

**THE COMMUNITY FOUNDATION OF
NORTH FLORIDA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
TABLE OF CONTENTS
DECEMBER 31, 2021 AND 2020

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 18



INDEPENDENT AUDITORS' REPORT

Board of Directors,
The Community Foundation of North Florida, Inc.:

Opinion

We have audited the accompanying financial statements of The Community Foundation of North Florida, Inc. (the Foundation), 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 Foundation 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 Foundation 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 these 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 Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility 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 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 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.

James Moore & Co., P.L.

Gainesville, Florida
May 2, 2022

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

	2021	2020
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,337,328	\$ 3,410,858
Investments	96,360,481	78,611,434
Prepaid expenses	6,097	5,226
Accounts receivable	48	-
Promises to give	8,300	308,300
Beneficial interest in charitable remainder trust	649,514	481,669
Property and equipment, net	15,156	38,487
Beneficial interest in life insurance policies	32,136	29,875
Investments held on behalf of others	7,806,932	6,889,106
Investments restricted for endowment purposes	1,113,971	995,804
	\$ 109,329,963	\$ 90,770,759
Total Assets		
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 1,057	\$ 425
Agency funds held for others	7,806,932	6,889,106
	7,807,989	6,889,531
Total liabilities		
Net Assets		
Without donor restrictions		
Designated by Board for operating reserve	809,772	611,279
Undesignated	98,948,717	81,492,476
	99,758,489	82,103,755
With donor restrictions		
Time-restricted	649,514	781,669
Perpetual in nature	1,113,971	995,804
	1,763,485	1,777,473
Total net assets	101,521,974	83,881,228
Total Liabilities and Net Assets	\$ 109,329,963	\$ 90,770,759

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

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Investment return, net	\$ 12,769,272	\$ 286,012	\$ 13,055,284
Contributions	8,398,835	-	8,398,835
Administrative fees	112,575	-	112,575
Other	2,261	-	2,261
Net assets released from restrictions:			
Expiration of time restriction	300,000	(300,000)	-
Total support and revenue	<u>21,582,943</u>	<u>(13,988)</u>	<u>21,568,955</u>
Expenses			
Program services:			
Grants and scholarships	3,288,293	-	3,288,293
Other program expenses	417,854	-	417,854
Total program services	<u>3,706,147</u>	<u>-</u>	<u>3,706,147</u>
Supporting services:			
General and administrative	204,794	-	204,794
Fundraising	17,268	-	17,268
Total supporting services	<u>222,062</u>	<u>-</u>	<u>222,062</u>
Total expenses	<u>3,928,209</u>	<u>-</u>	<u>3,928,209</u>
Change in net assets	17,654,734	(13,988)	17,640,746
Net assets, beginning of year	82,103,755	1,777,473	83,881,228
Net assets, end of year	<u>\$ 99,758,489</u>	<u>\$ 1,763,485</u>	<u>\$ 101,521,974</u>

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

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Investment return, net	\$ 5,555,379	\$ 186,281	\$ 5,741,660
Contributions	7,179,733	300,000	7,479,733
Administrative fees	91,851	-	91,851
Other	4,002	-	4,002
Total support and revenue	<u>12,830,965</u>	<u>486,281</u>	<u>13,317,246</u>
Expenses			
Program services:			
Grants and scholarships	3,399,471	-	3,399,471
Other program expenses	404,541	-	404,541
Total program services	<u>3,804,012</u>	<u>-</u>	<u>3,804,012</u>
Supporting services:			
General and administrative	164,951	-	164,951
Fundraising	22,392	-	22,392
Total supporting services	<u>187,343</u>	<u>-</u>	<u>187,343</u>
Total expenses	<u>3,991,355</u>	<u>-</u>	<u>3,991,355</u>
Change in net assets	8,839,610	486,281	9,325,891
Net assets, beginning of year	73,264,145	1,291,192	74,555,337
Net assets, end of year	<u>\$ 82,103,755</u>	<u>\$ 1,777,473</u>	<u>\$ 83,881,228</u>

