

**THE COMMUNITY FOUNDATION
FOR NORTHEAST FLORIDA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Community Foundation for Northeast Florida, Inc.

Opinion

We have audited the accompanying financial statements of The Community Foundation for Northeast Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Northeast Florida, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Community Foundation for Northeast Florida, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for Northeast Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation for Northeast Florida, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for Northeast Florida, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cam, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 4, 2024

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 56,495,827	\$ 55,003,036
Interest and dividends receivable	859,738	1,030,565
Short-term investments	149,773,471	96,344,532
Promises to give, net (Note 7)	209,725	302,682
Bequests receivable	20,000	260,000
Other receivables	154,821	2,265
Prepaid expenses	96,108	66,822
Long-term investments	423,285,853	369,839,671
Program related investment loans, net	411,770	1,100,399
Notes receivable	342,031	342,031
Real estate held for investment	470,682	470,612
Investments in closely held entities	14,897,147	14,888,588
Cash surrender value of life insurance	143,210	169,699
Receivables under split-interest agreements (Note 8)	3,363,238	3,491,378
Interest in perpetual trust	636,819	564,539
Operating lease right-of-use asset, net (Note 9)	3,450,969	3,771,999
Software platform project in process	-	643,836
Furniture and equipment, net (Note 10)	730,538	41,828
Other assets	55,000	56,086
	<hr/>	<hr/>
Total Assets	\$ <u>655,396,947</u>	\$ <u>548,390,568</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 527,231	\$ 686,175
Grants payable, net (Note 14)	27,109,371	7,955,753
Refundable advances	1,452,111	1,006,779
Operating lease liability, current portion	314,613	212,607
Operating lease liability, less current portion	3,367,335	3,681,948
Gift annuities payable	581,954	610,582
Funds held as agency endowments (Note 11)	21,191,553	18,094,996
Total Liabilities	<u>54,544,168</u>	<u>32,248,840</u>
Net assets (Note 12):		
Without donor restrictions:		
Endowment	405,535,009	354,159,532
Available for grantmaking	187,584,158	154,629,312
Operating	3,668,300	3,158,586
With donor restrictions:		
Restricted to the passage of time	4,065,312	4,194,298
Total Net Assets	<u>600,852,779</u>	<u>516,141,728</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ <u>655,396,947</u>	\$ <u>548,390,568</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Earnings and Other Support:			
Contributions and bequests	\$ 87,185,518	\$ 712,745	\$ 87,898,263
Less: contributions to agency endowments	<u>(897,793)</u>	-	<u>(897,793)</u>
Net contributions	86,287,725	712,745	87,000,470
Net investment earnings	77,601,854	128,898	77,730,752
Change in split-interest agreements	-	191,279	191,279
Other income	409,247	-	409,247
Net assets released from restrictions	<u>1,161,908</u>	<u>(1,161,908)</u>	<u>-</u>
 Total revenue, earnings and other support	 <u>165,460,734</u>	 <u>(128,986)</u>	 <u>165,331,748</u>
Expenses:			
Grants awarded and programs	75,384,906	-	75,384,906
Less: grants awarded from agency endowments	<u>(626,825)</u>	-	<u>(626,825)</u>
Net grants awarded and programs	74,758,081	-	74,758,081
Other program expenses	2,742,557	-	2,742,557
Management and general	2,285,056	-	2,285,056
Development and fundraising	<u>835,003</u>	-	<u>835,003</u>
 Total expenses	 <u>80,620,697</u>	 <u>-</u>	 <u>80,620,697</u>
 Change in net assets	 84,840,037	 (128,986)	 84,711,051
Net assets, beginning of year	<u>511,947,430</u>	<u>4,194,298</u>	<u>516,141,728</u>
Net assets, end of year	<u>\$ 596,787,467</u>	<u>\$ 4,065,312</u>	<u>\$ 600,852,779</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue, Earnings and Other Support:			
Contributions and bequests	\$ 54,164,181	\$ 829,187	\$ 54,993,368
Less: contributions to agency endowments	(1,621,977)	-	(1,621,977)
Net contributions	52,542,204	829,187	53,371,391
Net investment earnings	(78,192,830)	(221,444)	(78,414,274)
Change in split-interest agreements	-	(2,816,605)	(2,816,605)
Other income	190,177	-	190,177
Net assets released from restrictions	1,108,700	(1,108,700)	-
 Total revenue, earnings and other support	 (24,351,749)	 (3,317,562)	 (27,669,311)
Expenses:			
Grants awarded and programs	57,258,546	-	57,258,546
Less: grants awarded from agency endowments	(515,505)	-	(515,505)
Net grants awarded and programs	56,743,041	-	56,743,041
Other program expenses	2,064,003	-	2,064,003
Management and general	1,570,226	-	1,570,226
Development and fundraising	638,200	-	638,200
 Total expenses	 61,015,470	 -	 61,015,470
 Change in net assets	 (85,367,219)	 (3,317,562)	 (88,684,781)
Net assets, beginning of year	597,314,649	7,511,860	604,826,509
Net assets, end of year	\$ 511,947,430	\$ 4,194,298	\$ 516,141,728

