



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors of
Community Foundation of Anne Arundel County, Inc.

Opinion

We have audited the accompanying financial statements of Community Foundation of Anne Arundel County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Anne Arundel County, Inc. 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. 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 Community Foundation of Anne Arundel County, 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 Community Foundation of Anne Arundel County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Community Foundation of Anne Arundel County, 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 Community Foundation of Anne Arundel County, 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 audits.

Alta CPA Group, LLC

August 9, 2023

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,533,529	\$ 1,196,737
Other Receivables	2,500	-
Unconditional Promises to Give, Current Portion	235,096	234,596
Investments	22,518,238	22,394,226
Other Current Assets	-	2,100
Total Current Assets	24,289,363	23,827,659
Property and Equipment, Net	13,304	14,366
Right of Use Asset - Operating Lease	231,763	324,755
Total Property and Equipment	245,067	339,121
Other Assets:		
Other Assets	57,946	52,124
Unconditional Promises to Give, Net of Current Portion	2,295,062	2,454,188
Total Other Assets	2,353,008	2,506,312
Total Assets	\$ 26,887,438	\$ 26,673,092
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 26,936	\$ 69,828
Grants Payable	479,701	17,174
Deferred Revenue	7,409	6,042
Unapplied Grant Funds	1,122,000	-
Annuity Liability, Current Portion	2,869	-
Operating Lease Liability, Current Portion	94,148	91,552
Total Current Liabilities	1,733,063	184,596
Noncurrent Liabilities:		
Annuity Liability, Net of Current Portion	21,342	-
Agency Funds	1,396,680	1,506,090
Operating Lease Liability, Net of Current Portion	145,883	240,032
Total Non Current Liabilities	1,563,905	1,746,122
Total Liabilities	3,296,968	1,930,718
Net Assets:		
Without Donor Restrictions	1,087,558	1,132,686
With Donor Restrictions	22,502,912	23,609,688
Total Net Assets	23,590,470	24,742,374
Total Liabilities and Net Assets	\$ 26,887,438	\$ 26,673,092

See auditor's report and accompanying notes to financial statements.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ 330,509	\$ 5,504,364	\$ 5,834,873	\$ 856,618	\$ 4,010,430	\$ 4,867,048
Program Services	4,629	-	4,629	652	1,650	2,302
Special Events, Net of Costs of Direct Benefit to Participants of \$20,901 and \$99,834 for 2022 and 2021, Respectively	57,776	28,945	86,721	26,980	212,020	239,000
Investment Income (Loss), Net	(21,285)	(2,412,193)	(2,433,478)	10,766	2,559,150	2,569,916
Agency Funds Mangement Fees	13,482	-	13,482	12,570	-	12,570
Net Assets Released from Restrictions	<u>4,227,892</u>	<u>(4,227,892)</u>	<u>-</u>	<u>3,841,158</u>	<u>(3,841,158)</u>	<u>-</u>
Total Public Support and Revenue	4,613,003	(1,106,776)	3,506,227	4,748,744	2,942,092	7,690,836
EXPENSES						
Program Services						
Grants	3,946,226	-	3,946,226	3,768,543	-	3,768,543
Other Charitable Exenditures	269,996	-	269,996	246,322	-	246,322
Supporting Services						
Philanthropic Development	230,777	-	230,777	202,372	-	202,372
Management and General	<u>211,132</u>	<u>-</u>	<u>211,132</u>	<u>248,061</u>	<u>-</u>	<u>248,061</u>
Total Expenses	<u>4,658,131</u>	<u>-</u>	<u>4,658,131</u>	<u>4,465,298</u>	<u>-</u>	<u>4,465,298</u>
Change in Net Assets	(45,128)	(1,106,776)	(1,151,904)	283,446	2,942,092	3,225,538
Net Assets at Beginning of Year	<u>1,132,686</u>	<u>23,609,688</u>	<u>24,742,374</u>	<u>849,240</u>	<u>20,667,596</u>	<u>21,516,836</u>
Net Assets at End of Year	<u>\$ 1,087,558</u>	<u>\$ 22,502,912</u>	<u>\$ 23,590,470</u>	<u>\$ 1,132,686</u>	<u>\$ 23,609,688</u>	<u>\$ 24,742,374</u>

