

THE VALLEY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

THE VALLEY COMMUNITY FOUNDATION, INC.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Valley Community Foundation, Inc. (the Foundation) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). 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 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Foundation for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2023. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 U.S. 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 U.S. 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 Foundation'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 Foundation'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.

Cirone Friedberg, LLP

Shelton, Connecticut
February 29, 2024

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Cash Equivalents	\$ 962,012	\$ 760,890
Investments at Market Value - Component Funds	21,615,209	19,580,020
Investments at Market Value - Organizational Funds	<u>12,826,137</u>	<u>10,815,008</u>
Total Investments	35,403,358	31,155,918
Contributions Receivable	750,000	789,923
Right-of-Use Asset - Operating Lease	166,927	-
Furniture and Equipment, Net	<u>19,893</u>	<u>28,571</u>
Total Assets	<u>\$ 36,340,178</u>	<u>\$ 31,974,412</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 49,701	\$ 84,888
Grants Payable	247,555	74,355
Organizational Funds	12,826,137	10,815,008
Operating Lease Liability	<u>166,927</u>	<u>-</u>
Total Liabilities	<u>13,290,320</u>	<u>10,974,251</u>
<u>Net Assets</u>		
Net Assets Without Donor Restriction	<u>23,049,858</u>	<u>21,000,161</u>
Total Liabilities and Net Assets	<u>\$ 36,340,178</u>	<u>\$ 31,974,412</u>

See notes to financial statements.

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Revenue, Gains and Other Support		
Contributions	\$ 3,387,146	\$ 3,221,082
Less Transfers to Organization Funds	<u>(1,088,400)</u>	<u>(602,195)</u>
Net Contributions	2,298,746	2,618,887
Investment Return, Net	<u>2,408,365</u>	<u>(2,612,112)</u>
Total Revenue, Gains and Other Support	<u>4,707,111</u>	<u>6,775</u>
Expenses		
Program Services:		
Grants and Distributions Approved, Net	2,085,437	2,424,668
Grants for Program Management and Direct Grant Activities	<u>543,114</u>	<u>492,895</u>
Total Grant Expense	2,628,551	2,917,563
Less Distributions from Organization Funds	<u>(263,580)</u>	<u>(496,864)</u>
Net Grant Expense	<u>2,364,971</u>	<u>2,420,699</u>
Supporting Services:		
Management, Leadership and Operations	125,332	113,743
Development, Donor Services and Fund Stewardship	<u>167,111</u>	<u>151,660</u>
Total Administrative Expenses	<u>292,443</u>	<u>265,403</u>
Total Expenses	<u>2,657,414</u>	<u>2,686,102</u>
Change in Net Assets	2,049,697	(2,679,327)
Net Assets - Beginning of Year	<u>21,000,161</u>	<u>23,679,488</u>
Net Assets - End of Year	<u>\$ 23,049,858</u>	<u>\$ 21,000,161</u>

See notes to financial statements.

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,049,697	\$ (2,679,327)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,678	8,678
Realized and Unrealized Investment (Gains) Losses, Net	(2,680,314)	2,523,199
Amortization of Right-of-Use Asset - Operating Lease	19,200	-
Changes in Assets and Liabilities:		
Contributions Receivable	39,923	(717,923)
Accounts Payable and Accrued Expenses	(35,187)	20,674
Grants Payable	173,200	(10,586)
Organization Funds	2,011,129	(1,548,043)
Operating Lease Liabilities	(19,200)	-
Total Adjustments	<u>(482,571)</u>	<u>275,999</u>
Net Cash Provided (Used) by Operating Activities	<u>1,567,126</u>	<u>(2,403,328)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	11,443,380	11,283,107
Purchases of Investments	<u>(12,809,384)</u>	<u>(9,156,322)</u>
Net Cash (Used) Provided by Investing Activities	<u>(1,366,004)</u>	<u>2,126,785</u>
Net Increase (Decrease) in Cash and Cash Equivalents	201,122	(276,543)
Cash and Cash Equivalents - Beginning of Year	<u>760,890</u>	<u>1,037,433</u>
Cash and Cash Equivalents - End of Year	<u>\$ 962,012</u>	<u>\$ 760,890</u>

Supplemental Cash Flow Information

During the year ended December 31, 2023, the Foundation obtained a right-of-use asset-operating lease of \$186,127 in exchange for an operating lease liability of a similar amount.

