

Roy J. Carver Charitable Trust

Financial Report
April 30, 2019

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RSM US LLP

Independent Auditor's Report

To the Board of Trustees
Roy J. Carver Charitable Trust

Report on the Financial Statements

We have audited the accompanying financial statements of Roy J. Carver Charitable Trust (Trust) which comprise the statements of financial position as of April 30, 2019 and 2018; 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

The Trust's financial statements do not disclose the level hierarchy under Financial Accounting Standards Board Accounting Standards Codification Topic No. 820, Fair Value Measurements, (ASC 820) for any investments not classified as Level 1 and certain additional information required to be disclosed for investments classified as Level 3. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Roy J. Carver Charitable Trust as of April 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 15-17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the accompanying information of the qualified opinion on the financial statements described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Davenport, Iowa
July 23, 2019

Roy J. Carver Charitable Trust

Statements of Financial Position
April 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 759,244	\$ 998,738
Money market funds	3,087,809	2,009,608
Total cash and cash equivalents	3,847,053	3,008,346
Accrued investment income	558,210	513,284
Prepaid expenses	59,217	-
Excise taxes receivable	-	37,000
Investments	323,467,244	331,423,211
Property and equipment:		
Land and land improvements	567,038	567,038
Building and building improvements	2,132,105	2,126,871
Furniture, fixtures and equipment	272,322	272,088
	2,971,465	2,965,997
Less accumulated depreciation	1,552,150	1,485,442
Total property and equipment	1,419,315	1,480,555
Total assets	\$ 329,351,039	\$ 336,462,396
Liabilities and Net Assets		
Liabilities:		
Grant obligations payable	\$ 42,415,904	\$ 32,236,633
Other accrued expenses	128,504	146,314
Excise taxes payable	20,000	-
Deferred excise taxes	1,803,000	1,918,000
Total liabilities	44,367,408	34,300,947
Commitments (Note 2)		
Net assets without donor restrictions	284,983,631	302,161,449
Total liabilities and net assets	\$ 329,351,039	\$ 336,462,396

See notes to financial statements.

Roy J. Carver Charitable Trust

**Statements of Activities
Years Ended April 30, 2019 and 2018**

	2019	2018
Unrestricted revenue:		
Interest	\$ 2,396,586	\$ 2,226,771
Dividends	3,527,357	3,389,990
Net realized and unrealized gains on investments, net of investment fees 2019 \$1,544,703; 2018 \$1,681,483	5,273,221	27,193,245
Total unrestricted revenue	11,197,164	32,810,006
Unrestricted expenses:		
Grants approved	26,761,927	9,244,843
Trustee fees	169,200	166,450
Salaries and payroll taxes	931,470	903,315
Professional fees	118,483	117,026
Provision for federal excise taxes	127,316	471,000
Depreciation	70,864	71,346
Building repair and maintenance	101,295	80,446
Travel	4,759	4,186
Office	29,075	27,366
Insurance	11,628	11,955
Telephone	6,581	6,365
Miscellaneous	42,384	78,629
Total unrestricted expenses	28,374,982	11,182,927
Increase (decrease) in net assets	(17,177,818)	21,627,079
Net assets without donor restrictions:		
Beginning	302,161,449	280,534,370
Ending	\$ 284,983,631	\$ 302,161,449

See notes to financial statements.

Roy J. Carver Charitable Trust

Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets without donor restrictions	\$ (17,177,818)	\$ 21,627,079
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	70,864	71,346
Accretion	(12,457)	(7,541)
Deferred excise taxes	(115,000)	317,000
Realized and unrealized (gains) on investments	(6,817,924)	(28,874,728)
Changes in assets and liabilities:		
(Increase) in accrued investment income	(44,926)	(17,571)
(Increase) in prepaid expenses	(59,217)	-
Increase (decrease) in other accrued expenses	(17,810)	62,179
Increase (decrease) in grant obligations payable	10,179,271	(7,219,699)
Increase (decrease) in excise taxes payable	57,000	(126,000)
Net cash used in operating activities	(13,938,017)	(14,167,935)
Cash flows from investing activities:		
Purchase of property and equipment	(9,624)	-
Purchases of investments	(36,878,258)	(51,650,228)
Proceeds from sales, maturities and calls of investments	51,664,606	62,543,752
Net cash provided by investing activities	14,776,724	10,893,524
Increase (decrease) in cash and cash equivalents	838,707	(3,274,411)
Cash and cash equivalents:		
Beginning	3,008,346	6,282,757
Ending	<u>\$ 3,847,053</u>	<u>\$ 3,008,346</u>
Supplemental disclosure of cash flow information, cash payments made for excise taxes	<u>\$ 185,316</u>	<u>\$ 243,000</u>