See auditor's report and accompanying notes to financial statements.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Philanthropic Development</u>	<u>Management and General</u>	
Accounting and Audit	\$ 5,128	\$ 3,541	\$ 3,541	\$ 12,210
Bank, Credit Card, and Payment Processing Fees	12,103	-	180	12,283
Board Expense	-	-	4,906	4,906
Community Outreach	7,178	-	-	7,178
Depreciation Expense	1,719	1,188	1,188	4,095
Employee Benefits	3,458	4,609	3,797	11,864
Estate Planning Council Expenses	9,880	-	-	9,880
Grants/Scholarships	3,834,877	-	-	3,834,877
Insurance	3,075	2,123	2,123	7,321
Licenses and Permits	-	-	300	300
Life Insurance Premiums	20,148	-	-	20,148
Marketing	7,661	3,774	-	11,435
Meals and Entertainment	5,780	3,990	3,990	13,760
Memberships/Subscriptions	2,900	2,001	2,001	6,902
Office Expenses	3,464	2,392	2,392	8,248
Payroll Taxes	18,240	12,068	11,104	41,412
Postage	2,885	1,421	-	4,306
Printing	4,321	4,322	-	8,643
Professional Development	603	416	416	1,435
Rent	39,685	27,402	27,402	94,489
Salaries and Wages	215,841	149,543	135,987	501,371
Technology/Web	14,410	9,951	9,951	34,312
Telephone	2,684	1,854	1,854	6,392
Travel Expenses	182	182	-	364
Total Expenses	\$ <u>4,216,222</u>	\$ <u>230,777</u>	\$ <u>211,132</u>	\$ <u>4,658,131</u>

See auditor's report and accompanying notes to financial statements.

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

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Philanthropic Development</u>	<u>Management and General</u>	
Accounting and Audit	\$ 6,844	\$ 6,484	\$ 4,683	\$ 18,011
Bank, Credit Card, and Payment Processing Fees	13,385	-	236	13,621
Board Expense	-	-	43	43
Community Outreach	3,571	-	-	3,571
Consultants	-	-	500	500
Depreciation Expense	1,511	1,431	1,033	3,975
Employee Benefits	5,755	7,885	4,612	18,252
Estate Planning Council Expenses	4,446	-	-	4,446
Grants/Scholarships	3,674,535	-	-	3,674,535
Insurance	2,935	2,780	2,008	7,723
Licenses and Permits	-	-	650	650
Life Insurance Premiums	20,120	-	-	20,120
Marketing	1,972	1,016	-	2,988
Meals and Entertainment	2,153	1,473	2,040	5,666
Memberships/Subscriptions	3,585	2,453	3,396	9,434
Needs Assessment	10,000	-	-	10,000
Office Expenses	2,064	1,412	1,749	5,225
Payroll Taxes	15,308	10,211	13,249	38,768
Postage	1,834	945	-	2,779
Printing	4,165	4,165	-	8,330
Professional Development	967	662	916	2,545
Rent	36,041	24,660	34,145	94,846
Salaries and Wages	191,557	128,488	167,370	487,415
Technology/Web	8,830	6,042	8,365	23,237
Telephone	3,237	2,215	3,066	8,518
Travel Expenses	50	50	-	100
Total Expenses	\$ <u>4,014,865</u>	\$ <u>202,372</u>	\$ <u>248,061</u>	\$ <u>4,465,298</u>

