 20,000	\$ 1,000	\$ 1,300,082	\$ 51,170	\$ 32,647	\$ -	\$ 83,817	\$ 1,383,899
Scholarship	113,883	-	15,000	-	-	-	-	113,883	-	-	-	-	113,883
Staffing	-	40,617	693	-	-	-	-	42,039	-	-	-	-	42,039
Rent and utilities	729	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	47,640	1,705	-	172,099	-	-	-	-	172,099
Workshops and meetings	37,535	71,042	14,177	-	-	-	-	17,340	-	-	2,340	-	19,680
Printing	5,304	11,576	460	26,893	-	-	-	442,564	-	-	-	-	442,564
Technical assistance	98,921	276,093	40,657	-	-	-	-	133,074	-	-	-	-	133,074
Conferences and travel	2,589	119,965	10,520	87	-	-	-	3,216	-	-	-	-	3,216
Special events	-	3,129	-	-	-	-	-	2,340	-	-	-	-	2,340
Training	-	-	2,340	-	-	-	-	71,079	-	285	-	-	71,364
Other	8,347	57,215	2,540	2,330	647	-	-	71,079	-	285	-	-	71,364
Total program services	\$ 577,133	\$ 1,090,376	\$ 124,781	\$ 30,410	\$ 467,311	\$ 21,705	\$ 1,000	\$ 2,312,716	\$ 51,170	\$ 32,932	\$ 2,340	\$ 86,442	\$ 2,399,158
Total expenses	\$ 657,872	\$ 1,163,775	\$ 139,461	\$ 57,323	\$ 491,778	\$ 169,419	\$ 1,000	\$ 2,680,628	\$ 51,170	\$ 219,352	\$ 46,216	\$ 316,738	\$ 2,997,366

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. NATURE OF ACTIVITIES

Community Foundation of the Virgin Islands, Inc. (the “Foundation”) is a tax exempt publicly supported charitable organization. The assets of the Foundation are devoted to charitable uses of a public nature primarily benefiting primarily the residents of the U.S. Virgin Islands (“USVI”). The Foundation’s principal source of revenue is charitable contributions. The Foundation’s work focuses on services embracing children and families, community, health, environment and education. Current programs include:

Education – The education program provides scholarships to students with academic excellence and financial need.

Community – The Community program provides technical assistance to staff and members of the board of directors of community non-for-profit organizations in areas such as financial management, fund raising, board development, communications and public relations. In addition, grants are provided to non-for-profit organizations and individuals engaged principally in improving the lives of children and families in the USVI.

Children and Families – Under this program the Foundation publishes the Kids Count Report, which provides a status of children and families in the USVI, analyzes challenges and trends, and is used as a tool to advocate on behalf of children and families. In addition to the publication of this report, the Foundation carries out the following activities under this program:

- Fatherhood Collaborative, which is an initiative that encourages responsible fatherhood through programs, presentations and fatherhood support groups.
- Rapid Response, which provides one-time emergency grants to families in crisis.
- Junior Angels, which introduces youth to the world of volunteerism and philanthropy.

Health – The Health program provides financial assistance to Virgin Islanders with cancer and other life-threatening illness to assist in the required medical care.

Early Childhood – Through this program the Foundation directs efforts to strengthen the community child care and early education infrastructure in the USVI by building awareness of the importance of early learning and development for success in life and working with community agencies to promote quality care and education. The Foundation provides training programs and resources to child care providers, early education professionals and parents of young children.

Environmental – The Foundation assists in meeting the challenges of protecting, conserving and sustainably managing small island environments.

CFVI Capacity – Support provided by donors from named Funds at the Foundation to support the Foundation’s overall operations and programs in the community.

COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Disaster Assistance – The Disaster Assistance program was established to provide assistance to Virgin Islanders impacted by Hurricanes Irma and Maria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Foundation conform with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and, as such, include amounts based on judgments, estimates, and assumptions made by management 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 amount of revenues and expenses during the reported periods. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Foundation:

Basis of Presentation - The financial statements have been prepared in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958, *Not-for-Profit Entities*. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Those resources not subject to donor-imposed restrictions. The Board of Directors has discretionary control over these resources.

Net assets with donor restrictions – Those resources whose use by the Foundation has been limited by donors to a specific time period or purpose or those net assets that have been restricted by donors to be in perpetuity.

Cash and Cash Equivalents – The Foundation considers all highly liquid investment securities with original maturities of three months or less to be cash equivalents. Cash equivalents as of December 31, 2018 and 2017, at the Foundation were \$3,560,309 and \$8,489,649, respectively, held in money market funds deposits with a broker dealer.

Investments in Securities – Investments represents marketable equity securities, corporate and U.S. government bonds and notes, certificates of deposit, corporate and mutual funds. These securities are recorded at market value. Unrealized gains and losses are reported in the statement of activities and changes in net assets.

COMMUNITY FOUNDATION OF THE VIRGIN ISLANDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Fair Value Measurements of Financial Instruments – FASB Accounting Standards Update No. 2013-03, Financial Instruments (Topic 825): Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities (“ASU No. 2013-03”), clarifies that the requirement to disclose “the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)” does not apply to nonpublic entities for items that are not measured at fair value in the statement of financial position, but for which fair value is disclosed. The amendments affect nonpublic entities that have total assets of \$100 million or more or that have one or more derivative instruments, and are effective upon issuance. The adoption of this guidance did not have a material effect on the Foundation’s financial statements.

The Foundation determines the fair value of its financial instruments based on the fair value hierarchy established in the FASB authoritative guidance (Accounting Standard Codification 820) *for Fair Value Measurements and Disclosures*.

Revenue Recognition – Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use, unless specifically restricted by donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increase those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets. Wills are recorded as bequest revenue when the courts declare the wills valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trust and perpetual trust, are recorded as revenue when the trust agreements become irrevocable.

The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management’s analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fund raising activity. As of December 31, 2018 and 2017, the Foundation had no allowance for uncollectible accounts.

Expense Recognition – Expenses are recognized when incurred.

Leasehold Improvements and Equipment – Leasehold improvements and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line basis over the useful lives of each asset. Maintenance and repair costs that do not improve or extend the useful life of the respective assets are expensed as incurred. Costs of renewals and betterments which extend the useful life of the respective assets are capitalized. When assets are sold or disposed of, the cost of the assets and the related accumulated depreciation/amortization are removed from the accounts and any gain or loss is included as income or expense.

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Functional Expense Allocation – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and change in net assets, and of functional expenses. Accordingly, certain costs have been allocated among the activities benefited in accordance with time spent in each program service.

Income Tax – The Internal Revenue Service (“IRS”) has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”), except for taxes on unrelated business income. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation under Section 509(a)(1) of the IRC.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, management has evaluated the Foundation’s tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by U.S. federal and local authorities for years ended December 31, 2015 and prior.

Investments are exposed to various risks such as interest rate, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investments and the amounts reported in the statement of financial position.

The Foundation’s unconditional promises to give are due by numerous organizations and individuals. The Foundation’s management reviews the receivable balances as a whole to determine the necessity of its allowance for doubtful accounts.

Recent Accounting Standard Updates:

The adoption of the following accounting pronouncements may have an impact on the Foundation’s financial statements and disclosures.

Presentation of Financial Statements – In June 2018, the FASB issued Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for transactions in which an entity is neither a public business entity nor a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serve as the resource recipient. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For transactions in which an entity is neither a public business entity nor a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as the resource provider, the ASU is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The amendments should be applied on a modified prospective basis with retrospective application permitted.

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Presentation of Financial Statements – In March 2019, the FASB issued Accounting Standards Update 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is allowed for financial statements not yet available for issuance. The amendments should be applied prospectively. See the ASU for various disclosure amendments and requirements.