See notes to financial statements.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization: The Roy J. Carver Charitable Trust was created on June 16, 1981 under the provisions of the Last Will and Testament of Roy J. Carver (Will). The Trust is a nonprofit entity whose purpose is to enhance charitable, educational and scientific programs. This purpose is accomplished through the aid of grants which are distributed to various academic and charitable institutions. The Trust is required by the Will to distribute all cash basis income at least semiannually; therefore, internal accounting records are maintained on a cash basis and these financial statements are adjusted to the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Significant accounting policies:

Accounting estimates: The preparation of financial statements, in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of accounting: The records of the Trust are kept on the basis of cash receipts and disbursements. The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, long-lived assets, and accrued items, including grants payable, as approved by the Trustees.

Cash and cash equivalents: The Trust considers all cash accounts and money market funds with an original maturity of three months or less to be cash and cash equivalents. Money market funds are carried at cost. The Trust has deposits exceeding the federal depository insurance limits. Management believes the credit risk related to these assets is minimal.

Investments: Investments are valued using quoted market prices obtained from national securities exchanges, and third-party pricing services where available. For limited partnerships where quoted market value of investments may not be available, fair values are based on information provided by the general partners, which includes quoted fair values when available and estimates of fair value of investments that are not readily ascertainable. There have been no changes in valuation techniques used for any investments during the year ended April 30, 2019.

Investment transactions are accounted for on the date the securities are purchased or sold. Realized and unrealized gains and losses on investment transactions including management and custodial fees, determined by the specific-identification method, are included in net gains on investments. Interest and dividends are recognized as revenue when earned.

Property and equipment: Property and equipment is carried at cost. Depreciation is computed by accelerated and straight-line methods over the assets estimated useful lives.

Grant obligations payable: Grants payable are discounted using a risk free rate of return as of the date of the grant approval.

Net assets: All of the Trust's investments are considered an endowment fund. The Trust's investment funds are considered without donor restrictions as they are fully expendable by the Board of Trustees subject to various tax and legal limitations.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Federal income and excise taxes: The Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Trust has been determined to be a private foundation under Section 509(a), Chapter 42 of the Code and is subject to federal excise taxes. Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The Trust's temporary differences relate primarily to the difference between the cost and fair value of the investments. Deferred tax liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Trust files a Form 990-PF (Return of Private Foundation) annually. An excise tax of 1% or 2% is imposed on the net investment income of all domestic tax-exempt private foundations for each tax year, and is reported on Form 990-PF. UBIT is reported on Form 990-T, as appropriate. As of April 30, 2019 and 2018, there were no uncertain tax benefits identified and recorded as a liability.

Pending accounting guidance: In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Trust for fiscal years beginning after December 15, 2018. The Trust elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

Reclassification: Certain items on the statement of cash flows for the year ended April 30, 2018 have been reclassified to coincide with elections for the year ended April 30, 2019.