See auditor's report and accompanying notes to financial statements.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, 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	\$ (1,151,904)	\$ 3,225,538
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss	3,178,283	(2,275,084)
Donated Securities	(139,992)	(997,014)
Depreciation	4,095	3,975
(Increase) Decrease in Other Receivables	(2,500)	10,000
(Increase) Decrease in Unconditional Promises to Give	158,626	162,345
(Increase) Decrease in Prepaid Expenses	-	7,321
(Increase) Decrease in Right of Use Asset - Operating Lease	92,992	93,141
(Increase) Decrease in Other Assets	(3,722)	(12,855)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(42,892)	19,162
Increase (Decrease) in Grants Payable	462,527	(4,076)
Increase (Decrease) in Deferred Revenue	1,367	4,992
Increase (Decrease) in Unapplied Grant Funds	1,122,000	-
Increase (Decrease) in Annuity Payments Liability	24,211	-
Increase (Decrease) in Agency Funds Liabilities	(109,410)	321,584
Increase (Decrease) in Operating Lease Obligations Liability	(91,553)	(89,028)
	3,502,128	470,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(5,623,274)	(5,350,696)
Proceeds from Sale of Investments	2,460,971	5,466,655
Purchases of Fixed Assets	(3,033)	(1,226)
	(3,165,336)	114,733
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net Increase in Cash and Cash Equivalents	336,792	584,734
Cash and Cash Equivalents at Beginning of Year	1,196,737	612,003
Cash and Cash Equivalents at End of Year	\$ 1,533,529	\$ 1,196,737
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Income Taxes	\$ -	\$ -
Interest	\$ -	\$ -

See auditor's report and accompanying notes to financial statements.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Community Foundation of Anne Arundel County, Inc. (Foundation), established in 1998 and incorporated in Maryland in 1999, is one (1) of thirteen (13) such foundations in Maryland and one (1) of approximately eight hundred (800) in the United States. Its goal is to build a permanent source of charitable funds that can be used to address the needs of the Anne Arundel County community of Maryland today and in the future. During 2007, the foundation changed its name from Community Foundation of the Chesapeake to Community Foundation of Anne Arundel County, Inc.

Founded by a group of community-minded citizens who wanted to ensure a permanent source of funds for our local charitable organizations, the Foundation's mission is to improve the quality of life for all people in Anne Arundel County by building and managing an endowment of charitable assets, responding to community needs, helping donors achieve their charitable objectives while strengthening the community, serving as a catalyst for community problem solving, and fostering greater giving and new philanthropy in our community.

Activity

Prior to 2007, the Foundation's primary purpose was to make charitable grants to qualifying recipients in Anne Arundel, Calvert, Charles, and St. Mary's Counties. Currently, the Foundation is focusing exclusively on Anne Arundel County. The Foundation receives its support directly from the public.

The Foundation operates the Anne Arundel Estate Planning Council program to provide a forum for local wealth planning professionals from various disciplines to exchange ideas and build relationships by hosting educational and networking events.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The basis of accounting involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate a portion of these net assets for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenue from contracts with customers primarily consists of membership and special events. Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those services. These revenues are recognized net of discounts, waivers, and refunds.

The Foundation determines revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which the Foundation evaluates the market and estimates a price that a customer would be willing to pay for the goods and services the Foundation provides.

The Foundation's performance obligations are primarily satisfied over the duration of the annual membership period or at the point in time of events. The transaction price is determined based on gross price, net of discounts or refunds.

The Foundation has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract which has an original expected duration of one year or less. The Foundation expects to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

Contract Balances

The timing of billings, cash collections, and revenue recognition results in accounts receivable (contract assets) and program deposits on the statements of financial position. Receivables are only recognized to the extent that it is probable that the Foundation will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred. The Foundation receives advance payments of deposits from customers before revenue is recognized, which are recorded as contract liabilities in program deposits.

Costs to Obtain a Contract

The Foundation has elected the practical expedient available in ASC 340-40, in which any incremental costs of obtaining a contract are recognized as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest, is received. A conditional promise to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Grants, and Support

Contributions and grants received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Receivables are charged off when deemed by the Foundation to be uncollectible.

A portion of the Foundation's revenue is derived from government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with the specific contract or grant provisions.