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Net Grants awarded and programs</u>	<u>Other program expenses</u>	<u>Management & general</u>	<u>Development & fundraising</u>	
Grants awarded and programs	\$ 74,758,081	\$ -	\$ -	\$ -	\$ 74,758,081
Personnel	-	1,681,909	1,240,894	685,857	3,608,660
Dues and staff development	-	85,470	66,975	19,724	172,169
Consultants – program and other	-	59,578	-	-	59,578
Public relations and community education	-	163,711	45,292	36,922	245,925
Professional fees	-	7,800	219,474	1,800	229,074
Office and occupancy	-	550,071	136,466	74,423	760,960
Interest and taxes	-	-	532,636	-	532,636
Depreciation and amortization	-	158,106	21,194	13,371	192,671
Other expenses	-	35,912	22,125	2,906	60,943
Total functional expenses	\$ <u>74,758,081</u>	\$ <u>2,742,557</u>	\$ <u>2,285,056</u>	\$ <u>835,003</u>	\$ <u>80,620,697</u>

For the Year Ended December 31, 2022

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Net Grants awarded and programs</u>	<u>Other program expenses</u>	<u>Management & general</u>	<u>Development & fundraising</u>	
Grants awarded and programs	\$ 56,743,041	\$ -	\$ -	\$ -	\$ 56,743,041
Personnel	-	1,484,000	1,129,117	483,430	3,096,547
Dues and staff development	-	77,352	45,749	17,850	140,951
Consultants – program and other	-	43,626	3,999	-	47,625
Public relations and community education	-	102,110	41,349	25,534	168,993
Professional fees	-	-	163,895	-	163,895
Office and occupancy	-	336,506	177,205	105,936	619,647
Depreciation	-	10,498	8,912	5,450	24,860
Other expenses	-	9,911	-	-	9,911
Total functional expenses	\$ <u>56,743,041</u>	\$ <u>2,064,003</u>	\$ <u>1,570,226</u>	\$ <u>638,200</u>	\$ <u>61,015,470</u>

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 84,711,051	\$ (88,684,781)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	192,671	24,860
Amortization of operating lease right-of-use asset	321,030	317,822
Net realized and unrealized gain on investments	(70,136,860)	87,302,202
Contribution of securities & other assets	(71,201,245)	(15,168,556)
Proceeds from sale of contributed securities	71,703,879	12,998,254
Change in operating assets and liabilities:		
Promises to give	92,957	(23,391)
Bequests receivable	240,000	1,981,393
Program related investment loans, net	688,629	910,339
Notes receivable	-	69,865
Receivables under split-interest agreements	128,140	3,083,488
Receivables and assets, other	19,357	90,300
Cash surrender value of life insurance	26,489	-
Interest in perpetual trust	(72,280)	175,293
Prepaid expenses	(29,286)	7,581
Accounts payable and accrued liabilities	(158,944)	1,118,736
Refundable advances	445,332	-
Grants payable	19,153,618	3,893,456
Operating lease liability	(212,607)	(195,266)
Gift annuities payable	(28,628)	(29,393)
Funds held as agency endowments	3,096,557	(2,169,092)
Net cash provided by (used for) operating activities	<u>38,979,860</u>	<u>5,703,110</u>
<u>Cash flows from investing activities</u>		
Purchases of investments	(321,248,689)	(113,199,034)
Proceeds from sale and maturity of investments	283,999,165	118,031,696
Expenditures for software project in process	-	(643,836)
Purchase of furniture and equipment	(237,545)	(2,850)
Net cash (used for) provided by investing activities	<u>(37,487,069)</u>	<u>4,185,976</u>
Net change in cash and cash equivalents	1,492,791	9,889,086
Cash and cash equivalents, beginning of year	<u>55,003,036</u>	<u>45,113,950</u>
Cash and cash equivalents, end of year	\$ <u>56,495,827</u>	\$ <u>55,003,036</u>
<u>Schedule of Noncash Transactions</u>		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	\$ -	\$ 4,089,821
<u>Schedule of Certain Cash Flow Information</u>		
Cash paid for interest	\$ <u>32,832</u>	\$ -
Cash paid for income taxes	\$ <u>447,636</u>	\$ -

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

THE COMMUNITY FOUNDATION FOR NORTHEAST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. NATURE OF ACTIVITIES

The Community Foundation for Northeast Florida, Inc. (the “Foundation”) is a Florida nonprofit organization. It operates as a family of component funds established by donors. All the Foundation’s funds represent gifts of capital from individuals, families, corporations, trusts, private foundations, and other not-for-profit organizations. The Foundation serves its donors in many ways, from ensuring the efficient processing of grant recommendations to structuring complex, multi-year philanthropic initiatives. The Foundation uses its local knowledge and philanthropic leadership to improve the quality of life in the community and, in so doing, demonstrates its capacity and ability to fulfill donor intent and be a good steward of all its resources.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting – The Foundation prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation – In accordance with the *Not-for-Profit Entities* Topic 958 of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) the Foundation reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

FASB ASC (ASC 958-205-45-28) further provides guidance for the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to a state enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006* (“UPMIFA”) and provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board-designated endowment funds). The Foundation has determined its net assets do not meet the definition of endowment under UPMIFA, as adopted in the State of Florida.

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purposes for which the contributions are intended. Pursuant to the Foundation’s articles of incorporation and by-laws, the Board of Trustees (the “Board”) has the power to modify any restriction or condition on distribution of funds for any specified charitable purposes or to specified organizations, if in the sole judgment of the Board of Trustees (without the necessity of the approval of any custodian or agent), such restriction or condition becomes, in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this “variance power,” the Foundation has no assets that are permanently restricted. Net assets encumbered by a time stipulation are *with donor restrictions* as explained below.