See notes to financial statements.

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenditures	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to Community	\$ 1,802,577	\$ -	\$ 1,802,577	\$ -	\$ -	\$ -	\$ 1,802,577
Salaries and Benefits	-	408,780	408,780	94,335	125,778	220,113	628,893
Consultants	(6,999)	2,435	(4,564)	562	749	1,311	(3,253)
Convenings and Meetings	-	15,030	15,030	3,468	4,625	8,093	23,123
Depreciation	5,897	1,808	7,705	417	556	973	8,678
Dues and Fees	-	3,582	3,582	827	1,102	1,929	5,511
General	9,157	845	10,002	190	260	450	10,452
Information Management, Technology and Maintenance	-	14,641	14,641	3,379	4,505	7,884	22,525
Insurance	-	4,402	4,402	1,016	1,355	2,371	6,773
Marketing, Outreach, and Special Events	11,225	25,141	36,366	5,802	7,736	13,538	49,904
Occupancy	-	28,116	28,116	6,488	8,651	15,139	43,255
Professional Development	-	7,852	7,852	1,812	2,416	4,228	12,080
Professional Fees	-	20,843	20,843	4,810	6,413	11,223	32,066
Supplies	-	9,397	9,397	2,170	2,891	5,061	14,458
Travel	-	242	242	56	74	130	372
Total Functional Expenses	\$ 1,821,857	\$ 543,114	\$ 2,364,971	\$ 125,332	\$ 167,111	\$ 292,443	\$ 2,657,414

See notes to financial statements.

THE VALLEY COMMUNITY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			
	Grants Awarded and Programs	Other Program Expenditures	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Foundation Services
Grants to Community	\$ 1,685,949	\$ -	\$ 1,685,949	\$ -	\$ -	\$ -	\$ 1,685,949
Salaries Benefits	-	364,087	364,087	84,021	112,026	196,047	560,134
Consultants	170,892	-	170,892	-	-	-	170,892
Convenings and Meetings	18,002	18,612	36,614	4,295	5,727	10,022	46,636
Depreciation	5,897	1,808	7,705	417	556	973	8,678
Dues and Fees	-	2,100	2,100	485	646	1,131	3,231
General	41,896	2,007	43,903	460	618	1,078	44,981
Information Management, Technology and Maintenance	-	18,342	18,342	4,233	5,644	9,877	28,219
Insurance	-	4,366	4,366	1,008	1,343	2,351	6,717
Marketing, Outreach, and Special Events	4,750	20,740	25,490	4,786	6,382	11,168	36,658
Occupancy	-	26,970	26,970	6,224	8,298	14,522	41,492
Professional Development	-	6,813	6,813	1,572	2,096	3,668	10,481
Professional Fees	-	16,303	16,303	3,762	5,016	8,778	25,081
Supplies	400	10,570	10,970	2,439	3,253	5,692	16,662
Travel	18	177	195	41	55	96	291
Total Functional Expenses	\$ 1,927,804	\$ 492,895	\$ 2,420,699	\$ 113,743	\$ 151,660	\$ 265,403	\$ 2,686,102

See notes to financial statements.

THE VALLEY COMMUNITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and Basis of Presentation:

The Valley Community Foundation, Inc. (The Foundation) is a charitable corporation whose mission is to inspire philanthropic growth, provide and foster leadership, engage donors, strengthen the Valley community both now and for future generations.

The Foundation was organized in 2004 through the former Internal Revenue Code (IRC) provisions afforded under section 509(a)(3) as a supporting organization of The Community Foundation for Greater New Haven (The Community Foundation) to carry out its purposes, mission objectives operations, and activities 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 Note 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 two categories of net assets for presentation of The Foundation's financial statements are as follows: with donor restriction and without donor restriction.

Accounting Standards Codification (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 restriction; 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. As of December 31, 2023 and 2022, The Foundation had no net assets with donor restriction.

