THE VALLEY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

THE VALLEY COMMUNITY FOUNDATION, INC.

CONTENTS

CliftonLarsonAllen LLP
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Independent Auditors' Report

Board of Directors
The Valley Community Foundation, Inc.
Derby, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Valley Community Foundation, Inc., which comprise the statement of financial position as of December 31, 2021 and 2020, 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 as of December 31, 2021 and 2020, and the results of its operations 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Valley Community Foundation, 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 Valley Community Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Valley Community Foundation, 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 Valley Community Foundation, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
February 28, 2022

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,037,433	$ 685,226
Investments at market value - component funds	22,681,961	21,635,285
Investments at market value - organization funds	12,363,051	10,130,759
Total investments	36,082,445	32,451,270
Contributions receivable	72,000	72,000
Other assets	-	4,200
Furniture and equipment, net	37,249	46,696
Total Assets	$ 36,191,694	$ 32,574,166
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 64,214	$ 16,814
Organization funds	12,363,051	10,130,759
Grants payable	84,941	43,869
Total liabilities	12,512,206	10,191,442
Net Assets Without Restriction	23,679,488	22,382,724
Total Liabilities and Net Assets	$ 36,191,694	$ 32,574,166

The accompanying notes are an integral part of the financial statements

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenue, Gains and Other Support		
Contributions	$ 3,740,512	$ 1,986,133
Less transfers to organization funds	(1,771,873)	(198,408)
Net contributions	1,968,639	1,787,725
Investment gain, net	1,762,330	3,125,846
Total revenue, gains and other support	3,730,969	4,913,571
Expense		
Grants and distributions approved, net	1,973,432	1,963,333
Grants for program management and direct grant activities	401,285	395,996
Total grants expense	2,374,717	2,359,329
Less distributions from organization funds	(208,043)	(331,082)
Net grant expense	2,166,674	2,028,247
Development, donor services and fund stewardship	167,208	164,998
Management, leadership and operations	100,323	98,999
Total administration expense	267,531	263,997
Total expense	2,434,205	2,292,244
Increase in Net Assets	1,296,764	2,621,327
Net Assets - Beginning of Year	22,382,724	19,761,397
Net Assets - End of Year	$ 23,679,488	$ 22,382,724

The accompanying notes are an integral part of the financial statements

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenses	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to community	$ 1,765,389	$ -	$ 1,765,389	$ -	$ -	$ -	$ 1,765,389
Salaries and wages	-	242,039	242,039	60,510	100,850	161,360	403,399
Employee benefits and employment taxes	-	59,469	59,469	14,867	24,779	39,646	99,115
Marketing, outreach and special events	-	23,040	23,040	5,760	9,601	15,361	38,401
Occupancy	-	20,106	20,106	5,027	8,378	13,405	33,511
Information management, technology and maintenance	-	16,833	16,833	4,208	7,014	11,222	28,055
Professional fees	-	11,130	11,130	2,783	4,638	7,421	18,551
Supplies	-	6,154	6,154	1,538	2,564	4,102	10,256
Insurance	-	4,744	4,744	1,186	1,977	3,163	7,907
General	-	4,529	4,529	1,133	1,889	3,022	7,551
Meetings	-	4,103	4,103	1,026	1,710	2,736	6,839
Dues and fees	-	3,540	3,540	885	1,475	2,360	5,900
Consultants	-	3,399	3,399	850	1,416	2,266	5,665
Depreciation	-	2,130	2,130	533	888	1,421	3,551
Travel	-	69	69	17	29	46	115
Total Functional Expenses	$ 1,765,389	$ 401,285	$ 2,166,674	$ 100,323	$ 167,208	$ 267,531	$ 2,434,205

The accompanying notes are an integral part of the financial statements

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenses	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to community	$ 1,632,251	$ -	$ 1,632,251	$ -	$ -	$ -	$ 1,632,251
Salaries and wages	-	235,832	235,832	58,958	98,263	157,221	393,053
Employee benefits and employment taxes	-	58,729	58,729	14,683	24,471	39,154	97,883
Marketing, outreach and special events	-	25,587	25,587	6,397	10,662	17,059	42,646
Occupancy	-	16,607	16,607	4,152	6,920	11,072	27,679
Information management, technology and maintenance	-	15,221	15,221	3,805	6,342	10,147	25,368
Professional fees	-	11,820	11,820	2,955	4,925	7,880	19,700
Supplies	-	3,789	3,789	948	1,579	2,527	6,316
Insurance	-	4,451	4,451	1,113	1,855	2,968	7,419
General	-	13,139	13,139	3,282	5,471	8,753	21,892
Meetings	-	1,664	1,664	416	694	1,110	2,774
Dues and fees	-	2,817	2,817	704	1,174	1,878	4,695
Consultants	-	3,957	3,957	990	1,649	2,639	6,596
Depreciation	-	2,330	2,330	583	971	1,554	3,884
Travel	-	53	53	13	22	35	88
Total Functional Expenses	$ 1,632,251	$ 395,996	$ 2,028,247	$ 98,999	$ 164,998	$ 263,997	$ 2,292,244