The Foundation's assets consist of more than 700 component funds established by donors for a variety of purposes. The Board has designated the assets as follows:

Without donor restrictions:

Endowment: Board-designated endowed assets include all contributions contributed to the Foundation with the intention of the donor that the assets remain in perpetuity with the Foundation. The Board intends to spend from these assets only an amount allowable under its spending policy. The spending policy is established and maintained by the Board at a level consistent with the donors' intention for assets to remain in perpetuity.

Available for grantmaking: Available for grantmaking assets include all non-endowed funds and that portion of endowed funds determined under the Foundation's spending policy to be available for grants.

Operating: Operating assets include all assets available to provide for Foundation support services and to produce income to offset administrative and operating expenses.

With donor restrictions are as follows:

Restricted to the passage of time: In accordance with *Not-for-Profit Revenue Recognition* Topic of the FASB ASC 958, contributions received as well as collectible unconditional promises to give are recognized in the period received. Contributions with donor-stipulated time restrictions are reported as revenues with donor restrictions. When the time restrictions expire, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

See Note 12, Net Asset Classification.

Cash and Cash Equivalents – Cash and cash equivalents include checking accounts, savings accounts, money market accounts and certificates of deposit, except for those managed as part of investment management strategies.

Investments – Investments are reported in the financial statements as *short-term investments*, those available to liquidate for grants and expenses within the next twelve months, and *long-term investments*. The Foundation maintains multiple investment pools with unique investment time horizons and risk profiles. Each donor fund is maintained on a daily transaction basis, and earnings from the pools are allocated quarterly to each fund, based on their average daily balance within the pool. The Foundation's investment pools are advised by outside advisors and managed by outside investment managers who invest according to the Foundation's *Investment and Spending Policy for Investment Program* adopted by the Board and overseen by the Foundation's Investment Committee.

Investments are stated at fair value based upon published quotations in the case of marketable securities and estimated fair value, obtained from general partners in certain circumstances for nonmarketable securities. Nonmarketable securities valued at estimated fair value represent 29.0% and 27.9% of the Foundation's assets at December 31, 2023 and 2022, respectively.

Valuation of Investments – The Foundation adopted *Fair Value Measurements and Disclosures* Topic of the FASB ASC 820 (FASB ASC 820), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements.

Program Related Investment Loans, net – The Foundation originates below-market rate loans (PRI Loans) in furtherance of its philanthropic mission. At December 31, 2023, four PRI Loans are outstanding, stated at cost of \$411,770 (loans of \$1,661,771 net of unfunded commitments of \$1,250,000), with maturities ranging from 2024 to 2029. At December 31, 2022, two PRI loans were outstanding stated at cost of \$1,100,399 (\$0 unfunded commitments), with maturities in 2024 and 2028, respectively, or upon the occurrence of certain events. Management has reviewed the collectability of these PRI Loans and has determined an allowance for impairment is not necessary as of December 31, 2023.

Receivables under Split-Interest Agreements – Contributions receivable from charitable trusts are adjusted annually to fair value, and any gain or loss is reflected in the statement of activities as a change in the value of split-interest agreements. In accordance with accounting guidance on split-interest agreements, the Foundation revalues the receivables annually based on changes in the value of the trusts' assets, the discount rate assumption, and the applicable actuarial assumptions.

Leases - Management determines if arrangements are leases at inception. The Foundation's office lease is included in Operating lease right-of-use (ROU) asset and Operating lease liability on the Statement of Financial Position as of December 31, 2023 and 2022. The Foundation has no other arrangements determined to be leases.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Foundation uses a risk-free rate of 1.63%, based on the information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset includes any lease payments over the lease term and excludes lease incentives. The lease term does not include option to extend the lease as it is not reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Project in process – In accordance with ASC 350-40, *Internal-Use Software Accounting*, the Foundation capitalized qualifying costs during the application development stage of its software platform project. There are no projects in process as of December 31, 2023.

Furniture and Equipment – Furniture and equipment are carried at cost. The Foundation capitalizes all expenditures for furniture and equipment of \$2,500 and up. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets (average of 5 years).

Revenue Recognition - Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Administrative Fees – The Foundation charges component funds an administrative fee for managing and administering certain assets during the year. Administrative fees transferred from component funds for support services in 2023 and 2022 were \$3,952,565 and \$3,734,660, respectively. These fees are eliminated in the accompanying financial statements.

Functional Expenses – Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

- Program services, including awarded grants, services to other non-profits, philanthropic leadership, and civic leadership;
- Development and fundraising, including originating and maintaining relationships with donors; and
- Management and general, including expenses that benefit the Foundation as an entity and the management and accounting for funds.

The cost of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated based on estimate of time and effort; occupancy expenses are allocated based on personnel expense allocation and square footage for 2023 and 2022, respectively.

Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. At times cash deposits may exceed federally insured limits. Cash equivalents are maintained at high-quality financial institutions and no losses have been experienced. The Foundation’s investments do not represent significant concentrations of market risks in as much as the Foundation’s investment portfolio is adequately diversified.

Income Taxes – The Foundation is a corporate-form community foundation and qualifies as a tax-exempt public foundation under Section 501(c)(3) of the Internal Revenue Code, exempt from taxes on income other than unrelated business income. The Foundation incurred Federal unrelated business income tax expense on net investment income totaling \$85,000 and \$447,636 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, accounts payables and accrued liabilities on the statement of financial position include \$85,000 and \$0, respectively, for accrued income taxes.

