



FOR SOUTH CENTRAL NEW YORK

FINANCIAL STATEMENTS

* * *

DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Independent Auditor's Report

May 19, 2022

To the Board of Directors of
The Community Foundation for South Central New York, Inc.

Opinion

We have audited the financial statements of The Community Foundation for South Central New York, Inc., which comprise the statements 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 accompanying financial statements present fairly, in all material respects, the financial position of The Community Foundation for South Central New York, Inc. as of December 31, 2021 and 2020, 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 (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 Community Foundation for South Central New York, 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 South Central New York, Inc.'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement 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 Community Foundation for South Central New York, 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 South Central New York, 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.

Dannible + McKee, LLP

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash (Note 1)	\$ 1,321,970	\$ 1,467,249
Interest and dividends receivable	1,849	4,333
Prepaid and other assets	11,294	5,354
Investments (Notes 1, 2, 3 and 6)	37,300,780	32,660,874
Property and equipment, net (Notes 1 and 4)	<u>5,151</u>	<u>8,199</u>
	<u>\$ 38,641,044</u>	<u>\$ 34,146,009</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 2,251	\$ 363
Accrued liabilities	18,883	16,151
Grants payable (Note 1)	862,156	956,767
Endowments held for other not-for-profit organizations (Note 1)	<u>42,019</u>	<u>37,116</u>
Total liabilities	925,309	1,010,397
Net assets (Notes 1, 5 and 6):		
Without donor restrictions	<u>37,715,735</u>	<u>33,135,612</u>
	<u>\$ 38,641,044</u>	<u>\$ 34,146,009</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF ACTIVITIES