The accompanying notes are an integral part of the financial statements

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 1,296,764	$ 2,621,327
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,551	3,884
Realized and unrealized gain on investments	(1,960,057)	(3,348,401)
Loss on disposal of furniture and equipment	5,896	1,669
(Increase) decrease in operating assets:		
Contributions receivable	-	(57,000)
Other assets	4,200	(350)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	47,400	8,949
Organization funds	2,232,292	1,277,624
Grants payable	41,072	(147,699)
Net cash provided by operating activities	1,671,118	360,003
Cash Flows from Investing Activities		
Proceeds from sales of investments	10,253,136	11,015,004
Purchases of investments	(11,572,047)	(11,515,121)
Purchases of furniture and equipment	-	-
Net cash used in investing activities	(1,318,911)	(500,117)
Net Increase (Decrease) in Cash and Cash Equivalents	352,207	(140,114)
Cash and Cash Equivalents - Beginning of Year	685,226	825,340
Cash and Cash Equivalents - End of Year	$ 1,037,433	$ 685,226

The accompanying notes are an integral part of the financial statements

Note 1 - **Organization and Basis of Presentation:**

The Valley Community Foundation, Inc. (The Foundation) is a charitable corporation, organized in 2004 to carry out the purposes, mission, objectives, operations and activities of The Community Foundation for Greater New Haven (The Community Foundation) in the towns of Ansonia, Derby, Shelton, Seymour and Oxford, Connecticut, and their environs.

In 2014, The Foundation, as a result of changes in federal tax law that became effective at the beginning of calendar year 2014, has determined through actions adopted by its Board of Directors that it shall obtain its federal exemption under Section 501(c)(3) as an independent organization for, among other things, fulfilling its public support test, rather than through the former Internal Revenue Code (IRC) provisions afforded under Section 509(a)(3) as a supporting organization to The Community Foundation. Notwithstanding this IRC election by The Foundation, The Community Foundation and The Foundation, through an amendment to the existing affiliation agreement that was adopted in December 2013 by the respective Board of Directors, will continue to report the financial results of The Community Foundation and The Foundation on a combined basis pursuant to the provisions of such affiliation agreement. Consistent with IRC requirements that have existed since The Foundation's formation in 2004, The Foundation and The Community Foundation will continue to issue separate informational tax filings through IRS Form 990.

Under the affiliation agreement between the Foundation and The Community Foundation, The Community Foundation's tax exempt corporation, The Community Foundation for Greater New Haven, Inc. (Corporation) performs the investment management services to the Foundation for all of its permanent component and nonpermanent charitable assets. In 2014, The Corporation sought registration as a Connecticut registered investment adviser with the State of Connecticut's Department of Banking under the Connecticut Uniform Securities Act as part of its on-going efforts to provide local nonprofits with the comfort of knowing that their endowment-like assets are managed according to the industry standards and best practices. In March 2014, the Connecticut Department of Banking's Securities and Business Investments Division notified the Corporation that it was a registered investment adviser. The Corporation advises both its permanent assets, including its component funds, which have come to the Corporation through irrevocable gifts, as well as other non-permanent charitable assets that have come to the Corporation and the Foundation through revocable transfer by charitable institutions wishing to outsource the management of their investments (Organization Funds). The primary investment advisory services that the Corporation provides to Organization Funds are the selection and monitoring of unaffiliated asset managers retained under a commingled fund operating under a long-term asset allocation model, which processes are set forth in an investment management agreement between the Organization Fund and the Corporation. See footnote 2C below for additional information on Organization Funds.

Note 2 - **Summary of Significant Accounting Policies:**

a. Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

b. Financial Statement Presentation

The Foundation measures aggregate net assets based on the absence or existence of donor-imposed restrictions. The three categories of net assets for presentation of The Foundation's financial statements are as follows: net assets without donor restrictions and net assets with donor restrictions.