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

New Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which replaces the existing guidance in ASC 840, *Leases*. Certain amendments were subsequently issued by the FASB to provide clarifications and additional optional practical expedients. This, and all subsequent amendments, are collectively referred to as ASC 842. ASC 842 is intended to increase transparency and comparability among organizations by recognizing right-of-use assets and lease liabilities for operating and finance leases on the balance sheet and disclosing key information about leasing arrangements. In 2020, the FASB issued ASU 2020-05 which results in ASC 842 being effective for the Foundation in the fiscal year beginning January 1, 2022.

The Foundation recognized and measured its operating lease existing at January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment.

The Foundation elected the available practical expedients to account for its existing office lease as an operating lease, under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether classification of its operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022 a lease liability of \$4,089,821, which represents the present value of the remaining operating lease payments of \$4,272,122, discounted using our incremental borrowing rate of 1.63%, and a right-of-use asset of \$4,089,821, which represents the operating lease liability. No adjustment to retained earnings was required.

The standard had a material impact on the Foundation’s 2022 statement of financial position but did not have an impact on the Foundation’s statement of activities, nor its statement of cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating lease.

In September 2020, the FASB issued Accounting Standards Update ASU 2020-07, *Not-For-Profit Entities (Topic 958) – Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements in presentation and disclosure requirements. NFP entities will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFP entities will also be required to disclose various information related to contributed nonfinancial assets. The Foundation assessed the impact of adoption of ASU 2020-07 on the 2022 (year of adoption) and 2023 financial statements and determined it did not have a material impact.

Subsequent Events – In accordance with accounting standards, management has evaluated subsequent events through, June 4, 2024, the date financial statements were available to be issued and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

3. INVESTMENT AND SPENDING POLICY FOR ENDOWMENT

The Foundation’s long-term investment objective for its Endowment is to generate total returns that are sufficient to preserve and enhance the real, inflation-adjusted grantmaking power of its Endowment.

In pursuing this objective, the Foundation endeavors to achieve total returns in its Endowment that, over time, are better than their relevant market averages, while maintaining acceptable levels of risk and liquidity. The Foundation does not expect that in every year this investment objective will necessarily be achieved. The Foundation will normally measure whether it has achieved this objective over a rolling five-year period.

While there cannot be complete assurance that the investment objective will be realized, the Board and Investment Committee believe that the likelihood of realization is enhanced by diversifying Investment Pool investments among several asset classes.

The spending policy determines the aggregate distributions from endowed funds for grantmaking and administrative expenses in a given year (the “Spendable Amount”). For 2023, the Spendable Amount was limited to that amount determined by multiplying five percent (5%) times a trailing 20-quarter average of the fair value of endowment assets as of September 30 of the previous year; provided, however, that the Spendable Amount would in no case exceed five percent (5%), nor be less than three (3%), of the fair value of endowment assets as of that date.

4. LIQUIDITY

Financial assets available for grants and other expenses within one year of the statements of financial position date comprise the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 52,018,600	\$ 50,391,545
Accounts receivable and other assets	1,742,119	2,002,383
Short-term investments	149,773,471	96,344,532
Long-term investments made available for current use	19,265,000	16,999,000
Split-interest agreements made available for current use	313,000	376,190
	<u>\$ 223,112,190</u>	<u>\$ 166,113,650</u>

As described in Note 3, the Foundation’s board-designated endowments are subject to an annual spend rate of 5.0%. A Spendable amount of \$19,265,000 will be made available for grantmaking and administrative expenses from these endowments within the next 12 months. Distributions of \$313,000 from split-interest agreements will also be made available for grantmaking within the next 12 months.

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

Endowed assets are pooled for investment, with liquidity managed through the pool’s target allocation to illiquid investments and periodic review of current illiquidity and projected total exposure to managers with lock-up provisions.

5. INVESTMENTS

Investments are reported in the financial statements as Short-term investments, those available to liquidate for grants and expenses within the next twelve months, are \$149,773,471 and \$96,344,532 at December 31, 2023 and 2022, respectively. Long-term investments are \$423,285,853 and \$369,839,671 at December 31, 2023 and 2022, respectively. Collectively, these investments include:

	<u>2023</u>	<u>December 31,</u> <u>2022</u>
Cash held for investment		
Money market accounts/cash in transit	\$ 17,567,502	\$ 15,618,906
Equity securities		
Domestic equities	192,919,995	171,232,735
International equities	147,073,127	116,035,551
Private equity funds	29,154,220	26,249,553
Debt securities		
U.S. fixed income and government securities	131,409,692	78,751,693
Global fixed income funds	9,909,754	11,046,069
Other		
Absolute return long/short funds and covered calls	13,812,368	12,183,352
Absolute return multi- strategy funds	13,615,965	16,010,687
Real asset funds	17,596,701	19,055,657
Total Investments	\$ <u>573,059,324</u>	\$ <u>466,184,203</u>

6. FAIR VALUE MEASUREMENT

The Foundation's investments are reported at fair value in accordance with FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

In accordance with this accounting standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820 establishes a three-tier hierarchy to classify fair value measurements for disclosure purposes. Investments are classified as follows:

- Level I: Values are measured using quoted prices in active markets for identical investments. Investments generally included in this category are listed securities. The Foundation's investments in money market, equity, debt, real asset, and absolute return mutual funds and publicly traded REITs are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value ("NAV") which is the price at which units can be traded at the measurement date. Publicly traded equity securities are valued at the closing price in the active market in which the individual securities are traded.
- Level II: Values are measured using other significant observable inputs, such as quoted prices for similar assets or liabilities or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Investments generally included in this category are debt securities held in separately managed accounts. These securities are valued using valuations provided by pricing services, which determines valuations using methods based upon market transactions for comparable securities

and various relationships between securities which are generally recognized by institutional traders.