Subsequent events: The Trust has evaluated subsequent events through July 23, 2019, the date on which the financial statements were available to be issued.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 2. Investments and Investment Gains (Losses)

The Trust's investments are held by a bank-administered trust fund. As of April 30, 2019 and 2018, the Trust's investments consist of the following:

	2019		2018	
	Fair Value	Original Cost	Fair Value	Original Cost
Common stock	\$ 79,326,641	\$ 54,356,558	\$ 83,825,612	\$ 53,846,137
Domestic equity mutual funds	81,954,929	45,145,979	85,412,161	48,571,090
International equity mutual funds	32,964,007	20,099,458	37,112,693	21,337,381
U.S. government bonds	3,811,665	3,790,666	3,571,422	3,642,282
U.S. government agency securities	1,913,540	1,908,102	1,829,298	1,854,492
Municipal/provincial bonds	2,574,609	2,479,957	3,645,097	3,550,268
Corporate bonds	33,297,183	32,906,640	29,292,803	29,762,865
U.S. government mortgage-backed securities	10,809,916	10,999,475	10,189,114	10,513,524
Commercial mortgage-backed securities	3,210,582	3,309,869	3,367,561	3,505,420
Asset backed securities	2,693,610	2,702,997	3,787,420	3,839,725
Partnerships invested in:				
Private equity	21,369,404	19,595,660	19,293,666	19,094,624
Venture capital and emerging markets	49,541,158	36,000,000	50,096,364	36,000,000
	<u>\$ 323,467,244</u>	<u>\$ 233,295,361</u>	<u>\$ 331,423,211</u>	<u>\$ 235,517,808</u>

Alternative investments are investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications. Alternative investments may be structured as limited partnerships, limited liability corporations, trusts or corporations. The Trust's alternative investments are the partnerships and the international equity mutual funds above. As of April 30, 2019, the Trust had commitments for these investments of approximately \$3,236,000 for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses.

Net gains on investments for the years ended April 30, 2019 and 2018 consist of:

	2019	2018
Net realized gains (losses), net of investment fees	\$ 11,006,741	\$ 11,346,757
Net increase (decrease) in unrealized gains	(5,733,520)	15,846,488
	<u>\$ 5,273,221</u>	<u>\$ 27,193,245</u>

The investments of the Trust are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 3. Federal Excise Tax

In accordance with the applicable provisions of Section 4940, the Trust is subject to a federal excise tax of 1% or 2% (subject to certain criteria) on net investment income, including realized gains on investment transactions, as defined under this provision. The provision for federal excise taxes for the years ended April 30, 2019 and 2018 consists of:

	2019	2018
Current	\$ 242,316	\$ 154,000
Deferred	(115,000)	317,000
	<u>\$ 127,316</u>	<u>\$ 471,000</u>

In addition, the Trust operates as a private nonoperating foundation. One of the requirements to maintain private nonoperating foundation status is to make grants equaling approximately 5% of the average value of the noncharitable assets each year. As of April 30, 2019, the Trust had an excess distribution carryover, which is estimated to be approximately \$8,000,000, which is available to offset amounts to be distributed during the year ending April 30, 2020. If the Trust were to have undistributed income, any portion of the amount not distributed by the end of the following fiscal year would be subject to a 30% penalty tax.

Note 4. Financial Assets Available and Liquidity

The Trust regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Grants awarded, the largest expense, is approved by the Trustees and the Trust is required by the Will to distribute all cash basis income at least semi-annually. The Trust's main source of liquidity at its disposal is its substantial investment portfolio as described in Note 2. The Trust invests with the goal of achieving long-term returns.

The Trust holds investments valued at net asset value (NAV) as described in Note 7. While they are not restricted funds, they are invested for long-term appreciation and, therefore, not included in cash available for general expenditures in the next year.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Trust considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 4. Financial Assets Available and Liquidity (Continued)

Refer to the statements of cash flows which identifies the sources and uses of the Trust's cash.

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,847,053	\$ 3,008,346
Accrued investment income	558,210	513,284
Excise taxes receivable	-	37,000
Investments	323,467,244	331,423,211
Total financial assets as of April 30	327,872,507	334,981,841
Less amounts not available to meet cash needs for general expenditures within one year, investments valued at net asset value	103,874,569	106,502,723
Financial assets available to meet cash needs for general expenditures within one year	\$223,997,938	\$228,479,118

Note 5. Summary of Functional Expenses

The Trust enhances charitable, educational and scientific programs by making grants that are distributed to various academic and charitable institutions. Grants approved are direct program expenses while the excise tax expense is an administrative expense related to investment income. Substantially all other expenses are related to the management of the grant programs or administration of the Trust.