Revenue Recognition – In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU No. 2014-09”). This ASU is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The effective date of this guidance was deferred by ASU 2015-14.

Leases – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The main provision of ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The effective date of ASU 2016-02 is for interim and annual reporting periods beginning after December 15, 2018. The ASU has not yet been adopted. The Foundation is currently evaluating the provisions of ASU No. 2016-02 and will be closely monitoring developments and additional guidance to determine the impact the new standard will have on the Foundation’s Financial Statements.

Leases – In July 2018, the FASB issued Accounting Standards Update 2018-11, *Leases (Topic 842): Targeted Improvements*, July 2018, the effective dates are generally the same as those in ASU No. 2016-02 (which are for entities other than public business entities, certain not-for-profit entities, and certain employee benefit plans for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020). However, the ASU provides an additional and optional transition method for the adoption of ASU No. 2016-02, which allows the initial application of the guidance at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In addition, for amendments in the ASU providing lessors a practical expedient to not separate nonlease components from lease components, entities that have not yet adopted ASU No. 2016-02 should use the same effective date and transition requirements (as amended) as those in ASU No. 2016-02. For entities that have previously adopted ASU No. 2016-02, the practical expedient can be elected in the first reporting period after the issuance of ASU No. 2018-11, or at the original effective date of ASU No. 2016-02. Additionally, if ASU No. 2016-02 has previously been adopted, the practical expedient may be applied either retrospectively or prospectively.

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Statement of Cash Flows – In November 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force), which require entities to present the changes in total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance also requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet if restricted cash and restricted cash equivalents are presented in a different line item in the balance sheet.

The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. Management is currently evaluating this standard and will be closely monitoring developments and additional guidance to determine impact on the Foundation’s financial statements presentation.

Other Recently Issued Accounting Guidance – During the year ended December 31, 2018, the FASB issued certain other accounting standard updates that were not relevant to the Foundation’s operations.

3. INVESTMENTS

Investment securities as of December 31, 2018 and 2017, consist of the following:

	2018		2017	
	Fair value	Cost	Fair value	Cost
Mutual Funds	\$ 7,867,675	\$ 7,330,036	\$ 7,259,339	\$ 5,626,773
Exchange-Traded and Closed End Funds	991,185	1,194,309	850,938	874,382
Preferred Stocks	1,261,580	1,459,716	1,208,952	1,205,227
Certificates of Deposit	522,707	534,272	1,034,620	1,034,873
Corporate Bonds	1,432,368	1,570,226	1,385,431	1,368,188
Government Bonds	96,374	100,007	96,952	100,006
Total	<u>\$ 12,171,889</u>	<u>\$ 12,188,566</u>	<u>\$ 11,836,232</u>	<u>\$ 10,209,449</u>

The Foundation has adopted an investment and spending policy for non-endowed and endowed assets that attempts to give long-term stability to its investments by protecting principal and ensuring its growth in order to sustain its purchasing power against the rate of inflation over time. The policy is also designed to ensure predictable cash flows in order to provide predictable outflows of expenditures for the Foundation's program services. The spending limit determines the annual amount made available from investment earnings from existing funds and new gifts. The annual spending limit is independent of the investment income earned and thus may be more or less than the income earned by interest, dividends and capital appreciation in any one year. The Board of Directors must approve any deviation from the spending policy. The spending policy will be monitored to assure that all endowment funds maintain or increase the real value of the endowment principal over the long term.