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue:		
Contributions (Note 1)	\$ 2,357,098	\$ 4,082,855
Interest and dividends	825,930	696,183
Net realized and unrealized gain on investments (Notes 1, 2, 3 and 6)	4,372,246	2,042,045
Paycheck Protection Program assistance (Note 1)	-	68,225
Other income	<u>10,701</u>	<u>6,184</u>
Total revenue	<u>7,565,975</u>	<u>6,895,492</u>
Expenses:		
Program services (Note 1):-		
Grant making:		
Grants made	2,154,158	2,473,031
Grant administrative expense	<u>118,113</u>	<u>110,682</u>
	2,272,271	2,583,713
Managing charitable funds	30,677	36,709
Community education and involvement	<u>70,102</u>	<u>82,402</u>
Total program services	<u>2,373,050</u>	<u>2,702,824</u>
Support services (Note 1):		
Finance and general administration	581,341	483,887
Development and donor relations	<u>31,461</u>	<u>34,364</u>
Total support services	<u>612,802</u>	<u>518,251</u>
Total expenses	<u>2,985,852</u>	<u>3,221,075</u>
Change in net assets	4,580,123	3,674,417
Net assets, beginning of year	<u>33,135,612</u>	<u>29,461,195</u>
Net assets, end of year	<u>\$ 37,715,735</u>	<u>\$ 33,135,612</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2021						Year ended December 31, 2020					
	Program Services			Support Services			Program Services			Support Services		
	Grant Making	Managing Charitable Funds	Community Education and Involvement	Finance and General Administration	Development and Donor Relations	Total	Grant Making	Managing Charitable Funds	Community Education and Involvement	Finance and General Administration	Development and Donor Relations	Total
Expenses:												
Grants made	\$ 2,154,158	\$ -	\$ -	\$ -	\$ -	\$ 2,154,158	\$ 2,473,031	\$ -	\$ -	\$ -	\$ -	\$ 2,473,031
Salaries	71,896	14,198	31,334	198,371	16,132	331,931	68,144	15,660	36,698	178,844	16,062	315,408
Investment and custodial fees	-	-	-	213,246	-	213,246	-	-	-	166,182	-	166,182
Employee benefits and payroll taxes	16,995	3,356	7,407	46,891	3,813	78,462	15,894	3,653	8,560	41,714	3,746	73,567
Rent	11,535	2,278	5,027	31,828	2,588	53,256	11,064	2,542	5,958	29,036	2,608	51,208
Computer software	4,871	-	-	17,618	-	22,489	5,000	-	-	15,625	-	20,625
Fund direct expenses	-	4,892	-	-	-	4,892	-	7,548	-	-	-	7,548
Consultant fees	-	-	18,442	1,059	1,696	21,197	-	-	14,873	1,162	3,819	19,854
Travel and meeting expenses	314	62	137	2,875	70	3,458	107	25	268	1,172	25	1,597
Professional fees	1,968	-	-	18,105	-	20,073	1,968	5,720	-	17,435	-	25,123
Board functions	1,977	390	862	5,454	444	9,127	236	54	127	620	56	1,093
Foreign investment taxes	-	-	-	15,391	-	15,391	-	-	-	6,230	-	6,230
Dues and memberships	2,911	575	1,269	8,031	653	13,439	3,500	-	5,940	2,813	-	12,253
Office expense	1,267	250	552	3,499	284	5,852	1,398	321	753	3,668	329	6,469
Printing	1,233	331	2,355	3,292	3,033	10,244	-	-	5,046	-	3,535	8,581
Postage and mailings	913	245	1,744	2,439	2,247	7,588	958	220	614	2,515	3,792	8,099
Advertising	-	1,804	-	-	-	1,804	-	-	2,220	356	-	2,576
Insurance	505	100	220	4,379	113	5,317	303	70	163	3,765	71	4,372
Telephone	698	138	304	1,925	157	3,222	699	161	376	1,834	165	3,235
Miscellaneous	506	1,955	220	2,446	113	5,240	793	593	473	6,246	10	8,115
Depreciation	-	-	-	3,048	-	3,048	-	-	-	3,048	-	3,048
Repairs and maintenance	524	103	229	1,444	118	2,418	618	142	333	1,622	146	2,861
Total expenses	<u>\$ 2,272,271</u>	<u>\$ 30,677</u>	<u>\$ 70,102</u>	<u>\$ 581,341</u>	<u>\$ 31,461</u>	<u>\$ 2,985,852</u>	<u>\$ 2,583,713</u>	<u>\$ 36,709</u>	<u>\$ 82,402</u>	<u>\$ 483,887</u>	<u>\$ 34,364</u>	<u>\$ 3,221,075</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Increase (decrease) in cash and cash equivalents</u>		
Cash flows from operating activities:		
Cash received from donors and other not-for-profit organizations	\$ 2,362,818	\$ 4,089,038
Cash received from Paycheck Protection Program assistance (Note 1)	-	68,225
Cash paid to suppliers and employees	(706,950)	(634,993)
Cash paid for grant making	(2,366,882)	(2,682,694)
Interest and dividends	828,414	714,408
Net cash provided by operating activities	<u>117,400</u>	<u>1,553,984</u>
Cash flows from investing activities:		
Purchase of investments	(12,795,666)	(16,026,068)
Proceeds from sale of investments	<u>13,147,898</u>	<u>14,904,891</u>
Net cash provided by (used for) investing activities	<u>352,232</u>	<u>(1,121,177)</u>
Net increase in cash and cash equivalents	469,632	432,807
Cash and cash equivalents, beginning of year (Note 1)	<u>2,402,452</u>	<u>1,969,645</u>
Cash and cash equivalents, end of year (Note 1)	<u>\$ 2,872,084</u>	<u>\$ 2,402,452</u>

See accompanying notes to financial statements.

THE COMMUNITY FOUNDATION FOR SOUTH CENTRAL NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

Nature of activities - The Community Foundation for South Central New York, Inc. (the "Community Foundation") was established in 1996 as a tax-exempt, public, charitable, community foundation benefiting residents of Broome, Chenango, Delaware, Otsego and Tioga Counties in New York State. Revenue is provided primarily from public contributions and income from investments.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Basis of presentation - The accompanying financial statements have been prepared in accordance with the Financial Accounting Standard Board's (FASB) authoritative guidance on financial statements of not-for-profit organizations. Under this guidance, the Community Foundation is required to report information regarding its assets, liabilities, revenues and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets without donor restrictions consist of the net assets of the Community Foundation that are without any donor-imposed stipulations. These amounts are available for the support of operations. The Community Foundation has no net assets classified as with donor restrictions.