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash and cash equivalents.

Property and Equipment

Purchased property and equipment is recorded at cost and is comprised of computer equipment, furniture and software. Donated assets are recorded as contributions at their estimated fair value on the date received. The Foundation capitalizes individual assets with a cost that is equal to \$500 or greater. Depreciation is provided on the straight-line method over the estimated class life of the asset, which ranges from three (3) to seven (7) years.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Gains and losses on investments for the year are reported in the statement of activities as part of investment income.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The costs of various activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to program and support functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocated expenses include salaries and wages, benefits and payroll taxes, accounting, meals and entertainment, memberships and subscriptions, office expenses, postage, communications staff grant, consultant, technology/website, telephone, travel, and payment processing fees. Salaries and wages, and benefits and payroll taxes are allocated based on estimates of time and effort; accounting is allocated based on estimates of time spent accounting for each category of operations; meals and entertainment, memberships and subscriptions, postage, communications staff grant, consultant and travel are allocated based on actual expenses; office expenses are allocated based on estimated use of supplies by category of operations; technology/website is allocated based on estimated use by category and/or actual expenses; telephone is allocated based on estimated use by category; and payment processing fees are allocated based on estimated fees for receipts by category and/or actual expenses.

Credit Risk

The Foundation maintains cash and cash equivalents at multiple financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At December 31, 2022, the Foundation's uninsured cash balances totaled approximately \$1,080,000. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Funds

Contributions received by the Foundation are classified and administered according to the donor's instructions at the time the gift is made.

Component funds of the Foundation are as follows:

- Discretionary funds are expended in any charitable field.
- Field-of-interest funds are expended for some broadly defined charitable purpose such as mental health or aid to the aged.
- Advised funds are expended at the discretion of the Board of Trustees, who from time to time consider grant recommendations offered by donors.
- Designated funds are expended for the charitable purposes specified by donors at the time the component fund is created.
- Scholarship funds are expended in support of educational scholarship programs.
- Agency funds are expended for the charitable purpose specified by donors at the time the agency fund is created.

Each of the six (6) kinds of funds previously listed may be created as endowed or non-endowed funds.

Income Taxes

The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Foundation is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes as the Foundation has had no unrelated business income.

The Foundation follows the guidance of ASC 740-10 which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of nonprofit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Foundation's financial statements.

The Foundation analyzes tax positions taken, including those related to the requirements set forth by IRC Section 501(c) to qualify as a tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland state statute. The Foundation does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Foundation's financial position or changes in net assets as a result of analyzing its tax positions.

The Foundation's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising costs of \$11,435 and \$2,988 are included in marketing expense on the statements of functional expenses for the years ended December 31, 2022 and 2021, respectively.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net income for the year ended December 31, 2021.

Date of Management Review

The Foundation has evaluated events and transactions that occurred during the period from the date of the financial statements through August 9, 2023, the date the financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Foundation's financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,533,529	\$ 1,196,737
Other Receivables	2,500	---
Unconditional Promises to Give	2,530,158	2,688,784
Investments	<u>22,518,238</u>	<u>22,394,226</u>
Total Financial Assets Available at Year End	26,584,425	26,279,747
Less Amounts Not Available to be Used Within One Year		
Due to:		
Donor-Restricted Promises to Give	(2,530,158)	(2,688,784)
Specific Purposes	<u>(19,972,754)</u>	<u>(20,920,904)</u>
Total Financial Assets Available for General Expenditure Over the Next Twelve Months	\$ <u>4,081,513</u>	\$ <u>2,670,059</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2022</u>	<u>2021</u>
Amounts Due in:		
Within One Year	\$ 235,096	\$ 234,596
One to Five Years	1,167,980	1,167,980
More Than Five Years	<u>1,635,172</u>	<u>1,868,768</u>
 Total Unconditional Promises to Give	 \$ 3,038,248	 \$ 3,271,344
Less: Unamortized Discount	<u>(508,090)</u>	<u>(582,560)</u>
 Total Unconditional Promises to Give, Net of Discount	 \$ <u>2,530,158</u>	 \$ <u>2,688,784</u>

Unconditional promises to give due in more than one (1) year are recognized at fair value, using present value techniques and a discount rate of three and six tenths percent (3.6%) at December 31, 2022 and 2021. In the Foundation's opinion, the balances of unconditional promises to give at December 31, 2022 and 2021 are fully collectible.