ASC 958-205: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* sets forth the net asset classifications of donor-restricted endowment funds in accordance with the State of Connecticut's enacted version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA). This standard also requires other disclosures concerning an organization's charitable assets including whether or not the organization is subject to CUPMIFA. Although CUPMIFA is not germane, The Foundation has and will continue to provide additional disclosures as further described below for the complete fulfillment of donor intent. Further, The Foundation will continue its stewardship responsibilities by internally accounting for and reporting on all net assets in accordance with each donor's original intent as provided for in the underlying gift instrument that established the fund, as presented in Note 3a. The impact of CUPMIFA's adoption was negligible on the presentation of The Foundation's financial statements given the governing documents' provision for variance power, the unilateral power to redirect the use of a contribution for another charitable purpose. The criteria and circumstances under which the Board of Directors of The Foundation would exercise its responsibility are prescribed within the By-Laws.

The Foundation's financial statements classify all net assets as without donor restrictions; however, as noted above, all recordkeeping for internal management and all external reporting retain the original donor intent and direction for every charitable fund held within The Foundation. All contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions. As of December 31, 2021 and 2020, The Foundation had no net assets with donor restrictions.

As the community's perpetual endowment organization, The Foundation's spending policies and philosophy since their creation in 2004, as well as the long-term investment management policies and procedures both of which are further described in Note 3b, were designed to function as integrated processes and are administered to reflect the following facts and circumstances, as also described in CUPMIFA, for prudent stewards of charitable assets, including:

1) The duration and preservation of a fund;
2) The purpose of the organization and the donor designations thereto;
3) General economic conditions;
4) The possible effects of inflation and deflation;
5) The expected total return of the charitable assets;
6) Other resources of the organization;
7) The investment policies.

The Foundation, in accordance with the above, would permit spending distributions from funds that were deemed "under water" subject to a complete review of the facts and circumstances pertaining to a fund, the degree to which said fund is below its historic gift value, and at all times subject to the relevant laws and regulations and the stated intentions of the donor.

c. Organization Funds

The Foundation receives and distributes assets for certain endowment funds that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received and distributed under these relationships totaled $1,771,873 and $208,043, respectively, for the year ended December 31, 2021, and $198,408 and $331,082, respectively, for the year ended December 31, 2020.

The amounts received but not yet distributed totaled $12,363,051 and $10,130,759 at December 31, 2021 and 2020, respectively, and are included on the statements of financial position and referred to as organization funds.

d. Cash and Cash Equivalents

Cash and cash equivalents include currency and interest-bearing short-term investments with an average maturity of three months or less.

The Foundation maintains deposits that may, at times, be in excess of the financial institution's insurance limits. The Foundation invests available cash and cash equivalents with high-credit quality institutions and believes that such deposits are not subject to significant credit risk.

e. Investments

Investments are carried at fair value, as discussed in Note 2f below. Investments include alternative investments, which are principally hedge strategies, and real assets which include asset classes such as private equity, real estate and natural resources. Because most alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the investment's governing agreement, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. Fair value of alternative investments in limited partnerships are determined by the general partner to be at fair value pursuant to GAAP's standard referred to as *Fair Value Measurements* after it considers certain pertinent factors that are reviewed and discussed by management and its investment committee, in consultation with its independent advisory firm.

f. Fair Value of Financial Instruments

The Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy. In addition, in 2015, The Foundation adopted ASU Topic 820, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),* as issued by the Financial Accounting Standards Board. In summary, ASU Topic 820 is a practical expedient to measure the fair value of certain investments that utilize a net asset value rather than categorized under the fair value hierarchy. For those investments that do not utilize a net asset value methodology, The Foundation will measure the fair value under the three-level hierarchy, as follows:

> **Level 1:** Observable inputs from quoted market prices for identical assets or liabilities to which The Foundation has independent access at the measurement date.

Level 2: Observable inputs based on direct quoted market prices or indices for the asset or liability, either directly or indirectly, or can be corroborated by observable inputs and market data, or The Foundation has the ability to redeem the asset in the near term (within 90 days) subsequent to the measurement date.

Level 3: Prices, which may be derived from an underlying quoted market price, observable input and/or market data contained in Level 1 and Level 2, which also requires significant judgment on observable inputs by the investee as to the net asset value per share or unit of The Foundation's ownership interest in the partners' capital, and where redemption would be available in a period of more than 90 days from the measurement date. Valuation methodologies include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third-party appraisals, third-party pricing services and other applicable indices.