Under New York State law and the Community Foundation's governing instruments, the Board of Directors of the Community Foundation has the power to vary the use of gifts from the original donor-prescribed purpose. Accordingly, assets held as advised by donors or for a specified purpose are segregated in net assets without donor restrictions until such time (if ever) as the Board of Directors deems it prudent and appropriate under the variance power to redirect some part of the principal or appreciation. Accordingly, the Community Foundation classifies all net assets as without donor restrictions; however, segregates the portion for which contributions are designated for special grant making purposes from the funds that are designated for general grants or administration.

Cash and cash equivalents - The Community Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The reconciliation of cash and cash equivalents as presented on the statements of cash flows at December 31, 2021 and 2020, is as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 1,321,970	\$ 1,467,249
Cash and cash equivalents in investments	<u>1,550,114</u>	<u>935,203</u>
Total cash and cash equivalents	<u>\$ 2,872,084</u>	<u>\$ 2,402,452</u>

Investments - Investments are reported at fair value in accordance with the FASB's authoritative guidance on accounting for certain investments held by not-for-profit organizations. The Community Foundation's investment strategy seeks to achieve a predictable, reliable and continuous source of funds to support the grants from the Community Foundation. Funds are invested in a well-diversified asset mix, which includes primarily debt and equity securities, that is intended to result in a consistent inflation protected rate of return. Purchases and sales of securities are recorded on a trade-date basis. All interest and dividend income from investments is recognized when earned.

Fair value and financial instruments - The fair value of financial instruments is based upon quoted market prices where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value and may include amounts based upon unobservable parameters. Any such valuation adjustments are applied consistently over time. The FASB's authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements (See Note 3).

Property and equipment - Property and equipment are recorded at cost or, for donated assets, at the estimated fair market value at the date of acquisition. Depreciation for financial statement purposes is computed on the straight-line method over the assets' estimated useful lives, which range from three - seven years. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in change in net assets.

Contributions - Contributions received by the Community Foundation are recorded as revenue without donor restrictions and net assets without donor restrictions at their fair value in the period received. Net assets without donor restrictions are those over which the Board of Directors of the Community Foundation retains full control for use in achieving the institutional mission. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as revenue without donor restrictions.

Revenue is reported as an increase in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as a decrease in net assets without

donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law.

Contributed securities - Contributed securities are recorded at fair value and are liquidated promptly and invested along with cash contributions in investments.

Spending policy - On September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). This legislation influences the spending policy and provides discretion to the Community Foundation with respect to the accumulation or expenditure of amounts in the endowment funds, including portions of the original dollar value of the donor's gift. NYPMIFA also requires improved documentation of investment policies, as well as investment and spending decisions.

The Community Foundation's spending policy for endowed funds in connection with grant making and fees states that annual spending, including fees, is not to exceed 5.75% of the average value of endowed investments for the past twelve quarters as of each year-end. The Board of Directors used its discretionary powers during 2020 to authorize spending up to an additional 2.00% of unrestricted funds to support the needs of local non-profits due to COVID-19.

Grants payable - Grants are recorded as an expense if they are unconditional and approved for payment. The Community Foundation’s Board awards grants to qualifying organizations and scholarships to qualifying individuals in Broome, Chenango, Delaware, Otsego and Tioga Counties. Grants payable in less than one year was \$230,181 and \$528,844, and from one to four years was \$631,975 and \$427,923 at December 31, 2021 and 2020, respectively. Multi-year grants should be discounted to their present value using the prime interest rate. Management has determined that the discount is not material, therefore, it has not been recorded.

Endowments held for other not-for-profit organizations - The Community Foundation accepts funds from, and holds certain assets for the benefit of other not-for-profit organizations. These funds are not considered assets of the Community Foundation and therefore are shown as endowments held for other not-for-profit organizations in the accompanying statements of financial position.

Employee benefit plan - The Community Foundation has a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code covering substantially all employees. Matching contributions are made to eligible employees who have completed one year of service. The Community Foundation’s contribution is 100% of the participant’s elective contribution up to 10% of the participant’s compensation. Employee benefit plan expense was \$31,874 and \$29,574 in 2021 and 2020, respectively.

Financial instruments, concentration and credit risks - The Community Foundation maintains cash balances at various financial institutions. Cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC insurance limits are subject to normal credit risk. The Community Foundation’s investments are exposed to various risks, such as interest, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the net assets of the Community Foundation.

Income taxes - Pursuant to the FASB's guidance related to not-for-profit entities, the Community Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been determined not to be a private foundation under Section 509(a) of the IRC.