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

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

<u>Expenses</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Grants to charitable organizations	\$ 3,288,293	\$ -	\$ -	\$ 3,288,293
Payroll	319,591	95,462	-	415,053
Rent	52,102	15,563	-	67,665
Depreciation	-	23,331	-	23,331
Donor development	-	-	15,230	15,230
Software lease	15,404	4,601	-	20,005
Professional fees	-	51,865	-	51,865
Membership dues	9,699	2,897	-	12,596
Insurance	6,272	1,873	-	8,145
Telephone and internet	2,917	871	-	3,788
Seminar and meeting	1,665	497	-	2,162
Fundholder retention	3,846	1,149	-	4,995
Office	5,693	1,701	-	7,394
Printing and publication	-	-	2,038	2,038
Postage and delivery	665	198	-	863
Board meetings	-	2,950	-	2,950
Licenses and filing fees	-	611	-	611
Miscellaneous	-	1,225	-	1,225
Totals	<u>\$ 3,706,147</u>	<u>\$ 204,794</u>	<u>\$ 17,268</u>	<u>\$ 3,928,209</u>

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

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

<u>Expenses</u>	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Grants to charitable organizations	\$ 3,399,471	\$ -	\$ -	\$ 3,399,471
Payroll	306,565	91,571	-	398,136
Rent	50,759	15,162	-	65,921
Depreciation	-	23,847	-	23,847
Donor development	-	-	20,506	20,506
Software lease	14,906	4,452	-	19,358
Professional fees	-	18,574	-	18,574
Membership dues	9,348	2,792	-	12,140
Insurance	6,215	1,857	-	8,072
Telephone and internet	4,653	1,390	-	6,043
Seminar and meeting	4,641	1,386	-	6,027
Fundholder retention	3,846	1,149	-	4,995
Office	2,761	825	-	3,586
Printing and publication	-	-	1,886	1,886
Postage and delivery	847	253	-	1,100
Board meetings	-	792	-	792
Licenses and filing fees	-	600	-	600
Miscellaneous	-	301	-	301
Totals	<u>\$ 3,804,012</u>	<u>\$ 164,951</u>	<u>\$ 22,392</u>	<u>\$ 3,991,355</u>

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

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

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 17,640,746	\$ 9,325,891
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	23,331	23,847
Donated securities	(1,212,222)	(348,286)
Return on investments	(12,132,670)	(5,409,393)
Change in:		
Prepaid expenses	(871)	(3,543)
Accounts receivable	(48)	-
Promises to give	300,000	(300,000)
Cash value of life insurance	(2,261)	(4,002)
Accounts payable	632	(342)
Agency funds held for others	(399,438)	(177,888)
Net cash provided by operating activities	4,217,199	3,106,284
Cash flows from investing activities		
Proceeds from sale of investments	25,428,594	23,369,885
Purchases of investments	(29,719,323)	(35,956,592)
Purchases of property and equipment	-	(2,263)
Net cash used in investing activities	(4,290,729)	(12,588,970)
Net decrease in cash and cash equivalents	(73,530)	(9,482,686)
Cash and cash equivalents, beginning of year	3,410,858	12,893,544
Cash and cash equivalents, end of year	\$ 3,337,328	\$ 3,410,858

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

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the significant accounting policies and practices of The Community Foundation of North Florida, Inc. (the Foundation), which affect the accompanying financial statements:

(a) **Nature of operations**—The Foundation is a nonprofit corporation organized in the State of Florida on March 20, 1997 and located in Tallahassee, Florida that promotes and facilitates long-term charitable giving. The Foundation is committed to enhancing the well-being of the community and serving the general charitable, educational, and scientific needs of the people of North Florida through the issuance of Board of Director approved grants to qualified local charities.

(b) **Financial statement presentation**—These financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restrictions.

Net assets without donor restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's Board of Directors (the Board) may designate assets without restrictions for specific purposes.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions when earned unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions when incurred. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time periods has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are generally recognized as revenues in the period received. Unconditional promises to give are recognized on the date the promise was received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include money market funds and investments with original maturities of three months or less when purchased.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Investments**—Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

(e) **Promises to give**—Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. The Foundation recorded a promise to give totaling \$300,000 during 2020 and this was collected during 2021. The Foundation does not have any collection items or conditional promises to give.

(f) **Interest in charitable remainder trust**—The Foundation was named the beneficiary in a charitable remainder trust, assets of which are held by a third-party trustee. Two beneficiaries are to receive ten percent of the net fair value of the trust assets each year during the lifespans. At the termination of the trust period, the remaining principal and interest is to be distributed to the contributors' fund held by the Foundation. The fair value for the beneficial interest in the charitable remainder trust is measured by using an income approach based on calculating the present value of the future distribution expected to be received. The Foundation remeasures the fair value of its beneficial interest annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data. The fair value is reported as net assets with donor restrictions in the accompanying statement of financial position due to the time restrictions imposed on these funds.