- Level III: Values are measured using significant unobservable inputs that are supported by little or no market activity. Investments generally included in this category are limited partnership and corporate interests in public and private securities, real assets, and absolute return funds measured at fair value using NAV per share. Interest in perpetual trust is valued based on the underlying assets of the trust, including mutual funds and publicly traded equity and debt securities. Real estate is valued at appraised land value.

Investments in closely held entities include a trust and real estate limited partnerships/corporation. The trust is valued based on the sole underlying asset, a note receivable. Real estate limited partnerships/corporation are valued at appraised value, less applied discounts for minority ownership of 15% and lack of marketability of 10% for years 2023 and 2022. Receivables under split-interest agreements are valued based on the underlying assets of the trusts, including mutual funds and publicly traded equity and debt securities, discounted to present value of the expected future cash flow payments as discussed in Note 8.

The fair market value of each asset and liability in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring basis at December 31, 2023.

	<u>Total fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments				
Cash held for investment:				
Money market accounts/cash in transit	\$ 17,567,502	\$ 17,567,502	\$ -	\$ -
Publicly traded equity:				
Mutual funds	168,295,766	168,295,766	-	-
Separately managed accounts	60,301,080	60,301,080	-	-
Debt securities:				
Mutual funds	32,482,671	32,193,276	289,395	-
Separately managed accounts	99,050,394	79,253,872	19,796,522	-
Real assets:				
Mutual funds/REIT	4,469,287	4,469,287	-	-
Absolute return funds:				
Mutual fund multi-strategy	381,092	381,092	-	-
<i>Limited liability partnerships/corporations measured at net asset value (1):</i>				
Publicly traded equity	111,396,275	-	-	-
Debt securities	9,786,382	-	-	-
Private equity	29,154,220	-	-	-
Private real assets	13,127,414	-	-	-
Absolute return long/short				
Funds	13,686,670	-	-	-
Absolute return multi-strategy				
Funds	13,360,571	-	-	-
Subtotal investments	<u>573,059,324</u>	<u>362,461,875</u>	<u>20,085,917</u>	<u>-</u>
Other assets				
Program related Investment loans, net	411,770	-	411,770	-
Interest in perpetual trust	636,819	-	636,819	-
Real estate	470,682	-	470,682	-
Investments in closely held entities:				
Investment corporation/trust	261,102	-	-	261,102
Real estate limited liability partnerships/corporation	14,636,045	-	-	14,636,045
Receivables under split-interest agreements	3,363,238	-	-	3,363,238
Total assets measured at fair value	<u>\$ 592,838,980</u>	<u>\$ 362,461,875</u>	<u>\$ 21,605,188</u>	<u>\$ 18,260,385</u>
Liabilities:				
Payables under gift annuities	<u>\$ 581,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,954</u>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The fair market value of each asset and liability in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying amounts and estimated fair values of assets and liabilities measured and recorded at fair value on a recurring basis at December 31, 2022.

	<u>Total fair value</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Investments				
Cash held for investment:				
Money market accounts/cash in transit	\$ 15,618,906	\$ 15,618,906	\$ -	\$ -
Publicly traded equity:				
Mutual funds	155,838,513	155,838,513	-	-
Separately managed accounts	56,227,531	56,227,531	-	-
Debt securities:				
Mutual funds	31,867,434	31,607,971	259,463	-
Separately managed accounts	47,006,610	27,826,987	19,179,623	-
Real assets:				
Mutual funds/REIT	3,915,357	3,915,357	-	-
Absolute return funds:				
Mutual fund multi-strategy	2,480,000	2,480,000	-	-
<i>Limited liability partnerships/corporations measured at net asset value (1):</i>				
Publicly traded equity	75,202,243	-	-	-
Debt securities	10,923,717	-	-	-
Private equity	26,249,553	-	-	-
Private real assets	15,140,300	-	-	-
Absolute return long/short				
Funds	12,013,317	-	-	-
Absolute return multi-strategy				
Funds	13,700,722	-	-	-
Subtotal investments	<u>466,184,203</u>	<u>293,515,265</u>	<u>19,439,086</u>	<u>-</u>
Other assets				
Program related Investment loans	1,100,399	-	1,100,399	-
Interest in perpetual trust	564,539	-	564,539	-
Real estate	470,612	-	470,612	-
Investments in closely held entities:				
Investment corporation/trust	247,624	-	-	247,624
Real estate limited liability partnerships/corporation	14,640,964	-	-	14,640,964
Receivables under split-interest agreements	3,491,378	-	-	3,491,378
Total assets measured at fair value	<u>\$ 486,699,719</u>	<u>\$ 293,515,265</u>	<u>\$ 21,574,636</u>	<u>\$ 18,379,966</u>
Liabilities:				
Payables under gift annuities	<u>\$ 610,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 610,582</u>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level III) inputs:

	Investments in Closely Held Entities	Receivables under Split-interest Agreements	Payables under Gift Annuities
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2021	\$ 14,407,152	\$ 6,574,866	\$ 639,975
Net investment earnings	1,076	-	-
Change in value	4,767,266	(2,780,584)	36,021
Net purchases/contributions and sales/redemptions	<u>(4,286,906)</u>	<u>(302,904)</u>	<u>(65,414)</u>
Balance as of December 31, 2022	14,888,588	3,491,378	610,582
Net investment earnings	1,176,407	228,066	36,786
Change in value	1,176,407	228,066	36,786
Net purchases/contributions and sales/redemptions	<u>(1,167,848)</u>	<u>(356,206)</u>	<u>(65,414)</u>
Balance as of December 31, 2023	<u>\$ 14,897,147</u>	<u>\$ 3,363,238</u>	<u>\$ 581,954</u>

In accordance with FASB ASC 820, the following information is provided for investments that are measured at fair value using net asset value per share as a practical expedient as of December 31, 2023. This is provided to enable users of financial statements to understand the nature and risk of the Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair value	Unfunded Commitments	Redemption frequency	Redemption notice period
Publicly traded equity (a)	\$ 111,396,275	\$ -	monthly to annual	5 – 90 days
Debt securities (b)	9,786,382	-	monthly to quarterly	5 – 30 days
Private equity (c)	29,154,220	8,910,614	see below	see below
Private real assets (d)	13,127,414	1,292,830	see below	see below
Absolute return long/short funds (e)	16,686,670	-	quarterly to annual	30 – 65 days
Absolute return multi-strategy funds (f)	<u>13,360,571</u>	<u>-</u>	quarterly to semi-annual	60 – 95 days
Total	\$ <u>190,511,532</u>	\$ <u>10,203,444</u>		

(a) Publicly traded equity represents fifteen funds that invest in global publicly traded equities, formed as domestic or offshore limited liability partnerships/corporations; 51% has monthly liquidity, 26% quarterly liquidity, 5% semi-annual liquidity, 3% annual liquidity; 15% of these assets have a 1 to 2-year lock-up for which quarterly distributions are available thereafter.

(b) Debt securities represents three funds that invest in global investment grade fixed income (54%) and senior secured, floating rate assets and secured bonds (46%). Investments are formed as domestic limited liability partnerships or closed-end funds; 99% has monthly liquidity, 1% quarterly liquidity.

(c) Private equity represents twenty-nine private equity primary and secondary funds, formed as domestic or offshore limited liability partnerships/corporations or closed-end funds. These direct funds and funds of funds pursue a broad range of strategies across the spectrum of the private equity market, including venture capital, leveraged buyouts, growth financing, mezzanine financing, distressed, and special situations. These investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 10 years, at which time the funds will terminate.

(d) Private real assets represent five natural resource funds, and six real estate funds, formed as domestic or offshore limited liability partnerships or real estate investment trusts. These natural resource direct funds and funds of funds (68%) invest primarily in timberland, agriculture, crude oil, and natural gas production, with a focus on reserve-oriented strategies; the real estate funds (32%) invest primarily in domestic and European multifamily, industrial, and office properties. 95% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 5 years, at which time the funds will terminate; 5% can be redeemed monthly or quarterly.

(e) Absolute return long/short funds represent seven absolute return funds, including direct funds and funds of funds, formed as domestic or offshore limited liability companies/partnerships; 87% has quarterly liquidity, 13% annual liquidity. These funds invest both long and short in either exclusively U.S. or global equity markets and seek to preserve capital and generate positive absolute returns regardless of market direction.

(f) Absolute return multi-strategy funds represent six absolute return funds, including direct funds and funds of funds, formed as domestic and offshore limited liability companies/partnerships; 68% has quarterly liquidity and 32% semi-annual liquidity. These funds are diversified across virtually all absolute return fund strategies, and seek to generate stable, long-term returns with low volatility and low correlation to traditional investments.

In accordance with FASB ASC 820, the following information is provided for investments that are measured at fair value using net asset value per share as a practical expedient as of December 31, 2022. This is provided to enable users of financial statements to understand the nature and risk of the Foundation's investments by major category and whether the investments are probable of being sold at amounts different from net asset value per share or ownership interest in partners' capital.

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Publicly traded equity (a)	\$ 75,202,243	\$ -	monthly to annual	5 – 90 days
Debt securities (b)	10,923,717	-	monthly to quarterly	5 – 30 days
Private equity (c)	26,249,553	11,691,248	see below	see below
Private real assets (d)	15,140,300	1,286,913	see below	see below
Absolute return long/short funds (e)	12,013,317	-	quarterly to annual	30 – 65 days
Absolute return multi-strategy funds (f)	<u>13,700,722</u>	<u>-</u>	quarterly to semi-annual	65 – 95 days
Total	\$ <u>153,229,852</u>	\$ <u>12,978,161</u>		

(a) Publicly traded equity represents thirteen funds that invest in global publicly traded equities, formed as domestic or offshore limited liability partnerships/corporations; 64% has monthly liquidity, 21% quarterly liquidity, 5% semi-annual liquidity, 4% annual liquidity; 5% of these assets have a 2-year lock-up for which quarterly distributions are available thereafter.