The Community Foundation has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Community Foundation will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Community Foundation is no longer subject to Federal or state examinations by tax authorities for the closed tax years before 2018.

Advertising expense - The Community Foundation expenses advertising costs when incurred. Advertising expenses amounted to \$1,804 and \$2,576 in 2021 and 2020, respectively.

Expense allocation - The costs of program and support services have been summarized on a functional basis in the accompanying statements of activities. The costs are functionalized on a direct basis where possible. Indirect costs are allocated based on an estimate of the time spent by the Community Foundation's management and staff in each functional area. For purposes of categorizing expenditures, the Community Foundation identifies three types of program services related to its exempt charitable purpose; grant making, managing charitable funds and community education and involvement and two activities as support services of the Community Foundation; finance and general administration and development and donor relations as described below.

Grant making - One of the Community Foundation's primary activities is grant making. This category includes all activities related to charitable grant making and the granting of scholarships, as well as ongoing review and site visits at the end of a grant.

Managing charitable funds - The Community Foundation spends time each year managing the charitable funds that it holds. This category includes donor relations with current fund holders such as answering questions about fund balances, spending policy amounts and rate of return on funds.

Community education and involvement - The Community Foundation provides community education and involvement relating to the need for charitable giving and philanthropy and the methods available to facilitate charitable participation. This category also includes convening meetings with other foundations, non-profits and governmental entities in an effort to improve our communities.

Finance and general administration - This category includes oversight, business management and general record keeping, budgeting, financing, and related administrative activities, except for the direct conduct of program services or development/fundraising activities.

Development and donor relations - The Community Foundation engages in a variety of activities designed to cultivate new donors and encourage the opening of new funds. Activities that may fall under this category include development campaigns, maintaining donor mailing lists, conducting fundraising events, meeting with donors and professional advisors, and any other soliciting donations.

Donated services - A number of volunteers have donated their time to develop the Community Foundation's programs. No amount has been recognized in the financial statements for these services since they do not meet the criteria for recognition under the FASB's authoritative guidance on accounting for contributions received and contributions made.

Risks and uncertainties - Beginning in March of 2020 and continuing into 2022, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, Coronavirus Disease (COVID-19), by imposing mandatory quarantine for exposed and infected individuals and imposing limitations on travel and size and duration of group meetings among other restrictions. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The Community Foundation continues to closely monitor the impact of the COVID-19 pandemic on all aspects of the organization. The ultimate impact of the COVID-19 pandemic on the Community Foundation's operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of the Community Foundation's control. The situation surrounding COVID-19 remains fluid, and if further disruptions do arise, they could materially and adversely impact the organization.

Paycheck Protection Program assistance - On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities Act ("CARES Act") was enacted to provide emergency assistance for individuals, families and organizations affected by the Coronavirus pandemic. The Paycheck Protection Program ("PPP") established by the U.S. Small Business Administration ("SBA"), created through the CARES Act, provided qualified organizations with loans to assist them with paying certain qualified expenses. Under the terms of the CARES Act and PPP, the Community Foundation could apply for and be granted forgiveness for all or a portion of the loan to the extent the proceeds are used for qualifying expenses, including payment of eligible payroll costs, mortgage payments, lease payments, utility payments or interest payments on other business debts that were in place before February 15, 2020.

In April 2020, the Community Foundation was granted a PPP loan from a financial institution in the amount of \$68,225. The Community Foundation expended the entire loan proceeds for qualifying expenses during 2020 and received full forgiveness by the SBA in 2021. The Community Foundation elected to treat these funds as a government grant for 2020, therefore, they included the entire PPP loan proceeds of \$68,225 in income on the accompanying statements of activities for the year ended December 31, 2020. The loan forgiveness is subject to review by the SBA for six years from the date the loan is forgiven.

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

Subsequent events - Management has evaluated subsequent events through May 19, 2022, the date that the financial statements were available for issue.

