

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

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
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DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Tallahassee, Florida
May 17, 2023

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,729,031	\$ 3,337,328
Investments	85,660,469	96,360,481
Prepaid expenses	24,808	6,097
Accounts receivable	160	48
Promises to give	-	8,300
Beneficial interest in charitable remainder trust	278,982	649,514
Property and equipment, net	6,023	15,156
Beneficial interest in life insurance policies	34,427	32,136
Investments held on behalf of others	6,808,893	7,806,932
Investments restricted for endowment purposes	1,042,669	1,113,971
Total assets	\$ 96,585,462	\$ 109,329,963
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 2,145	\$ 1,057
Agency funds held for others	6,808,893	7,806,932
Total liabilities	6,811,038	7,807,989
Net Assets		
Without donor restrictions		
Designated by Board for operating reserve	833,520	809,772
Undesignated	87,619,253	98,948,717
Total without donor restrictions	88,452,773	99,758,489
With donor restrictions		
Time-restricted	278,982	649,514
Perpetual in nature	1,042,669	1,113,971
Total with donor restrictions	1,321,651	1,763,485
Total net assets	89,774,424	101,521,974
Total liabilities and net assets	\$ 96,585,462	\$ 109,329,963

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Investment return (loss), net	\$ (10,112,676)	\$ (441,834)	\$ (10,554,510)
Contributions	3,441,753	-	3,441,753
Administrative fees, net	110,523	-	110,523
Other	2,291	-	2,291
Net assets released from restrictions:			
Expiration of time restriction	-	-	-
Total support and revenue	<u>(6,558,109)</u>	<u>(441,834)</u>	<u>(6,999,943)</u>
Expenses			
Program services:			
Grants and scholarships	4,110,866	-	4,110,866
Other program expenses	437,387	-	437,387
Total program services	<u>4,548,253</u>	<u>-</u>	<u>4,548,253</u>
Supporting services:			
General and administrative	171,719	-	171,719
Fundraising	27,635	-	27,635
Total supporting services	<u>199,354</u>	<u>-</u>	<u>199,354</u>
Total expenses	<u>4,747,607</u>	<u>-</u>	<u>4,747,607</u>
Change in net assets	(11,305,716)	(441,834)	(11,747,550)
Net assets, beginning of year	99,758,489	1,763,485	101,521,974
Net assets, end of year	<u>\$ 88,452,773</u>	<u>\$ 1,321,651</u>	<u>\$ 89,774,424</u>

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

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, net	112,575	-	112,575
Other	2,261	-	2,261
Net assets released from restrictions:			
Restricted funds expended	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 this statement.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

<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	\$ 4,110,866	\$ -	\$ -	\$ 4,110,866
Payroll	337,892	100,929	-	438,821
Office lease	53,148	15,876	-	69,024
Depreciation	-	9,133	-	9,133
Donor development	-	-	24,803	24,803
Software lease	15,609	4,662	-	20,271
Professional fees	-	25,079	-	25,079
Membership dues	10,326	3,084	-	13,410
Insurance	6,496	1,940	-	8,436
Telephone and internet	5,736	1,713	-	7,449
Seminar and meeting	5,036	1,504	-	6,540
Office	2,407	719	-	3,126
Printing and publication	-	-	2,832	2,832
Postage and delivery	737	220	-	957
Board meetings	-	4,829	-	4,829
Licenses and filing fees	-	559	-	559
Miscellaneous	-	1,472	-	1,472
Totals	<u>\$ 4,548,253</u>	<u>\$ 171,719</u>	<u>\$ 27,635</u>	<u>\$ 4,747,607</u>

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

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
Office lease	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 this statement.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (11,747,550)	\$ 17,640,746
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	9,133	23,331
Donated securities	(695,528)	(1,212,222)
Loss (gain) on investments	10,159,142	(12,132,670)
Change in:		
Prepaid expenses	(18,711)	(871)
Accounts receivable	(112)	(48)
Promises to give	8,300	300,000
Cash value of life insurance	(2,291)	(2,261)
Accounts payable	1,088	632
Agency funds held for others	(361,479)	(399,438)
Net cash provided (used) by operating activities	(2,648,008)	4,217,199
Cash flows from investing activities		
Proceeds from sale of investments	47,747,730	25,428,594
Purchases of investments	(45,708,019)	(29,719,323)
Net cash provided (used) by investing activities	2,039,711	(4,290,729)
Net decrease in cash and cash equivalents	(608,297)	(73,530)
Cash and cash equivalents, beginning of year	3,337,328	3,410,858
Cash and cash equivalents, end of year	\$ 2,729,031	\$ 3,337,328

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, 2022 AND 2021

(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.

(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.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

(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 does not have any collection items or conditional promises to give at December 31, 2022 and 2021.

(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 \$9,133 and \$23,331 for the years ended December 31, 2022 and 2021, 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.

(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

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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 \$5,052 and \$5,830 for the years ended December 31, 2022 and 2021, 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. No nonfinancial assets were donated to the Foundation for the years ended December 31, 2022 and 2021.