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Investment income is comprised of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 846,891	\$ 560,945
(Losses)/gains on sales of investments	(12,226)	17,891
Unrealized (losses)/gains	<u>(1,643,459)</u>	<u>908,270</u>
	<u>\$ (808,794)</u>	<u>\$ 1,487,106</u>

4. FAIR VALUE MEASUREMENTS

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Foundation at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table present assets that are measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	<u>2018</u>			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 7,867,675	\$ 7,867,675	\$ -	\$ -
Exchange-Traded and Closed End	991,185	991,185	-	-
Preferred Stocks	1,261,580	1,261,580	-	-
Certificates of Deposit	522,707	522,707	-	-
Corporate Bonds	1,432,368	-	1,432,368	-
Government Bonds	<u>96,374</u>	<u>-</u>	<u>96,374</u>	<u>-</u>
Investments, at fair value	<u>\$ 12,171,889</u>	<u>\$ 10,643,147</u>	<u>\$ 1,528,742</u>	<u>\$ -</u>

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	2017			
	Fair value	Level 1	Level 2	Level 3
Mutual funds	\$ 7,259,339	\$ 7,259,339	\$ -	\$ -
Exchange-Traded and Closed End	850,938	850,938	-	-
Preferred Stocks	1,208,952	1,208,952	-	-
Certificates of Deposit	1,034,620	1,034,620	-	-
Corporate Bonds	1,385,431	-	1,385,431	-
Government Bonds	96,952	-	96,952	-
Investments, at fair value	<u>\$ 11,836,232</u>	<u>\$ 10,353,849</u>	<u>\$ 1,482,383</u>	<u>\$ -</u>

Investment securities classified as available-for-sale are the only financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. No financial liabilities are recognized or disclosed at fair value by the Foundation in the financial statements on a recurring basis.

As of December 31, 2018 and 2017, the Foundation did not have any nonfinancial asset or liability recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer.

There were no transfers into or out of Level 1, Level 2 or Level 3 for the years ended on December 31, 2018 and 2017.

The following methods and assumptions were used by the Foundation in estimating fair values of financial instruments:

Mutual Funds, Exchange-Traded and Closed End Funds, Certificate of Deposit and Preferred Stocks – The majority of the values for these securities are obtained from third-party pricing service providers that use a pricing methodology based on observable market inputs and quoted prices in active markets for identical instruments. These investments are classified as Level 1.

U.S. Treasury Bonds and Notes, Corporate Bonds and Notes – The fair value of these securities is obtained from third party pricing service providers that use a pricing methodology based on an active exchange market and quoted market prices for similar securities. These securities are classified as Level 2.

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5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2018 and 2017, consist of:

	Useful Life (in years)	2018	2017
Leasehold improvements	5	\$ 19,315	\$ 19,315
Equipment	5	48,393	48,393
Total depreciable assets		67,708	67,708
Accumulated depreciation and amortization		(67,272)	(67,272)
Total leasehold improvements and equipment, net		<u>\$ 436</u>	<u>\$ 436</u>

Depreciation expense for the years ended December 31, 2018 and 2017, amounted to \$ - and \$1,436, respectively.

6. PROMISSORY NOTE RECEIVABLE

In prior years, the Foundation received a contribution as a component of a grant agreement which assigned to the Foundation the rights, title and interest in a promissory note with a face amount of \$1,218,750 from a U.S. Virgin Islands limited liability company. The principal amount of the note as of December 31, 2018 and 2017, is \$1,046,366. The note bears interest at a rate of 5% per annum. The principal balance, together with any unpaid interest thereon, is due and payable upon demand.

The Foundation records principal payments as contributions in the year of receipt, and interest is recorded when earned. For the years ended December 31, 2018 and 2017, the Foundation earned interest in accordance with the terms of the note amounting to \$52,318 per year. As of December 31, 2018 and 2017, a total of \$89,636 and \$104,637, respectively, was recorded as interest receivable in the Unconditional Promises to Give in the Statement of Financial Position.

Financial Accounting Standards Board Codification Topics generally requires measuring contributions received at the fair value of the assets, and specifically, the fair value of a noncash asset expected to be collected in more than one year should be based on the present value of the expected fair value of the underlying noncash assets that the organization expected to receive. The Foundation expects the terms of the promissory note to be honored, however, management has not obtained a valuation to determine the expected fair value and, as such, has elected to record the promissory note at a nominal amount of \$1. This amount has been included in Unconditional Promises to Give.