	2019		
	Program Service Grant-Making	Support Service Administration	Total Expenses
Grants approved	\$ 26,761,927	\$ -	\$ 26,761,927
Trustee fees	88,350	80,850	169,200
Salaries and payroll taxes	171,828	759,642	931,470
Professional fees	-	118,483	118,483
Provision for federal excise taxes	-	127,316	127,316
Depreciation and facility expenses	-	201,234	201,234
Travel and other	-	65,352	65,352
Total expenses	\$ 27,022,105	\$ 1,352,877	\$ 28,374,982
	2018		
Grants approved	\$ 9,244,843	\$ -	\$ 9,244,843
Trustee fees	86,975	79,475	166,450
Salaries and payroll taxes	170,879	732,436	903,315
Professional fees	-	117,026	117,026
Provision for federal excise taxes	-	471,000	471,000
Depreciation and facility expenses	-	179,158	179,158
Travel and other	-	101,135	101,135
Total expenses	\$ 9,502,697	\$ 1,680,230	\$ 11,182,927

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 6. Grants Payable

Grants payable are summarized as follows as of April 30, 2019 and 2018:

	2019	2018
In one year or less	\$ 7,814,739	\$ 4,182,081
1 to 2 years	4,867,500	3,469,738
2 to 3 years	4,500,000	3,000,000
3 to 4 years	4,500,000	3,000,000
4 to 5 years	4,500,000	3,000,000
After 5 years	21,950,000	22,050,000
	48,132,239	38,701,819
Present value discount	5,716,335	6,465,186
	<u>\$ 42,415,904</u>	<u>\$ 32,236,633</u>

Note 7. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB Codification defines fair value, establishes a framework for measuring fair value and requires disclosure of fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy set forth in the Topic are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When quoted prices in active markets for identical assets are available, the Trust uses these quoted market prices to determine the fair value of financial assets and classify these as Level 1.

Level 1 securities totaled \$161,281,570 and \$169,237,773 as of April 30, 2019 and 2018, respectively. There were no transfers in or out of Level 1 during the year ended April 30, 2019.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 7. Fair Value Measurements (Continued)

The following table sets forth the breakdown of the fair value of Level 1 securities as of April 30, 2019 and 2018:

	2019	2018
Common stock:		
Consumer discretionary	\$ 10,915,750	\$ 9,882,573
Consumer staples	2,299,027	3,096,281
Energy	3,865,122	3,969,830
Financials	20,609,317	24,481,396
Health care	8,820,684	10,758,684
Industrials	11,400,596	11,095,817
Information technology	12,634,181	12,545,260
Materials	4,214,637	3,601,942
Telecommunication services	1,724,137	1,047,495
Utilities	1,973,341	2,767,231
Real estate investment trusts	869,849	579,103
Domestic equity mutual funds:		
Real estate investment trust	16,135,723	14,920,276
Mid cap funds	32,884,568	34,721,498
Large cap funds	16,670,880	17,964,199
Small cap funds	16,263,758	17,806,188
	<u>\$ 161,281,570</u>	<u>\$ 169,237,773</u>

The remaining investments totaling \$162,185,674 and \$162,185,432 as of April 30, 2019 and 2018, respectively, in the portfolio where quoted market prices are not available or where fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flow or where there is limited activity or less transparency around inputs to the valuation would be classified within Level 2 or Level 3 of the valuation hierarchy. The Trust declines to disclose information for these investments not classified within Level 1.

The following table sets forth additional disclosure of the Trust's investments whose fair value is estimated using NAV per share (or its equivalent) as of April 30, 2019 and 2018:

Investment	April 30, 2019		April 30, 2018		Redemption Frequency	Redemption Notice Period
	Fair Value	Unfunded Commitment	Fair Value			
Investments:						
International equity fund (A)	\$ 32,964,007	\$ -	\$ 37,112,693		Daily	30 days
Private equity limited partnerships (B)	21,369,404	3,236,000	19,293,666		None	N/A – see (B)
Venture capital and emerging markets limited partnership (C)	49,541,158	-	50,096,364		Monthly	30 days
	<u>\$103,874,569</u>	<u>\$ 3,236,000</u>	<u>\$106,502,723</u>			