(b) Debt securities represents three funds that invest in global investment grade fixed income (46%) and senior secured, floating rate assets and secured bonds (54%). Investments are formed as domestic limited liability partnerships or closed-end funds; 99% has monthly liquidity, 1% quarterly liquidity.

(c) Private equity represents twenty-seven private equity primary and secondary funds, formed as domestic or offshore limited liability partnerships/corporations or closed-end funds. These direct funds and funds of funds pursue a broad range of strategies across the spectrum of the private equity market, including venture capital, leveraged buyouts, growth financing, mezzanine financing, distressed, and special situations. These investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 10 years, at which time the funds will terminate.

(d) Private real assets represent five natural resource funds, and six real estate funds, formed as domestic or offshore limited liability partnerships or real estate investment trusts. These natural resource direct funds and funds of funds (69%) invest primarily in timberland, agriculture, crude oil, and natural gas production, with a focus on reserve-oriented strategies; the real estate funds (31%) invest primarily in domestic and European multifamily, industrial, and office properties. 95% of these investments cannot be redeemed; distributions are received through the liquidation of underlying assets of the funds, which is estimated to occur over the next 1 to 9 years, at which time the funds will terminate; 5% can be redeemed monthly or quarterly.

(e) Absolute return long/short funds represent six absolute return funds, including direct funds and funds of funds, formed as domestic or offshore limited liability companies/partnerships; 84% has quarterly liquidity, 16% annual liquidity. These funds invest both long and short in either exclusively U.S. or global equity markets and seek to preserve capital and generate positive absolute returns regardless of market direction.

(f) Absolute return multi-strategy funds represent five absolute return funds, including direct funds and funds of funds, formed as domestic and offshore limited liability companies/partnerships; 60% has quarterly liquidity and 40% semi-annual liquidity. These funds are diversified across virtually all absolute return fund strategies, and seek to generate stable, long-term returns with low volatility and low correlation to traditional investments.

7. PROMISES TO GIVE

Unconditional promises to give are reported in the accompanying financial statements as a component of net assets with donor restrictions, carried at their net present value discounted using an average discount rate at December 31, 2023 and 2022 of 4.63% and 4.44%, respectively.

Promises to give are summarized as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 194,598	\$ 218,450
Receivable in one to five years	20,000	92,500
Total promises to give	<u>214,598</u>	<u>310,950</u>
Less: present value discount	(4,873)	(8,268)
Promise to give, net	<u>\$ 209,725</u>	<u>\$ 302,682</u>

An allowance for uncollectible promises to give is provided when, in the opinion of management, collection of pledges is considered doubtful based on such factors as historical losses, existing economic conditions, and the financial stability of its donors. For December 31, 2023 and 2022, no allowance for uncollectible promises to give were recorded.

8. RECEIVABLES UNDER SPLIT-INTEREST AGREEMENTS

The Foundation is a beneficiary of certain charitable lead trusts and charitable remainder trusts, which are known as split-interest agreements. Portions of these trusts are to be paid to the Foundation at specified times in the future or upon the death of certain other beneficiaries. The Foundation is not the trustee for these split-interest agreements, and it does not have any control over the related trust assets.

Receivables from split-interest agreements represent the estimated net present value of the Foundation's interest in various irrevocable trusts held by third parties. The net present value of these receivables was determined using estimated investment returns consistent with the composition of the asset portfolios, single or joint life expectancies from IRS tables, and discount rates ranging from 3.88% to 4.12% represented by the rate on risk-free monetary assets with maturities that coincide with the agreements. On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets and these assumptions. Revaluation adjustments are reported in the statement of activities as changes in the value of split-interest agreements. The balance of these receivables at December 31, 2023 and 2022 was \$3,363,238 and \$3,491,378, respectively. These receivables are classified as a component of net assets with donor restrictions until the future cash flows are received.

9. LEASES

The Foundation has an operating lease for office space. For year ended December 31, 2023, the lease has a remaining term of 9.8 years, which does not include option to extend the lease for up to 5 years. The right-of-use asset obtained in exchange for the operating lease cost was \$4,089,821.

Operating right-of-use asset consists of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Right-of-use asset obtained in exchange for operating lease	\$ 4,089,821	\$ 4,089,821
Less amortization	(638,852)	(317,822)
Operating lease right-of-use asset, net	<u>\$ 3,450,969</u>	<u>\$ 3,771,999</u>

Future operating lease payments under non-cancellable lease as of December 31, 2023 were as follows:

	Operating Lease
2024	\$ 372,299
2025	379,745
2026	387,338
2027	395,077
2028	402,964
Thereafter	<u>2,060,085</u>
Total future minimum lease payments	3,997,508
Less imputed interest	(315,560)
Present value of lease liability	<u>\$ 3,681,948</u>
Reported as of December 31, 2023	
Operating lease liability, current portion	\$ <u>314,613</u>
Operating lease liability, less current portion	<u>\$ 3,367,335</u>

As the lease does not provide an implicit rate, the Foundation uses a weighted-average risk-free rate of 1.63%, based on the information available at commencement date, in determining the present value of lease payments.

10. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Furniture and equipment, at cost	\$ 1,250,073	\$ 662,526
Less accumulated depreciation	(519,535)	(620,698)
Furniture and equipment, net	<u>\$ 730,538</u>	<u>\$ 41,828</u>

Depreciation expense was \$192,671 and \$24,860 for the years ended December 31, 2023 and 2022, respectively.