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 \$1,088,400 and \$263,580, respectively, for the year ended December 31, 2023, and \$602,195 and \$496,864, respectively, for the year ended December 31, 2022.

The amounts received but not yet distributed totaled \$12,826,137 and \$10,815,008 at December 31, 2023 and 2022, 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 Accounting Standards Update (ASU) 2019-12, *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 2019-12 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, 2023 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 378,858	\$ 378,858	\$ -	\$ -	\$ -
Fixed income	5,417,999	4,660,243		-	757,756
Equities:					
International	6,114,501	1,608,055	-	-	4,506,446
Domestic	10,774,403	5,032,995	-	-	5,741,408
Alternatives:					
Hedged equity	5,100,898	-	-	-	5,100,898
Real assets	3,023,867	-	-	-	3,023,867
Private equity	3,630,820	-	-	-	3,630,820
Investments as of December 31, 2023	<u>\$ 34,441,346</u>	<u>\$ 11,680,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,761,195</u>
Percent of Total	100%	33.9%	0.0%	0.0%	66.1%

The fair value of The Foundation's investments as of December 31, 2022 is as follows:

Description	Total	Level 1	Level 2	Level 3	Investments Valued at NAV (a)
Short-term investments	\$ 398,075	\$ 398,075	\$ -	\$ -	\$ -
Fixed income	3,536,600	2,887,952	-	-	648,648
Equities:					
International	5,297,641	1,440,293	-	-	3,857,348
Domestic	10,640,001	4,528,161	-	-	6,111,840
Alternatives:					
Hedged equity	4,549,949	-	-	-	4,549,949
Real assets	2,383,954	-	-	-	2,383,954
Private equity	3,588,808	-	-	-	3,588,808
Investments as of December 31, 2022	<u>\$ 30,395,028</u>	<u>\$ 9,254,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,140,547</u>
Percent of Total	100%	30.4%	0.0%	0.0%	69.6%

(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 December 31, 2023 and 2022.

The following tables disclose certain additional information as of December 31, 2023 and 2022 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:

December 31, 2023

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments valued at Net Asset Value:				
Fixed income	\$ 757,756	\$ None	More than 3 years	N/A
International equity	4,506,446	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	5,741,408	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	5,100,898	None	Annually with a 1-year lock-up period	60 days' written notice
Real assets	3,023,867	480,614	More than 3 years	N/A
Private equity	<u>3,630,820</u>	<u>932,843</u>	More than 3 years	N/A
Total net asset value	\$ <u><u>22,761,195</u></u>	\$ <u><u>1,413,457</u></u>		

December 31, 2022

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Investments valued at Net Asset Value:				
Fixed income	\$ 648,648	\$ None	More than 3 years	N/A
International equity	3,857,348	None	Monthly to 3-year lock-up period	5-90 days' notice
Domestic equity	6,111,840	None	Daily to quarterly	0-60 days' notice
Hedged equity (Class B)	4,461,862	None	Annually with a 1-year lock-up period	60 days' written notice
Hedged equity (Class B3)	88,087	None	Annually beginning 2013 with a 1-year lock-up period	95 days' written notice
Real assets	2,383,954	417,987	More than 3 years	N/A
Private equity	<u>3,588,808</u>	<u>726,861</u>	More than 3 years	N/A
Total net asset value	\$ <u>21,140,547</u>	\$ <u>1,144,847</u>		

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 thirty-four percent of the fair value of its investments on a monthly basis, and approximately sixty-six percent 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. 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 government 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, 2023 and 2022.

Investment activity for the years ended December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses)	\$ 3,866,623	\$ (4,176,573)
Interest and dividends	<u>172,693</u>	<u>93,387</u>
Total portfolio return	4,039,316	(4,083,186)
Less market return – organizational funds	(1,186,309)	1,653,374
Less investment management expenses	<u>(444,642)</u>	<u>(182,300)</u>
Investment return, net	\$ <u><u>2,408,365</u></u>	\$ <u><u>(2,612,112)</u></u>

g. Leases

The Foundation accounts for leases in accordance with ASC 842, *Leases*. The Foundation is a lessee for office space. The Foundation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Foundation determines if an arrangement conveys the right to use an identified asset and whether the Foundation obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Foundation recognizes a lease liability and right-of-use (ROU) asset at the commencement date of leases.