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7. NET ASSETS

The Foundation has identified its net assets as follows:

As of December 31, 2018 and 2017, net asset balances with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Permanent restrictions:		
Children’s Trust of the Virgin Islands	\$ 212,337	\$ 212,337
Judith A. Towle Environmental Studies	70,000	70,000
Total permanent restrictions	<u>282,337</u>	<u>282,337</u>
Temporary restrictions:		
Scholarships	748,104	603,816
Programs	1,457,976	1,580,400
Grants	409,721	313,207
Field of Interest	2,121,142	2,191,090
Agency	201,623	312,094
Fiscal Sponsorship	289,258	512,056
Disaster assistance	4,357,674	10,627,748
Other	<u>90,685</u>	<u>123,142</u>
Total temporary restrictions	<u>9,676,183</u>	<u>16,263,553</u>
Total net assets with donor restrictions	<u>\$ 9,958,520</u>	<u>\$ 16,545,890</u>

Scholarships – Funds which are individually identified as programs which may be distributed for scholarships.

Programs – Donated funds to be used in the Foundation’s programs such as Community Service Fund, Dictionary Project, The Family Connection, Laws of Life, Rapid Response, Senior Citizen Assistance, and Next Generation Scholars.

Field of Interest – Funds individually identified which may be used in specific activity or certain program area, in accordance with donor’s intent.

Agency – Funds received and used following agency specific arrangements.

Fiscal Sponsorship – Represents funds received and distributed under fiscal sponsorship agreements for which the Foundation provides fiscal sponsor services to organizations and groups to assist with a charitable project.

Disaster Assistance – Represents funds received and distributed from donations made for Hurricanes Irma and María relief.

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As of December 31, 2018 and 2017, net asset balances without donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Unrestricted and operating funds	\$ 2,877,077	\$ 3,111,274
Donor advised funds	<u>3,337,585</u>	<u>3,713,841</u>
Total	<u>\$ 6,214,662</u>	<u>\$ 6,825,115</u>

Donor Advised Funds – Funds which the donor actively participates and makes non-binding grant recommendations to the Board. The Foundation has final approval of these recommendations.

Unrestricted and Operating Funds – Funds, that are non-permanent or to be used in the operations of the Foundation, for a broad range of community issues.

8. COMMITMENTS

The Foundation’s premises are leased with terms expiring through February 2022. Total rent and other leases expense for the years ended December 31, 2018 and 2017, amounted to \$9,000 and \$6,750, respectively.

Future minimum lease payments under existing operating leases at December 31, 2018, follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 9,000
2020	9,000
2021	9,000
2022	<u>1,500</u>
Total minimum lease payments	<u>\$ 28,500</u>

9. DEFINED CONTRIBUTION PLAN

The Foundation has a defined contribution plan that covers all eligible employees who have earned \$5,000 during any two preceding years and is reasonably expected to earn at least \$5,000 in the current year. The Foundation matches 100% of the participants' contributions up to 3%. Contributions charged to expense on the statement of activities for the years ended December 31, 2018 and 2017, amounted to \$7,189 and \$7,231, respectively.

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10. DONATED SERVICES, MATERIALS AND FACILITIES

The Foundation received donated services from a variety of unpaid volunteers, assisting in the Foundation's children and families and educational programs. No amounts have been recognized in the accompanying statements of activities for these donated services because the criteria for recognition of such volunteer effort under Financial Accounting Standards Board Codification Topics on contributions have not been satisfied.

The total temporarily restricted in-kind services during the years ended December 31, 2018 and 2017, amounted to \$ - and \$12,000, and are included in contributions and expenses in the statements of activities and changes in net assets.