(o) **Subsequent events**—The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 17, 2023, the date the financial statements were available to be issued.

(p) **Recent accounting pronouncements**—The Financial Accounting Standards Board (FASB) has issued several pronouncements that have effective dates that may impact current and future financial statements. Listed below are pronouncements applicable to the Foundation with their required implementation dates.

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. Update 2021-09 was issued in November 2021 amending the ASU to allow for the risk-free rate to be used as the discount rate for all leases. The ASU and update are effective for the year ended December 31, 2022. These were adopted with no material impact to the financial statements.

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 ended December 31, 2022. This ASU was adopted with no impact to the financial statements.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(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, 2022 and 2021, respectively), expected appreciation of the unitrust's investments (4.9% and 11.9% at December 31, 2022 and 2021, respectively), and life expectancy (eight and nine years, at December 31, 2022 and 2021, 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, 2022 AND 2021

(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			Total
	December 31, 2022			
	Level 1	Level 2	Level 3	
Beneficial interest in				
charitable remainder trust	\$ -	\$ -	\$ 278,982	\$ 278,982
Equities	14,804	-	-	14,804
Total in the fair value hierarchy	14,804	-	278,982	293,786
Assets measured at NAV				
Equity funds	-	-	-	38,267,832
Fixed income funds	-	-	-	28,351,795
Real asset funds	-	-	-	14,468,478
Private equity funds	-	-	-	12,409,122
Total measured at NAV	-	-	-	93,497,227
Total assets at fair value	\$ 14,804	\$ -	\$ 278,982	\$ 93,791,013

	Fair Value Measurements as of			Total
	December 31, 2021			
	Level 1	Level 2	Level 3	
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
Hedge funds	-	-	-	17,349
Private equity funds	-	-	-	11,066,550
Total measured at NAV	-	-	-	105,281,384
Total assets at fair value	\$ -	\$ -	\$ 649,514	\$ 105,930,898

There were no transfers between levels 1 and 2 and no purchases, issues or transfers in or out of level 3 of the fair value hierarchy for the years ended December 31, 2022 and 2021.

Investment expenses were \$250,066 and \$280,720 for the years ended December 31, 2022 and 2021, respectively and are netted against investment income.

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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)	\$ 8,465,830	N/A	N/A

(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.

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

At December 31, 2022 and 2021, 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, 2022 and 2021, uninsured cash balances totaled \$299,599 and \$528,264, respectively. Money market funds included as cash equivalents are not insured by FDIC and totaled \$2,276,619 and \$3,173,630 at December 31, 2022 and 2021, respectively.

Approximately 25% and 67% of the total contributions received were from a single donor for the years ended December 31, 2022 and 2021, respectively.

(4) **Property and Equipment:**

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 71,987	\$ 71,987
Furniture and equipment	56,212	56,212
Less: accumulated depreciation	(122,176)	(113,043)
Property and equipment, net	<u>\$ 6,023</u>	<u>\$ 15,156</u>

THE COMMUNITY FOUNDATION OF NORTH FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(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, 2022 and 2021, the Foundation held 100 and 98 agency endowment funds with a combined fair value of \$6,808,893 and \$7,806,932, 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, 2022 and 2021 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>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 7,806,932	\$ 6,889,106
Gifts received	129,340	226,805
Net return (loss) on investments	(765,900)	1,090,459
Grants made	(231,556)	(263,392)
Administrative fees	(129,923)	(136,046)
Balance at end of the year	<u>\$ 6,808,893</u>	<u>\$ 7,806,932</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 \$11,490 and \$8,996 during the years ended December 31, 2022 and 2021, 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.

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(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 \$1,042,669 and \$1,113,971 at December 31, 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of the year	\$ 1,113,971	\$ 995,804
Investment income, net	257	155
Appreciation (loss)	(68,760)	157,471
Appropriation for expenditure	<u>(2,799)</u>	<u>(39,459)</u>
Balance at end of the year	<u>\$ 1,042,669</u>	<u>\$ 1,113,971</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.

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(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:

	2022	2021
Financial assets available for general expenditure:		
Cash and cash equivalents	\$ 2,729,031	\$ 3,337,328
Investments	85,660,469	96,360,481
Less those unavailable for general expenditures within one year, due to:		
Investments in private equity funds	<u>(12,409,122)</u>	<u>(11,066,550)</u>
Total assets available to meet cash needs for general expenses and grantmaking within one year	<u>\$ 75,980,378</u>	<u>\$ 88,631,259</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 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. Net administrative fee revenue consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Gross revenue	\$ 757,639	\$ 746,841
Less costs	<u>(647,116)</u>	<u>(634,266)</u>
Administrative fee revenue, net	<u>\$ 110,523</u>	<u>\$ 112,575</u>

Administrative fees charged to certain 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.

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(10) **Risks and Uncertainties:**

The Foundation invests in numerous investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.