ROU Assets: An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term as lease expense.

Lease Liabilities: A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate in effect at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, The Foundation uses a risk-free discount rate based on U.S. Treasury instruments for comparable lease terms.

Accounting policy election for short-term leases: The Foundation has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. The Foundation recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

h. 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 210,108	\$ 210,108
Accumulated depreciation	<u>(190,215)</u>	<u>(181,537)</u>
Furniture and equipment, net	<u>\$ 19,893</u>	<u>\$ 28,571</u>

i. 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 restriction are reclassified to net assets without donor restriction 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, 2023 and 2022, in the amounts of \$750,000 and \$789,923, respectively, represent unconditional promises to give that are expected to be collected within one fiscal year.

j. 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, 2023, 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, 2023 and 2022, is summarized below:

	<u>2023</u>	<u>2022</u>
Grants payable, beginning of year	\$ 74,355	\$ 84,941
Grants approved	2,149,329	2,459,638
Grant payments distributed	(1,983,629)	(2,457,322)
Cancellations and adjustments	<u>7,500</u>	<u>(12,902)</u>
Grants payable, end of year	<u>\$ 247,555</u>	<u>\$ 74,355</u>

k. 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 on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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.

While this statement is presented in accordance with GAAP in classifying expenses by required function, the primary mission of The Foundation is to raise philanthropic funds for the community. Development and Fundraising are considered a core programmatic activity, noting the cost associated with this work is displayed under Supporting Services due to required presentation.

l. 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 expenses 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 note 2f, above.

m. 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.

n. Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through February 29, 2024, 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 classifications without donor restriction:

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, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Net assets without donor restriction:		
Designated	\$ 4,538,004	\$ 3,799,102
Donor-advised	11,360,888	10,696,281
Preference	1,337,746	1,263,829
Undesignated	<u>5,813,220</u>	<u>5,240,949</u>
Total net assets	\$ <u>23,049,858</u>	\$ <u>21,000,161</u>

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, \$1,306,940 and \$1,346,160 were provided for during the years ended December 31, 2023 and 2022, respectively.

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 8% of employees' earnings after 6 months of employment. Total retirement plan contributions were \$36,531 and \$30,670 for the years ended December 31, 2023 and 2022, respectively.

Note 5 - Leases:

The Foundation leases office space under a non-cancelable operating lease, signed in February 2023, effective January 1, 2023 and expiring December 31, 2032.

Future lease minimum payments under this lease amendment are as follows:

For the Years Ending

2024	\$	19,200
2025		19,200
2026		19,200
2027		19,200
2028		22,425
2029-2032		81,075
Less discount to present value		<u>(13,373)</u>
Net present value of operating lease liability	\$	<u>166,927</u>

Lease expense under the operating lease totaled \$19,200 and \$14,975 for the years ended December 31, 2023 and 2022, respectively, and is included in occupancy expense in the statements of functional expenses.

The remaining lease term for the operating lease is approximately 9 years. The discount rate used for the operating lease is 1.39%. The Foundation has elected to use the risk-free discount rate. Cash paid for amounts included in the measurement of the lease liabilities was \$19,200 for the year ended December 31, 2023.

The foundation's previous lease the for office space expired on December 31, 2022. Rent expense for that lease totaled 14,975 for the year ended December 31, 2022.

Note 6 - Availability and Liquidity:

The following represents The Foundation's financial assets at December 31, 2023 and 2022:

Financial assets at year end:		2023		2022
Cash and cash equivalents	\$	962,012	\$	760,890
Contributions receivable		750,000		789,923
Investments		<u>378,858</u>		<u>398,075</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>2,090,870</u>	\$	<u>1,948,888</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$189,575). 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 7 - Reclassifications:

Certain amounts in the financial statements for the year ended December 31, 2022 have been reclassified, with no effect on the change in net assets, to be consistent with the classifications presented for the year ended December 31, 2023.