11. ENDOWMENT

The Foundation's endowment consists of two funds established primarily to provide funding for child advocacy, children and families and support for environmental activities and studies. The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. Investment income from investment of the permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

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

	<u>December 31, 2018</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net asset, beginning of year	\$ -	\$ 384,376	\$ 384,376
Interest returns	-	(21,402)	(21,402)
Net appreciation	-	-	-
Contributions	-	6,892	6,892
Amounts appropriated for expenditures and other charges	-	(14,074)	(14,074)
Change in endowment net assets	-	(28,584)	(28,584)
Endowment net asset, end of year	<u>\$ -</u>	<u>\$ 355,792</u>	<u>\$ 355,792</u>

	<u>December 31, 2017</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net asset, beginning of year	\$ -	\$ 391,540	\$ 391,540
Interest and dividends	-	-	-
Net appreciation	-	-	-
Contributions	-	5,171	5,171
Amounts appropriated for expenditures and other charges	-	(12,335)	(12,335)
Change in endowment net assets	-	(7,164)	(7,164)
Endowment net asset, end of year	<u>\$ -</u>	<u>\$ 384,376</u>	<u>\$ 384,376</u>

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12. RISK CONCENTRATIONS

Financial instruments that potentially expose the Foundation to certain concentration of credit risk include cash and cash equivalents, investments and unconditional promises to give. Cash and cash equivalents balances are maintained at high-quality financial institutions and, at times, balances may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, as per FDIC, all deposit accounts, including checking and savings accounts, money market deposit account and certificates of deposit are standardly insured for up to \$250,000. The standard insurance coverage is per depositor, per insured bank. At December 31, 2018 and 2017, the Foundation's uninsured cash deposits amounted to approximately \$4,200,000 and \$12,500,000, respectively.

Investments are exposed to various risks such as interest rate, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investments and the amounts reported in the statement of financial position.

The Foundation's unconditional promises to give are due by numerous organizations and individuals. The Foundation's management reviews the receivable balances as a whole to determine the necessity of its allowance for doubtful accounts.

13. SIGNIFICANT EVENT HURRICANES IRMA AND MARIA

During September 2017, hurricanes Irma and Maria struck the U.S. Virgin Islands causing widespread damages throughout the island. Management, based on a preliminary estimate, determined that the Foundation's assets and property did not suffer significant physical damages. In response to the devastating impact of the hurricanes, the Foundation established several Funds to support hurricane relief and recovery. A hurricane disaster program was established to collect and distribute monetary distributions for the purpose of supporting immediate relief efforts and directing long-term community renewal.

14. LIQUIDITY AND AVAILABILITY

The Foundation routinely monitors liquidity for grant expenditures, other program service expenses and operations in accordance with its financial policy. The Foundation's financial assets consist principally of cash and investment in marketable equity securities, corporate and government bonds and notes, certificate of deposits and mutual funds which are available for grants, program services and general expenditures. The Foundation's financial assets are not subject to donor or other contractual restrictions that make them unavailable within one year of the balance sheet date. The Foundation's financial policy is to maintain cash and investment in securities that generate a predictable stream of investment income to support fund granting and operating expenses while seeking to maintain the purchasing power of the Foundation's financial assets to meet long term objectives and short term needs.

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The Foundation principal assets consist of cash and investments, at fair value as disclosed in Note 3 to the financial statements. The Foundation pools investments for general investment purposes. Investment income is allocated amongst certain designated funds. The Foundation utilizes external investment consultants to manage the Foundation's investments in accordance with an investment policy approved by the board of directors. Regularly, the investment committee of the board of directors meets with the investment consultants to review portfolio performance, returns and compliance with the Foundation's investment policy.

15. SUBSEQUENT EVENTS

For purposes of these financial statements, subsequent events have been evaluated through November 5, 2019, which is the date that the financial statements were available to be issued. There are no material subsequent events that require further disclosures in the Foundation's financial statements.