Note 2 - Investments

Investments are presented in the financial statements at fair value and are subject to normal market fluctuations. Investments consisted of the following:

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash and cash equivalents	\$ 1,550,114	\$ 1,550,114	\$ -
Fixed income mutual funds	8,505,282	9,503,523	998,241
Equity securities	14,514,049	20,265,865	5,751,816
Hedge funds	<u>5,015,411</u>	<u>5,981,278</u>	<u>965,867</u>
	<u>\$ 29,584,856</u>	<u>\$ 37,300,780</u>	<u>\$ 7,715,924</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash and cash equivalents	\$ 935,203	\$ 935,203	\$ -
Fixed income mutual funds	6,218,713	6,882,752	664,039
Equity securities	14,628,863	18,521,794	3,892,931
Real estate investment trust	328,444	339,609	11,165
Hedge funds	<u>4,929,085</u>	<u>5,981,516</u>	<u>1,052,431</u>
	<u>\$ 27,040,308</u>	<u>\$ 32,660,874</u>	<u>\$ 5,620,566</u>

Investment income is recorded gross of related transaction, custody and management fees, except those embedded in funds. The total of such separately paid fees was \$213,246 and \$166,182 for the years ended December 31, 2021 and 2020, respectively.

Note 3 - Fair value measurements

The FASB's authoritative guidance on fair value measurements provides a framework for measuring fair value under generally accepted accounting principles. The guidance applies to all financial instruments that are being measured and disclosed on a fair value basis.

As defined in the guidance, fair value is 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. In determining fair value, various assumptions are utilized, including assumptions about risk and/or the risks inherent in the inputs to the valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Community Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical

assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability or represent inputs used to determine the value of similar assets and liabilities. Financial assets measured at fair value on a recurring basis include investments.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

- Fixed Income Mutual Funds - Fair value based on quoted market prices using net asset value.
- Equity Securities - Fair value based on quoted market prices.
- Real Estate Investment Trust - Fair value based on quoted market prices.

The fair value for assets measured on a recurring basis is as follows:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	\$ 9,503,523	\$ -	\$ -	\$ 9,503,523
Equity securities	20,265,865	-	-	20,265,865
	<u>\$ 29,769,388</u>	<u>\$ -</u>	<u>\$ -</u>	29,769,388
Cash and cash equivalents				1,550,114
Hedge funds measured at net asset value				<u>5,981,278</u>
Total investments				<u>\$ 37,300,780</u>

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Fixed income mutual funds	\$ 6,882,752	\$ -	\$ -	\$ 6,882,752
Equity securities	18,521,794	-	-	18,521,794
Real estate investment trust	339,609	-	-	339,609
	<u>\$ 25,744,155</u>	<u>\$ -</u>	<u>\$ -</u>	25,744,155
Cash and cash equivalents				935,203
Hedge funds measured at net asset value				<u>5,981,516</u>
Total investments				<u>\$ 32,660,874</u>

The Community Foundation invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of these investments have been estimated using the net asset value per share of the investment as provided by the fund manager. The funds employ an absolute return strategy with diverse, primarily short-term, investments and commodity trading strategies. Participating members are permitted to redeem their shares on the calendar

quarters with notice and with certain restrictions outlined in the fund agreement. There were no unfunded commitments.

Note 4 - Property and equipment

Property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Property and equipment	\$ 38,611	\$ 38,611
Less - Accumulated depreciation	<u>(33,460)</u>	<u>(30,412)</u>
	<u>\$ 5,151</u>	<u>\$ 8,199</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$3,048 each year and has been included in expenses in the accompanying statements of activities.

The Community Foundation leases certain office space under an agreement that expires on August 31, 2025. The monthly installments, including maintenance expenses, are \$4,438 through August 31, 2025. Rent expense for the years ended December 31, 2021 and 2020, including maintenance expenses, was \$53,256 and \$51,208, respectively.

The Community Foundation also leases office equipment under an operating lease through December 2024. Lease expense for the years ended December 31, 2021 and 2020, was approximately \$1,400 each year.

The Community Foundation entered into a license agreement with an enterprise software vendor that is renewable each year. Subscription expense for the license agreement was \$19,961 and \$19,095 for the years ended December 31, 2021 and 2020, respectively. The Community Foundation renewed the license agreement through December 31, 2022, with a minimum subscription fee of \$20,748 for 2022.