NOTE 4 - INVESTMENTS

The Foundation invests in money market funds, mutual funds, exchange traded funds, U.S. government obligations, and corporate securities. Money market funds are valued at cost, which approximates fair value. All other investments are valued based on quoted prices in active markets. There were no changes in valuation techniques in the years ended December 31, 2022 and 2021. The Foundation recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2022 and 2021.

Assets measured at fair value on a recurring basis at December 31, 2022 are as follows:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Cash and				
Cash Equivalents	\$ 758,053	\$ ---	\$ ---	\$ 758,053
Exchange Traded Funds	3,519,879	---	---	3,519,879
Stocks	111,163	---	---	111,163
Real Estate	2,306	---	---	2,306
Mutual Funds	<u>18,126,837</u>	<u>---</u>	<u>---</u>	<u>18,126,837</u>
 Total	 \$ <u>22,518,238</u>	 \$ <u>---</u>	 \$ <u>---</u>	 \$ <u>22,518,238</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 - INVESTMENTS (CONTINUED)

Assets measured at fair value on a recurring basis at December 31, 2021 are as follows:

	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Cash and				
Cash Equivalents	\$ 828,283	\$ ---	\$ ---	\$ 828,283
Exchange Traded Funds	3,914,514	---	---	3,914,514
Stocks	165,390	---	---	165,390
Real Estate	4,374	---	---	4,374
Mutual Funds	<u>17,481,665</u>	<u>---</u>	<u>---</u>	<u>17,481,665</u>
 Total	 \$ <u>22,394,226</u>	 \$ <u>---</u>	 \$ <u>---</u>	 \$ <u>22,394,226</u>

Net investment income (loss) is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income	\$ 624,111	\$ 596,598
Net Realized Gain/(Loss) on Sales of Investments	(6,665)	105,706
Unrealized Gain/(Loss) on Investments	(2,973,990)	1,942,917
Investment Expense Fees	<u>(76,934)</u>	<u>(75,305)</u>
 Total Investment Income (Loss)	 \$ <u>(2,433,478)</u>	 \$ <u>2,569,916</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following at December 31:

	<u>2022</u>	<u>2021</u>
Operating Funds	\$ 2,559,104	\$ 3,133,429
Anne Arundel County Charitable Funds	8,860	6,343
Corporate Advised Funds	1,369,227	1,485,433
Designated Purpose Funds	1,364,624	1,566,410
Discretionary Grantmaking Funds	1,426,741	1,227,414
Donor Advised Funds	11,629,941	11,507,742
Field of Interest Funds	500,946	720,933
Giving Circle Funds	558,249	605,206
Scholarship Funds	555,062	667,994
Present Value of Promises to Give	<u>2,530,158</u>	<u>2,688,784</u>
 Total Net Assets With Donor Restrictions	 \$ <u>22,502,912</u>	 \$ <u>23,609,688</u>

NOTE 6 - RELEASE FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Operating Funds	\$ 274,922	\$ 392,096
Anne Arundel County Charitable Funds	77,122	36,266
Corporate Advised Funds	401,826	723,159
Designated Purpose Funds	86,706	84,882
Discretionary Grantmaking Funds	204,523	256,674
Donor Advised Funds	2,723,036	1,903,188
Field of Interest Funds	193,388	296,306
Giving Circle Funds	201,445	161,278
Scholarship Funds	63,924	66,095
Subject to Passage of Time	<u>1,000</u>	<u>8,028</u>
 Total Restricted Released	 4,227,892	 3,927,972
 Less: Special Events Expenses	 <u>---</u>	 <u>(86,814)</u>
 Net Restrictions Released	 <u>4,227,892</u>	 <u>3,841,158</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - ENDOWMENT FUNDS

Interpretation of Relevant Law

The Foundation classifies as net assets with donor restrictions held to perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions held to perpetuity is classified as net assets with donor restrictions that are temporary in nature until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of endowment fund with donor restrictions.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation (depreciation) of investments.
- 6) Other resources of the Foundation.
- 7) The investment policies of the Foundation.