(A) The fund invests in international equities that are all exchange traded in other countries outside of the United States of America (USA). This fund can be redeemed immediately at the current NAV per share based on the fair value of the underlying assets. The fair value of this investment has been estimated using the NAV per share of the investment provided by the fund manager.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 7. Fair Value Measurements (Continued)

- (B) The partnerships in this category consist of both funds that invest in the following types of investments in the USA and also outside of the USA: venture capital partnerships, buyout partnerships, mezzanine/subordinated debt partnerships, restructuring/distressed debt partnerships and special situation partnerships. These investments cannot be redeemed during the life of the partnership which can be up to 12 years; however they can be transferred to another eligible investor. Distributions will be received as the underlying investments of the funds are liquidated over time. The fair value of this investment has been estimated using the NAV per share of the investment provided by the fund manager. Management and the Trust's Investment Committee of the Board of Trustees has reviewed financial information of these partnerships and believes that the NAV reported is a reasonable estimate of the fair value of these investments, however since there is not an active market for these investments, if the Trust required immediate sale of these investments, opportunities for transfers could require a discount which could range between none and 20%. The Trust does not have plans for sale of these investments at this time.
- (C) The partnership in this category consists of closed-end funds and investment trusts that invest in equity securities of companies in one or more emerging market countries. From time to time, as a result with certain closed-end funds having distributed portions of their portfolio investments, the partnership may hold direct investments in individual companies primarily operating in emerging market countries. This partnership can be redeemed monthly if the withdrawal request is no later than the first business day of the month containing the desired withdrawal date. The fair value of the partnership has been estimated by using the NAV per share of the investment provided by the fund manager.

Note 8. Investment Funds

Interpretation of relevant law: The Board of Trustees has interpreted that the Trust is not subject to the State of Iowa's Uniform Prudent Management of Institutional Funds Act since the Trust's by-laws provide for the full ability of the Board to spend investment funds subject to tax and legal limitations. The Trust has no net assets with restrictions.

Investment policy: The Trust invests based on the goals to preserve capital, strive for consistent, positive returns and preserve the purchasing power by striving for long-term returns in excess of the inflation rate. The Trust utilizes a long term investment horizon with a high standard of quality. The Trust's strategy includes an asset mix of 12%-28% in domestic fixed income, 24%-56% in domestic equity, 18%-42% in international equity and 6%-14% in other type investments with further breakdowns within those broad categories.

Policy for appropriation of assets for expenditure: The Trust's spending policy is based on the Last Will and Testament that established the Trust which requires distribution of all cash basis income and is also based on necessary expenditures required by federal excise tax laws governing private foundations. The Board of Trustees also approves expenditures for administration of the Trust.

Roy J. Carver Charitable Trust

Notes to Financial Statements

Note 8. Investment Funds (Continued)

Changes in net assets for the years ended April 30, 2019 and 2018:

	<u>Total Net Assets Without Donor Restrictions</u>
Net assets, April 30, 2017	\$ 280,534,370
Investment return:	
Investment income	5,616,761
Net appreciation (realized and unrealized), net of investment fees	<u>27,193,245</u>
Total investment return	32,810,006
Appropriation of assets for expenditures	<u>(11,182,927)</u>
Net assets, April 30, 2018	302,161,449
Investment return:	
Investment income	5,923,943
Net appreciation of investments (realized and unrealized), net of investment fees	<u>5,273,221</u>
Total investment return	11,197,164
Appropriation of assets for expenditures	<u>(28,374,982)</u>
Net assets, April 30, 2019	<u>\$ 284,983,631</u>

Note 9. Adoption of ASU 2016-14

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* which amends the requirements for financial statements and notes in Topic 958 to require not-for-profit entities to make reporting changes affecting the following:

- Net asset classifications and related disclosures.
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date.
- The options for presenting the statement of cash flows.
- Reporting of net investment return.
- New reporting requirements related to expenses including disclosure of expenses by both nature and function.