(g) **Property and equipment**—Property and equipment is recorded at the estimated fair value at the date of donation or at cost if purchased. Additions, improvements, and other capital outlays that are over a threshold established by management and significantly extend the useful life of an asset are capitalized. If donors stipulate that the property and equipment be used for a specific program, contributions are recorded as restricted support. These restrictions expire when the assets are placed in service. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed on the straight-line method and is based on estimated useful lives ranging from five to seven years. Depreciation expense was \$23,331 and \$23,847 for the years ended December 31, 2021 and 2020, respectively.

(h) **Irrevocable interest in life insurance policies**—These policies are valued at the cash surrender value at year end.

(i) **Funds held for others**—Consist of assets contributed to the Foundation directly from nonprofit organizations that name themselves as the beneficiary of the agency endowment fund created. A corresponding liability is recognized for the net assets of these funds.

(j) **Use of estimates**—The preparation of financial statements in conformity with GAAP requires management to make various estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Income taxes**—The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 509(a). Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Foundation’s status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements. The Foundation’s income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(l) **Functional allocation of expenses**—The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services based on management’s assessment of personnel hours.

(m) **Advertising**—The costs of advertising are expensed in the year incurred. Advertising expense totaled \$5,830 and \$10,127 for the years ended December 31, 2021 and 2020, respectively.

(n) **Donated securities and goods and services**—Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of the donation.

(o) **Subsequent events**—The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 2, 2022, the date the financial statements were available to be issued. See Note 11 for uncertainties surrounding the COVID-19 pandemic during and after the year. No additional subsequent events have been recognized or disclosed.

(p) **Recent accounting pronouncements**—The Financial Accounting Standards Board (FASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with the required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Foundation’s financial statements.

In February 2016, the FASB issued ASU 2016-02: “Leases (Topic 842)”, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for the year ending December 31, 2022, and may be adopted early.

In September 2020, the FASB issued ASU 2020-07: “Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets”, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU should be applied on a retrospective basis and is effective for the year ending December 31, 2022. Early adoption is permitted.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) **Fair Value Measurements:**

The fair value measurement accounting literature provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of financial instruments including cash and cash equivalents, prepaid expenses, promises to give, beneficial interest in life insurance policies, accounts payable and agency funds held for others approximate carrying value, principally because of the short maturity of those items.

Following is a description of the valuation methodologies used for the remainder of assets measured at fair value, which consist of investments and the beneficial interest in the charitable remainder trust. There have been no changes in the valuation methodologies used during the year.

Beneficial interest in charitable remainder trust – Fair value is estimated by using an income approach based on calculating the present value of the future distribution expected to be received. This approach takes into account the Foundation's determination of an appropriate risk-adjusted discount rate (3% at December 31, 2021 and 2020, respectively), expected appreciation of the unitrust's investments (11.9% and 9.5% at December 31, 2021 and 2020, respectively), and life expectancy (nine and ten years, at December 31, 2021 and 2020, respectively).

Investments – Investments are held in a pooled account managed by a third party. These are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value. The fair value amounts are presented below to permit reconciliation of the tables below to the amounts presented in the statements of financial position.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) **Fair Value Measurements:** (Continued)

The following table summarizes the assets of the Foundation for which fair values are determined on a recurring basis:

	Fair Value Measurements as of December 31, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in charitable remainder trust	\$ -	\$ -	\$ 649,514	\$ 649,514
Total in the fair value hierarchy	-	-	649,514	649,514
Assets measured at NAV				
Equity funds	-	-	-	48,957,803
Fixed income funds	-	-	-	29,432,927
Real asset funds	-	-	-	15,806,755
Private equity funds	-	-	-	11,066,550
Hedge fund	-	-	-	17,349
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,514</u>	<u>\$ 105,930,898</u>

	Fair Value Measurements as of December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in charitable remainder trust	\$ -	\$ -	\$ 481,669	\$ 481,669
Equities	15,366	-	-	15,366
Total in the fair value hierarchy	15,366	-	481,669	497,035
Assets measured at NAV				
Equity funds	-	-	-	42,293,158
Fixed income funds	-	-	-	24,155,991
Real asset funds	-	-	-	12,915,600
Private equity funds	-	-	-	6,909,412
Hedge fund	-	-	-	206,817
Total assets at fair value	<u>\$ 15,366</u>	<u>\$ -</u>	<u>\$ 481,669</u>	<u>\$ 86,978,013</u>

There were no transfers into or out of level 3 of the fair value hierarchy for the years ended December 31, 2021 and 2020.