Foundation's Policy for Appropriation of Endowment Assets for Expenditure

The Foundation's Board of Trustees has adopted a "Total Return" approach to determine the annual amount available for grant-making from the Foundation's endowed component funds. Under this philosophy, the Foundation appropriates at least three percent (3%) of its assets each year while maintaining and increasing the real value of its assets and covering reasonable administrative expenses. The Foundation could spend up to 4.5% of the previous twelve-quarter average of each Fund's market value.

Foundation's Endowment Investment Policies

The Foundation's investment objective for the endowment funds is to achieve an average annual rate of return of the Consumer Price Index plus three percent (3%) evaluated over a period of five (5) years. The total return concept is used to most effectively balance current demands and future needs. A conservative risk level is used for endowments.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - ENDOWMENT FUNDS (CONTINUED)

The composition of endowment net assets, which comprise amounts to be invested in perpetuity, and the changes in endowment net assets as of December 31, 2022 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Endowment <u>Net Assets</u>
Donor-Restricted Endowment Funds	\$ <u> </u> ---	\$ <u>5,476,822</u>	\$ <u>5,476,822</u>
Total	\$ <u> </u> ---	\$ <u>5,476,822</u>	\$ <u>5,476,822</u>
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Endowment <u>Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ 6,158,714	\$ 6,158,714
Contributions	---	350,203	350,203
Investment Return	---	(508,662)	(508,662)
Underwater Endowment	---	(279,722)	(279,722)
Appropriation of Endowment for Expenditure	<u> </u> ---	<u>(243,711)</u>	<u>(243,711)</u>
Endowment Net Assets, End of Year	\$ <u> </u> ---	\$ <u>5,476,822</u>	\$ <u>5,476,822</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - ENDOWMENT FUNDS (CONTINUED)

The composition of endowment net assets, which comprise amounts to be invested in perpetuity, and the changes in endowment net assets as of December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ <u> </u> ---	\$ <u>6,158,714</u>	\$ <u>6,158,714</u>
Total	\$ <u> </u> ---	\$ <u>6,158,714</u>	\$ <u>6,158,714</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ 2,478,254	\$ 2,478,254
Contributions	---	3,103,801	3,103,801
Investment Return	---	718,144	718,144
Underwater Endowment	---	(741)	(741)
Appropriation of Endowment for Expenditure	<u> </u> ---	<u>(140,744)</u>	<u>(140,744)</u>
Endowment Net Assets, End of Year	\$ <u> </u> ---	\$ <u>6,158,714</u>	\$ <u>6,158,714</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>Estimated Life</u>	<u>2022</u>	<u>2021</u>
Equipment	5 Years	\$ 14,197	\$ 12,205
Furniture	7 Years	<u>13,528</u>	<u>13,528</u>
		27,725	25,733
Less Accumulated Depreciation		<u>(14,421)</u>	<u>(11,367)</u>
Net Value of Property and Equipment		\$ <u>13,304</u>	\$ <u>14,366</u>

Depreciation expense was \$4,095 and \$3,975 for the years ended December 31, 2022 and 2021, respectively.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in the contract liabilities for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Deferred Program Service Fees, Beginning of Year	\$ 6,042	\$ 1,050
Program Service Fees Revenue Recognized	(4,629)	(2,302)
Cash Collections of Program Service Fees	<u>5,996</u>	<u>7,294</u>
Deferred Program Service Fees, End of Year	\$ <u>7,409</u>	\$ <u>6,042</u>