Where:

Observable inputs reflect the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and from independent sources that are actively involved in the relevant markets, and include assumptions made in pricing and valuations of the asset or liability that are developed from sources independent of The Foundation; and

Unobservable inputs reflect The Foundation's own assumptions about the fair value assumptions made by investees' use in pricing the asset or liability developed based on the best information available. The Foundation has never used unobservable inputs for determining fair value of its investments.

The fair value of The Foundation's investments as of December 31, 2021 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	$ 239,482	$ 239,482	$ -	$ -	$ -
Fixed income	5,781,588	4,830,472	-	-	951,116
Equities:					
International	5,324,552	1,089,654	-	-	4,234,898
Domestic	11,965,118	3,784,976	-	-	8,180,142
Alternatives:					
Hedged equity	6,527,944	-	-	-	6,527,944
Real assets	2,410,917	-	-	-	2,410,917
Private equity	2,795,411	-	-	-	2,795,411
Investments as of December 31, 2021	$ 35,045,012	$ 9,944,584	$ -	$ -	$ 25,100,428
Percent of Total	100%	28.4%	0.0%	0.0%	71.6%

The fair value of The Foundation's investments as of December 31, 2020 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	$ 284,246	$ 284,246	$ -	$ -	$ -
Fixed income	5,694,670	4,700,877	-	-	993,793
Equities:					
International	5,456,084	894,873	-	-	4,561,211
Domestic	10,651,237	2,636,693	-	-	8,014,544
Alternatives:					
Hedged equity	5,583,038	-	-	-	5,583,038
Real assets	2,389,104	-	-	-	2,389,104
Private equity	1,707,665	-	-	-	1,707,665
Investments as of December 31, 2020	$ 31,766,044	$ 8,516,689	$ -	$ -	$ 23,249,355
Percent of Total	100%	26.8%	0.0%	0.0%	73.2%

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended 2021 and 2020.

The following table discloses certain additional information as of December 31, 2021 and 2020 related to The Foundation's investments that report fair valued based on net asset value per share and are not traded in an active market, although such net asset values may be based on underlying securities that are traded in an active market:

Description	2021 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments valued at Net Asset Value:				
Fixed income	$ 951,116	$ None	More than 3 years	N/A
Domestic equity	8,180,142	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	6,276,974	None	Annually with a 1-year lock-up period	60 days written notice
International equity	4,234,898	None	Monthly to 3-year lock-up period	5-90 days' notice
Hedged equity (Class B3)	250,970	None	Annually beginning 2013 with a 1-year lock-up period	95 days written notice
Real assets	2,410,917	489,432	More than 3 years	N/A
Private equity	2,795,411	811,988	More than 3 years	N/A
Total net asset value	$ 25,100,428	$ 1,301,420		

Description	2020 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments Valued at Net Asset Value:				
Fixed income	$ 993,793	$ None	More than 3 years	N/A
Domestic equity	8,014,544	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	5,321,570	None	Annually with a 1-year lock-up period	60 days' written notice
International equity	4,561,211	None	Monthly to 3-year lock-up period	5-90 days' notice
Hedged equity (Class B2)	261,468	None	Annually beginning 2013 with a 1-year lock-up period	95 days' written notice
Real assets	2,389,104	457,363	More than 3 years	N/A
Private equity	1,707,665	1,152,288	More than 3 years	N/A
Total net asset value	$ 23,249,355	$ 1,609,651		

The Foundation assesses and reports on the liquidity of all investments on a quarterly basis to ensure that it has access to sufficient resources necessary for its current and future operational activities. Overall, The Foundation has access to approximately forty-one percent (41%) of the fair value of its investments on a monthly basis, and just under fifty percent (48.2%) of the fair value of its investments on a quarterly basis.

The Foundation's carrying amounts of cash and cash equivalents, accounts and grants payable and accrued expenses approximate fair value under Level 1. Investments are carried at fair value as presented above. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate. Organization funds are carried at fair value based on the underlying investments. Derivatives instruments are measured at fair value based on observable inputs. Certain alternative investments use stock indices, swaps, options, convertible securities and foreign currency exchange contracts, which are classified as derivatives. The Foundation does not use derivatives for speculative purposes, but rather these instruments are used with the objectives of reducing overall portfolio risk within the parameters provided to the underlying manager under a written agreement.