Investment expenses were \$280,720 and \$266,767 for the years ended December 31, 2021 and 2020, respectively and are netted against investment income.

The following table describes the applicable commitment and redemption criteria related to the funds described above:

	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity funds (a)	\$ -	Monthly	5 days
Fixed income funds (b)	\$ -	Weekly	5 days
Real asset funds (c)	\$ -	Monthly or longer	5 days
Private equity funds (d)	\$ 8,642,833	N/A	N/A
Hedge fund (e)	\$ -	Semi-annually	65 days

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(2) **Fair Value Measurements:** (Continued)

- (a) The equity funds consist of a diversified portfolio of common stocks and equity-linked securities in the global public equity markets.
- (b) The fixed income funds consist of investment-grade fixed income securities that include bond index funds and government money market funds.
- (c) The real asset funds consist of investments in core real estate and real estate investment trust (REIT) index funds.
- (d) The private equity funds consist of a diversified portfolio including global private equity, special situations, and real estate funds.
- (e) The hedge fund consists of a non-diversified, closed-end management investment company with an investment objective to meet or exceed the return of the broad equity markets over a full market cycle with less volatility than the equity markets as measured by the MSCI World Index.

(3) **Concentrations and Credit Risk:**

At December 31, 2021 and 2020, the Foundation maintained its cash balances at a financial institution. These funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021 and 2020, uninsured cash balances totaled \$528,264 and \$77,740, respectively. Money market funds included as cash equivalents are not insured by FDIC and totaled \$3,173,630 and \$3,152,650 at December 31, 2021 and 2020, respectively.

Approximately 67% and 85% of the total contributions received were from a single donor for the years ended December 31, 2021 and 2020, respectively.

(4) **Property and Equipment:**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 71,987	\$ 71,987
Furniture and equipment	56,212	58,037
Less: accumulated depreciation	(113,043)	(91,537)
Property and equipment, net	<u>\$ 15,156</u>	<u>\$ 38,487</u>

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(5) Investments Held on Behalf of Others:

Investments held on behalf of others consist of assets contributed to the Foundation directly from nonprofit organizations that name themselves as the beneficiary of the agency endowment fund created. In accordance with GAAP, community foundations receiving assets from a nonprofit entity that specifies itself as the beneficiary, even if the variance power is explicitly stated in the gift instrument, is deemed not a gift to the Foundation but instead a liability due back to the nonprofit organization.

As of December 31, 2021 and 2020, the Foundation held 98 and 96 agency endowment funds with a combined fair value of \$7,806,932 and \$6,889,106, respectively, which are presented as investments held on behalf of others in the accompanying statements of financial position. Financial activity related to these funds for the years ended December 31, 2021 and 2020 is reflected in the net change in investments held on behalf of others, and is therefore excluded from the statement of activities and changes in net assets.

The following summarizes activity in these funds for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ 6,889,106	\$ 6,567,171
Gifts received	226,805	13,000
Net return on investments	1,090,459	486,823
Grants made	(263,392)	(62,504)
Administrative fees	(136,046)	(115,384)
Balance at end of the year	<u>\$ 7,806,932</u>	<u>\$ 6,889,106</u>

(6) Retirement Plan:

The Foundation maintains a defined contribution retirement plan (Simple IRA Plan) covering all employees with annual compensation of \$5,000 or more. Employees can elect to defer annually up to the maximum amount of their compensation allowed by the IRS. The Foundation is required to make matching contributions to the Simple IRA Plan up to three percent of its individual participants' compensation. Total contributions to the plan totaled \$8,996 and \$8,733 during the years ended December 31, 2021 and 2020, respectively.

(7) Endowments:

The Foundation adheres to the Uniform Prudent Management of Institutional Funds Act, which applies to all nonprofit organizations incorporated in the State of Florida as of July 1, 2012.