NOTE 10 - AGENCY FUNDS

The Foundation receives and distributes assets under certain agency and intermediary arrangements. The Foundation accepts these contributions from donors and agrees to transfer those assets, the return on investment of those assets, or both, to an entity that is specified by the donors. When a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Foundation accounts for the transfer of such assets as a liability. The liability for such funds has been established at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

The agency funds activity at December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Beginning Balances	\$ 1,506,090	\$ 1,184,506
Additional Contributions to Existing Funds	115,000	140,500
New Agency Funds	---	---
Investment Return, Net	(188,243)	218,593
Expenses	<u>(36,167)</u>	<u>(37,509)</u>
Ending Balances	\$ <u>1,396,680</u>	\$ <u>1,506,090</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - LEASES

The Foundation signed a lease for its current office space beginning July 2020 and paid a security deposit of \$7,321 for the lease. The lease term is for sixty months and requires monthly payments at a base rate of \$7,321 per month for the first lease year with an annual escalation of 3% through the end of the lease. The Foundation has used the treasury bill risk-free rate of 0.16% as of the commencement date of the lease to determine the applicable lease discount rate. Beginning January 1, 2021 and continuing thereafter throughout the lease term, the Foundation will pay additional operating charges for its proportionate share of the building expenses related to operation, maintenance, repair, and cleaning and real estate taxes. The Foundation has the right to renew the term of the lease for one period of five years by giving notice to the landlord no later than nine months and not earlier than fifteen months prior to the expiration of the current term of its lease. If the Foundation renews the lease, the landlord will provide the determination of the annual base rent for the renewal term. At the commencement date of the lease, the Foundation was not reasonably certain to exercise the renewal of the lease.

The Foundation has elected the short-term lease practical expedient related to leases of various venue rentals used for programming activities.

The Foundation has elected the practical expedient not to separate lease and nonlease components for the operating lease for its office space.

During the years ended December 31, 2022 and 2021, the Foundation recognized rent expense associated with its leases as follows:

	<u>2022</u>	<u>2021</u>
Operating Lease Cost:		
Fixed Rent Expense	\$ 94,489	\$ 93,594
Short Term Lease Cost	<u>---</u>	<u>1,252</u>
Total Lease Cost	\$ <u>94,489</u>	\$ <u>94,846</u>

During the years ended December 31, 2022 and 2021, the Foundation had the following cash and non-cash activities associated with its leases:

	<u>2022</u>	<u>2021</u>
Cash Paid for Amounts Included in the Measurement Of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ <u>91,840</u>	\$ <u>89,480</u>
Non-Cash Investing Activities:		
Additions to Right of Use Assets Obtained from:		
New Operating Lease Liabilities	\$ <u>---</u>	\$ <u>---</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 - LEASES (CONTINUED)

Future minimum payments due under operating leases as of December 31, 2022 are as follows:

2023	\$ 94,595
2024	97,433
2025	<u>49,437</u>
Total Future Minimum Payments Due	241,465
Less Effects of Discounting	<u>(1,434)</u>
Lease Liabilities Recognized	\$ <u>240,031</u>

Because the Foundation does not have access to the rate implicit in the lease, the Foundation has used the Treasury bill risk-free rate of 0.16% as of the commencement date of the lease to determine the applicable lease discount rate.

The Foundation's right of use asset for its operating lease consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Right of Use Asset- Operating Lease	\$ 464,521	\$ 464,521
Less: Accumulated Amortization	<u>(232,758)</u>	<u>(139,766)</u>
Right of Use Asset- Operating Lease, Net	\$ <u>231,763</u>	\$ <u>324,755</u>

NOTE 12 - CHARITABLE GIFT ANNUITY

The Foundation is the payer of one charitable gift annuity. This annuity was recorded as contribution revenue based on the interest rate at the date of the donation and the life expectancy of the income beneficiary. The annuity liability at December 31, 2022 was \$24,211.