The Foundation's investments consist of the following types:

Short-Term Investments: Investments consist of treasury securities with an average maturity of 120 days or less, checking accounts and money market holdings with daily liquidity.

Fixed Income: Fixed income investments consist of both domestic and foreign issuances of debt instruments and include both government and corporate holdings. Domestically, The Foundation concentrates primarily on U.S. treasuries, including a separate account approach of Treasury Inflation Protected Securities (TIPS). Internationally, the fixed income strategy includes sovereign-issued, local-currency denominated debt holdings and a global fixed income approach that seeks a long-term, value-oriented approach in local-currency debt instruments.

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The Foundation accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities accessed through a limited partnership arrangement.

Hedged Equity: This strategy involves equity investments, either long or short, in marketable and publicly traded equities. Traditionally, hedge funds purchase stocks that they perceive to be undervalued and sell stocks that they perceive to be overvalued. The research-intensive and quantitative efforts in identifying promising stocks to hold long in a portfolio may also provide short-sale opportunities, and for this reason many directional hedged equity funds often maintain both long and short portfolios in a fund-of-funds strategy, as employed by The Foundation.

Real Assets: This strategy, within The Foundation's real assets investments, consists of investments in several fund-of-funds of commercial, industrial and residential limited partnerships where diversity of property type, region, manager and strategy is a fundamental premise. These investments may also include the purchase, restructure or origination of loans secured by real property or secured by interests in such property.

Private Equity: This strategy consists of making equity capital available through a fund-of-funds structure whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten years in duration.

The Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2021 and 2020.

Investment activity for the years ended December 31, 2021 and 2020, consisted of the following:

	2021	2020
Realized and unrealized gains	$ 1,960,057	$ 3,348,401
Interest and dividends	94,504	52,850
	2,054,561	3,401,251
Less investment management expenses	(292,231)	(275,405)
Investment gain, net	$ 1,762,330	$ 3,125,846

g. Furniture and Equipment

Furniture and equipment purchased in excess of $2,500 are capitalized and are stated at historical cost. Depreciation is provided on a straight-line basis over the following useful lives:

Furniture and equipment	5-20 years
Computer equipment	3-5 years

Furniture and equipment at December 31, 2021 and 2020, are as follows:

	2021	2020
Furniture and equipment	$ 210,108	$ 210,108
Accumulated depreciation	(172,859)	(163,412)
Furniture and equipment, net	$ 37,249	$ 46,696

h. Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The Foundation does not recognize conditional promises and only recognizes unconditional contributions when they become estimable and quantifiable. Contributions receivable as of December 31, 2021 and 2020, in the amounts of $72,000 and $72,000, respectively, represent unconditional promises to give that are expected to be collected within one fiscal year. This receivable was collected in full subsequent to year end 2021.

i. Grants and Contracts Payable

Grants are recorded when approved by the Board of Directors and when the recipient has satisfied all material conditions of the terms of the grant agreement.

As of December 31, 2021, The Foundation is unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the grant appropriations reported in the period as canceled or refunded.

Grant activity for the years ended December 31, 2021 and 2020, is summarized below:

	2021	2020
Grants payable, beginning of year	$ 43,869	$ 191,568
Grants approved	2,029,257	2,140,828
Grant payments distributed	(1,937,616)	(2,285,527)
Cancellations and adjustments	(50,569)	(3,000)
Grants payable, end of year	$ 84,941	$ 43,869

j. Functional Expenses

The costs associated with The Foundation providing various charitable services to the community, including both programmatic services and related support services, have been reported in the statement of functional expenses. The cost associated with each of the services provided to the community have been allocated to program and supporting services and have been determined by management based on a human resources allocation framework for all charitable activities performed by The Foundation, and done on an equitable and directly correlated basis, and determined by a method of allocation based on time and effort contributed.

k. Investment Management Fees

Investment management expenses are those direct costs associated with the overall management of all charitable assets entrusted to The Foundation, including all custodial, sub-advisory, and investment management fees and expenses and direct expenses. In addition, in accordance with ASU No. 2016-14, Nonprofit Entities (topic 958), *Presentation of Financial Statements of Not-For-Profit Entities*, the investment management expense also includes the direct cost of the Community Foundation's professional staff that are dedicated to and responsible for performing these investment management services. These investment management expense are allocated against realized and unrealized gains on investments on the statements of activities, and the value is disclosed thereon, as further set forth and quantified in footnote f, above.