11. FUNDS HELD AS AGENCY ENDOWMENTS

Accounting standards address transactions for which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the net return on investment of those assets, or both, to a not-for-profit organization that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a community foundation with its own assets and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation maintains variance power and legal ownership of agency endowments, and as such continues to report these endowed funds as assets of the Foundation. However, in accordance with *Not-for-Profit Revenue Recognition* Topic of the FASB ASC 958, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

At December 31, 2023 and 2022, the Foundation was the owner of 63 and 58 agency endowment funds, respectively, with combined fair values of \$21,191,553 and \$18,094,996, which are presented as a liability in the Foundation's statement of financial position. Financial activity related to these funds for the years ended December 31, 2023 and 2022 are excluded from the Foundation's statements of activities. The following table summarizes activity in such funds during the years ended:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Agency Endowment fund balances at January 1	\$ 18,094,996	\$ 20,264,088
Gifts	897,793	1,621,977
Net return on investments	2,991,181	(3,131,147)
Grants	(626,825)	(515,505)
Support for Foundation services & other fund expenses	(165,592)	(144,417)
Agency Endowment fund balances at December 31	<u>\$ 21,191,553</u>	<u>\$ 18,094,996</u>

12. NET ASSET CLASSIFICATION

Endowment net assets by fund type are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Donor designated endowment funds	\$ <u> —</u>	\$ <u> —</u>
Board designated endowment funds:		
Advised and designated	333,949,855	293,507,325
Discretionary	59,974,275	50,419,425
Operating	7,313,802	6,470,444
Affiliate	4,297,077	3,762,338
Subtotal	<u>405,535,009</u>	<u>354,159,532</u>
Total endowment funds	\$ <u>405,535,009</u>	\$ <u>354,159,532</u>

None of the Foundation's funds restricted to the passage of time are endowment funds.

Changes in Endowment Net Assets are as follows:

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Endowment net assets at January 1	\$ <u>354,159,532</u>	\$ <u>438,412,883</u>
Net investment earnings	60,805,271	(75,018,210)
Contributions	6,794,219	7,724,545
Amounts appropriated for expenditure	(16,215,919)	(16,942,612)
Other changes	(8,094)	(17,074)
Change in endowment	<u>51,375,477</u>	<u>(84,253,351)</u>
Endowment net assets at December 31	\$ <u>405,535,009</u>	\$ <u>354,159,532</u>

Total Net Assets by Fund Type as of December 31, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment funds	\$ 405,535,009	\$ -	\$ 405,535,009
Nonendowed funds:			
Advised and designated	183,066,476	209,725	183,276,201
Discretionary	4,216,096	-	4,216,096
Operating	3,668,300	55,000	3,723,300
Affiliate	301,586	-	301,586
Subtotal	<u>191,252,458</u>	<u>264,725</u>	<u>191,517,183</u>
Receivables under split-interest agreements and gift annuities	<u>-</u>	<u>3,800,587</u>	<u>3,800,587</u>
Total net assets by fund type as of			
December 31, 2023	\$ <u>596,787,467</u>	\$ <u>4,065,312</u>	\$ <u>600,852,779</u>

Total Net Assets by Fund Type as of December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment funds	\$ 354,159,532	\$ -	\$ 354,159,532
Nonendowed funds:			
Advised and designated	150,688,935	302,682	150,991,617
Discretionary	3,602,697	-	3,602,697
Operating	3,036,030	55,000	3,091,030
Affiliate	460,236	-	460,236
Subtotal	<u>157,787,898</u>	<u>357,682</u>	<u>158,145,580</u>
Receivables under split-interest agreements and gift annuities	<u>-</u>	<u>3,836,616</u>	<u>3,836,616</u>
Total net assets by fund type as of			
December 31, 2022	\$ <u>511,947,430</u>	\$ <u>4,194,298</u>	\$ <u>516,141,728</u>

13. RETIREMENT PLAN

The Foundation sponsors a defined contribution plan for all eligible employees that provide for employer contributions of up to 10% of eligible compensation to each participant, employee elective salary deferrals, and a related employer match contribution of up to 1% of eligible salary. Total expenses for the years ended December 31, 2023 and 2022 were \$250,443 and \$240,885, respectively.

14. GRANTS PAYABLE

Grants payable totaling \$29,831,671 (discounted to \$27,109,371) and \$8,287,853 (discounted to \$7,955,753) at December 31, 2023 and 2022, respectively, consisted of approved grant commitments.

Future grants payable based on the specific grant agreements as of December 31, 2023 are as follows:

	<u>Amounts</u>
2024	\$ 12,609,767
2025	5,301,904
2026	3,289,000
2027	2,196,000
2028	1,685,000
Thereafter	<u>4,750,000</u>
Total grants payable	29,831,671
Less: present value discount	<u>(2,722,300)</u>
Grants payable, net	<u>\$ 27,109,371</u>

Grants payable are discounted using an average discount rate at December 31, 2023 and 2022 of 4.09% and 4.55%, respectively.

15. INCOME TAXES

The Foundation is subject to *Accounting for Income Taxes* Topic of the FASB ASC 740 which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Management evaluated the tax positions for the Foundation and concluded that the Foundation had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. The Foundation's *Return of Organization Exempt from Income Tax* (Form 990) and *Exempt Organization Business Income Tax Return* (990-T) for years ended on or after December 31, 2019 remain subject to examination by federal and state taxing authorities.