Future minimum non-cancelable lease payments under these agreements are as follows:

2022	\$ 75,411
2023	54,663
2024	54,663
2025	<u>35,504</u>
	<u>\$ 220,241</u>

Note 5 - Net assets without donor restrictions

Net assets without donor restrictions are segregated into three categories: special grant making funds, The Community Fund and other. Net assets without donor restrictions consisted of the following separately calculated groups of funds:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Scholarship funds	\$ 6,562,257	\$ 5,584,407
Designated funds	10,181,589	9,215,730
Donor advised funds	4,338,144	4,358,613
Pass-through funds	233,950	301,118
Field of interest funds	<u>7,024,245</u>	<u>5,993,658</u>
Total special grant making funds	28,340,185	25,453,526
The Community Fund	9,375,550	7,603,136
Other	<u>-</u>	<u>78,950</u>
Total net assets without donor restrictions	<u>\$ 37,715,735</u>	<u>\$ 33,135,612</u>

Special grant making fund balances represent amounts whereby the donor contributes for a specific purpose or has an advisory role in the expenditure of the contribution, or the Board of Directors has created a special purpose category for giving. However, these funds are not considered as net assets with donor restrictions because of the Community Foundation's unilateral variance power over the funds.

The Community Fund includes general grant making funds, which consist of assets that have no special designated purpose that controls which grants are considered for approval. The total of The Community Fund as of December 31, 2021 and 2020, was \$9,375,550 and \$7,603,136, respectively. The Community Fund also includes funds designated by the Board of Directors for administrative purposes in the amount of \$3,383,085 and \$1,006,087 as of December 31, 2021 and 2020, respectively. The Community Fund and special grant making funds that are endowed and have met the minimum threshold are charged an administrative fee on a quarterly basis. These fees totaled \$612,162 and \$502,245 for the years ended December 31, 2021 and 2020, respectively, and are designated by the Community Foundation's Board of Directors to be used for administrative purposes.

Note 6 - Endowments

New York Not-for-Profit Corporation Law includes an article known as the "Prudent Management of Institutional Funds Act." The Board of Directors and management, on the advice of legal counsel, have determined that the Community Foundation is subject to its governing documents and current accounting standards under FASB ASC 958-205, *Endowments of Not-for-profit Organizations: Net Asset Classification of Institutional Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for Endowment Funds*, regarding endowments and net asset classifications. Normally, contributions to the Community Foundation are subject to the terms of the governing

documents. However, certain contributions may be received subject to other gift instruments, or that are subject to specific agreements with the Community Foundation. Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine. This discretion is considered a unilateral variance power for accounting purposes. As a result of the ability to distribute corpus, all contributions not otherwise subject to donor restrictions are classified as net assets without donor restrictions for financial statement purposes. At this time, no assets are held subject to specific donor restrictions.

The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term rate-of-return objectives, the Community Foundation's investment policy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation to achieve its long-term return objective of 5% plus the Consumer Price Index within prudent risk parameters.

The spending policy is used to calculate the amount of money distributable annually from the Community Foundation's various endowed funds for grant making. The current spending policy is to make up to 4% of the previous twelve-quarter rolling market value average of endowed investments available for grant distributions and 1.75% for administrative contribution fees.

Composition of endowment net assets were as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Endowment funds without donor restrictions	\$ 26,439,642	\$ 22,763,838
Board designated endowment funds	<u>9,375,550</u>	<u>7,603,136</u>
	<u>\$ 35,815,192</u>	<u>\$ 30,366,974</u>

Changes in endowment net assets were as follows:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 30,366,974	\$ 27,347,926
Contributions	1,693,662	1,559,426
Investment income	766,794	723,168
Net realized and unrealized appreciation	4,023,892	1,799,524
Amounts appropriated for expenditures (includes grants)	<u>(1,036,130)</u>	<u>(1,063,070)</u>
Endowment net assets, end of year	<u>\$ 35,815,192</u>	<u>\$ 30,366,974</u>

Note 7 - Availability and liquidity

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 1,321,970	\$ 1,467,249
Cash and cash equivalents in investments	<u>1,550,114</u>	<u>935,203</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,872,084</u>	<u>\$ 2,402,452</u>

The Community Foundation believes it to be prudent to maintain liquid financial assets to meet ninety days of the normal and customary operating expenses, or approximately \$600,000. Although the Community Foundation's policies and spending methodology does not require it to spend from its liquid financial assets other than from the amounts appropriated for general expenditures as part of its annual budget approval and appropriation processes under its spending rule policy, financial sources to satisfy operational needs could be available, if necessary.