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

m. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through February 28, 2022, which represents the date the financial statements were available to be issued.

Note 3 - **Net Asset Management:**

a. Net Asset Classifications and Values

As discussed in Note 2b, The Foundation internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument, in the following net asset without restriction classifications:

Designated: Represent funds for which the spending is distributed to one or more charitable beneficiaries in accordance with the donor's designation.

Donor-Advised: Represent funds for which the donor has reserved the right to make nonbinding distribution recommendations to The Foundation for distribution to the community in accordance with the policies and procedures governing donor-advised funds as adopted by The Foundation's governing board and the Articles of Incorporation and By-Laws.

Preference: Represent funds for which the spending is distributed to a specific field of interest or geographic location in accordance with the donor's stated interest, under the direction of The Foundation's governing board and the Articles of Incorporation and By-Laws.

Unrestricted: Represent funds that are discretionary and the spending from which is under the direction of The Foundation's governing board and the Articles of Incorporation and By-Laws.

Net assets as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Net Assets Without Restrictions:		
Designated	$ 4,380,685	$ 6,813,414
Donor-advised	12,174,295	11,677,008
Preference	1,516,121	1,468,003
Unrestricted	5,608,387	2,424,299
Total net assets	$ 23,679,488	$ 22,382,724

b. Endowment Spending

The Foundation employs a spending rule policy to maximize the flexibility, efficiency and impact of the endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets.

Since 2004, The Foundation has employed a spending rule policy that calculates endowment spending based on a 20-quarters trailing average market value at a specific spending rate, with a minimum ("Floor") of 4.25% and a maximum ("Cap") of 5.75%, which will be applied to the current June 30th quarter-ending market valuation. The total value of endowment spending during any fiscal year shall be equal to the greater of the amounts calculated by applying the spending rate to the previous 20-quarter average market value, or to that amount calculated by using the Floor. However, under no circumstances shall the amount of endowment spending during any fiscal year be greater than the amount determined by using the Cap.

Based upon the spending rule policy, $1,476,035 and $1,185,902 were provided for during the years ended December 31, 2021 and 2020, respectively. Notwithstanding the calculation described above, the Board of Director's approved spending rate for 2021 and 2020 was 5.5%.

Note 4 - **Retirement Plan:**

Eligible employees are covered under a fully-funded, noncontributory 403(b) retirement plan that requires that The Foundation make contributions thereto based on employees' earnings. Total retirement plan contributions were $29,642 and $27,687 for the years ended December 31, 2021 and 2020, respectively.

Note 5 - **Availability and Liquidity**:

The following represents The Foundation's financial assets at December 31, 2021 and 2020:

Financial assets at year end:		2021		2020
Cash and cash equivalents	$	1,037,433	$	685,226
Contributions receivable		72,000		72,000
Investments		239,482		283,901
Financial assets available to meet general expenditures over the next twelve months	$	1,348,915	$	1,041,127

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $165,000). Although The Foundation does not intend to spend from its financial assets other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, funds could be made available if necessary.

Note 6 - **Leases:**

The Foundation leases office space under a non-cancelable operating lease, now in its second term, expiring December 31, 2021.

The Foundation anticipates entering into a new non-cancelable operating lease in 2022. Future lease payments under this new lease have not yet been determined.

Lease expense under the operating lease totaled $19,217 and $13,500 for the years ended December 31, 2021 and 2020, respectively.

Note 7 - **Coronavirus:**

The declaration in March, 2020 of a coronavirus pandemic, and the resulting governmental actions instituted around the world, had substantial and meaningful global economic impact through the implementation of both fiscal and monetary policies. These pandemic-related governmental actions produced significant dislocation and adverse impact on the world's economies in calendar year 2020, which also created historic volatility within the world's investment markets. As a result, this significant market volatility translated to the Organization's investment portfolio, which experienced substantive variability of return streams during the year ended December 31, 2020. The then current fair market value of The Organization's investments may have been materially different from the amounts presented on the statement of financial position as of December 31, 2020. For the year ended December 31, 2021, the global financial markets and the Organization's portfolio experienced substantially less volatility, although certain time-periods contained heightened and concentrated variability and market stress in certain asset classes. As a long-term, perpetual investor and endowment steward, these periods of short-term volatility occur periodically and are expected. The global pandemic is still ongoing and, therefore, the total potential impact it may have on the Organization's investments cannot be reasonably determined at this time.