Unless a donor imposes a restriction to the contrary, all endowment funds at the Foundation are subject to the spending policy adopted by the Foundation's Board of Directors. The spending policy does not require preservation of the fair value of the original gift, but rather specifically states that spending may include income as well as principal.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(7) **Endowments:** (Continued)

With regard to donor restricted endowments where the donor expressly states that distributions shall not be made from principal, the Foundation respects and enforces the donor's restriction to preserve the historical gift value of the fund.

Donor restricted endowment funds totaled \$1,113,971 and \$995,804 at December 31, 2021 and 2020, respectively.

Changes in endowment funds are summarized as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ 995,804	\$ 964,079
Investment income, net	155	22,910
Appreciation	157,471	48,833
Appropriation for expenditure	<u>(39,459)</u>	<u>(40,018)</u>
Balance at end of the year	<u>\$ 1,113,971</u>	<u>\$ 995,804</u>

Endowment Spending Policy

The Foundation's Board-adopted spending policy for endowments is summarized as follows:

- (1) Policies are determined on a total-return system,
- (2) Allows endowment funds to spend four percent of the twenty-quarter average market value as of September 30th of the prior year, and
- (3) Does not require the preservation of the fair value of the original gift, unless specifically stated.

Endowment Investment Policy

The endowment investment policy adopted by the Foundation's Board of Directors seeks long-term growth of principal to preserve and grow the Foundation's assets, cover expenses, and maintain the approved spending rate of the funds. The Foundation maximizes the probability that the funds will meet or exceed an annualized target rate of return, adjusted for inflation over a five-year rolling period, by having a target rate of return equal to the Board-adopted spending policy's percentage amount plus inflation plus expenses. The Board of Directors considers and seeks to minimize appropriate risks when managing the funds and selecting investment strategies. The strategies for achieving the Foundation's investment objectives include: a well-diversified portfolio, target allocations in each investment category, guidelines and restricted investments, benchmarks for performance of each asset class, low fees, performance measurement, regular monitoring, and detailed reports.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(8) Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of net position, comprise the following:

	2021	2020
Financial assets available for general expenditure:		
Cash and cash equivalents	\$ 3,337,328	\$ 3,410,858
Investments	96,360,481	78,611,434
Less those unavailable for general expenditures within one year, due to:		
Investments in private equity funds	<u>(11,066,550)</u>	<u>(6,909,412)</u>
Total assets available to meet cash needs for general expenses and grantmaking within one year	<u>\$ 88,631,259</u>	<u>\$ 75,112,880</u>

The Foundation maintains a donor-restricted endowment fund that seeks long-term growth of principal (See Note 7)

The Foundation has also established an operating reserve fund designated by the Governing Board. The goal of this fund is long-term growth to assure the financial health of the Foundation and its continued operations.

Management monitors cash availability on a regular basis prior to making disbursements.

As shown in the table above, the Foundation has adequate financial assets available to meet unexpected liquidity needs.

(9) Administrative Fee Revenue:

The Foundation charges an annual administrative fee on individual funds based on a percentage of the fund balance maintained during the year, which is presented net of costs, as administrative fee revenue in the accompanying statements of activities and changes in net assets.

Administrative fees charged to agency endowment funds totaled \$634,266 and \$527,495 for the years ended December 31, 2021 and 2020, respectively (See Note 7).

Administrative fees charged to other funds are not reflected in the accompanying statements of activities and changes in net assets since they represent inter-fund transfers between the Foundation's operating fund and the other individual funds owned by the Foundation.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(10) **Commitments:**

In October 2016, the Foundation entered into a contract to lease office space under a non-cancelable operating lease expiring March 31, 2025. The lease agreement includes an option to extend for three years to March 31, 2028 with an annual rent increase of 2%. Rent expense for the years ended December 31, 2021 and 2020 totaled \$67,665 and \$65,921, respectively. Future minimum payments required under the lease agreement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 69,024
2023	70,404
2024	71,813
2025	<u>18,042</u>
Total	<u>\$ 229,283</u>

(11) **Risks and Uncertainties:**

During the years ended December 31, 2021 and 2020, local, U.S., and world governments have continued to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to their operations and the impact of reduced consumer spending and giving. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of May 2, 2022, management believes that a material impact on the Foundation's financial position and results of future operations is reasonably possible.