The Trust made changes to terminology and classification as described above as well as additional and modified disclosures, particularly in Notes 4 and 5 to the financial statements.

Roy J. Carver Charitable Trust

**Book to GAAP Basis Conversion
April 30, 2019**

	April 30, 2019 Book Balance	Item	Adjustments	April 30, 2019 Balance Accrual Basis
Statement of Financial Position				
Assets				
Investments, including cash and money market funds	\$ 237,133,164	(1, 4)	\$ 90,181,133	\$ 327,314,297
Accrued investment income	26,405	(1, 3)	531,805	558,210
Prepaid expenses	-	(2)	59,217	59,217
Property and equipment, net of accumulated depreciation	<u>1,480,555</u>	(5)	<u>(61,240)</u>	<u>1,419,315</u>
Total assets	<u><u>\$ 238,640,124</u></u>		<u><u>\$ 90,710,915</u></u>	<u><u>\$ 329,351,039</u></u>
Liabilities and Net Assets				
Liabilities:				
Grant obligations payable	\$ -	(1, 7)	\$ 42,415,904	\$ 42,415,904
Other accrued expenses	-	(1, 2)	128,504	128,504
Excise taxes payable and deferred	-	(1, 6)	1,823,000	1,823,000
Total liabilities	<u>-</u>		<u>44,367,408</u>	<u>44,367,408</u>
Net assets without donor restrictions	<u>238,640,124</u>		<u>46,343,507</u>	<u>284,983,631</u>
Total liabilities and net assets	<u><u>\$ 238,640,124</u></u>		<u><u>\$ 90,710,915</u></u>	<u><u>\$ 329,351,039</u></u>

See page 17 for description of adjustments.

Roy J. Carver Charitable Trust

**Book to GAAP Basis Conversion
Year Ended April 30, 2019**

	April 30, 2019 Book Balance	Item	Adjustments	April 30, 2019 Balance Accrual Basis
Statement of Activities				
Unrestricted revenue:				
Interest	\$ 2,382,613	(1, 3)	\$ 13,973	\$ 2,396,586
Dividends	3,523,326	(1, 3)	4,031	3,527,357
Net gains on investments, net of investment fees	10,898,704	(2, 4)	(5,625,483)	5,273,221
Total unrestricted revenue	<u>16,804,643</u>		<u>(5,607,479)</u>	<u>11,197,164</u>
Unrestricted expenses:				
Grants approved	16,582,656	(7)	10,179,271	26,761,927
Trustee fees	169,200		-	169,200
Salaries and payroll taxes	931,470		-	931,470
Professional fees	118,483		-	118,483
Provision for federal excise taxes	185,316	(6)	(58,000)	127,316
Depreciation	-	(5)	70,864	70,864
Building repair and maintenance	101,295		-	101,295
Travel	4,759		-	4,759
Office	29,075		-	29,075
Insurance	11,628		-	11,628
Telephone	6,581		-	6,581
Miscellaneous	34,649	(3)	7,735	42,384
Total unrestricted expenses	<u>18,175,112</u>		<u>10,199,870</u>	<u>28,374,982</u>
Increase (decrease) in net assets	(1,370,469)		(15,807,349)	(17,177,818)
Net assets without donor restrictions:				
Beginning	<u>240,010,593</u>		<u>62,150,856</u>	<u>302,161,449</u>
Ending	<u>\$ 238,640,124</u>		<u>\$ 46,343,507</u>	<u>\$ 284,983,631</u>

See page 17 for description of adjustments.

Roy J. Carver Charitable Trust

**Book to GAAP Basis Conversion
Year Ended April 30, 2019**

Description of Adjustments

- (1) To record the effect of prior year accruals on current year revenue and expenses.
- (2) To record accrued liabilities and prepaids at year-end.
- (3) To accrue interest and dividends on investments.
- (4) To record the change in unrealized gains on investments.
- (5) To recognize property and equipment additions and depreciation expense.
- (6) To record federal excise taxes receivable/payable and related tax expense and to adjust deferred federal excise taxes.
- (7) To adjust grant obligations and expenses for grants approved.

