



**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022**

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report .....	3-5
Financial Statements:	
Statements of Financial Position .....	6
Statements of Activities and Changes in Net Assets .....	7
Statements of Functional Expenses .....	8-9
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11-26
Supplementary Information:	
Schedule of Expenditures of Federal Awards .....	28
Notes to Schedule of Expenditures of Federal Awards .....	29
Summary Schedule of Prior Audit Findings .....	30
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	31-32
Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	33-35
Schedule of Findings and Questioned Costs .....	36-37



## 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, 2023 and 2022, and the related statements of activities and changes in net assets 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, 2023 and 2022 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024, on our consideration of Community Foundation of Anne Arundel County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Foundation of Anne Arundel County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Foundation of Anne Arundel County, Inc.'s internal control over financial reporting and compliance.

*Alta CPA Group, LLC*

October 7, 2024

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,348,235	\$ 1,533,529
Other Receivables	5,250	2,500
Unconditional Promises to Give, Current Portion	1,233,596	235,096
Investments	24,908,744	22,518,238
Other Current Assets	9,769	-
Total Current Assets	28,505,594	24,289,363
Property and Equipment, Net	30,270	13,304
Right of Use Asset - Operating Lease	138,932	231,763
Total Property and Equipment	169,202	245,067
Other Assets:		
Other Assets	57,507	57,946
Unconditional Promises to Give, Net of Current Portion	2,131,936	2,295,062
Total Other Assets	2,189,443	2,353,008
Total Assets	\$ 30,864,239	\$ 26,887,438
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 26,355	\$ 26,936
Grants Payable	300,500	479,701
Deferred Revenue	15,000	7,409
Unapplied Grant Funds	-	1,122,000
Annuity Liability, Current Portion	2,869	2,869
Operating Lease Liability, Current Portion	96,817	94,148
Total Current Liabilities	441,541	1,733,063
Noncurrent Liabilities:		
Annuity Liability, Net of Current Portion	29,427	21,342
Agency Funds	2,071,963	1,396,680
Operating Lease Liability, Net of Current Portion	49,066	145,883
Total Non Current Liabilities	2,150,456	1,563,905
Total Liabilities	2,591,997	3,296,968
Net Assets:		
Without Donor Restrictions	2,075,909	1,087,558
With Donor Restrictions	26,196,333	22,502,912
Total Net Assets	28,272,242	23,590,470
Total Liabilities and Net Assets	\$ 30,864,239	\$ 26,887,438

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 1,401,885	\$ 7,645,305	\$ 9,047,190	\$ 330,509	\$ 5,504,364	\$ 5,834,873
Program Services	20,420	-	20,420	4,629	-	4,629
Special Events, Net of Costs of Direct Benefit to Participants of \$32,323 and \$20,901 for 2023 and 2022, Respectively	68,805	12,124	80,929	57,776	28,945	86,721
Investment Income (Loss), Net	29,984	2,357,299	2,387,283	(21,285)	(2,412,193)	(2,433,478)
Change in Value of Split-Interest Agreements	(11,123)	-	(11,123)	-	-	-
Agency Funds Mangement Fees	15,094	-	15,094	13,482	-	13,482
Net Assets Released from Restrictions	<u>6,321,307</u>	<u>(6,321,307)</u>	<u>-</u>	<u>4,227,892</u>	<u>(4,227,892)</u>	<u>-</u>
Total Public Support and Revenue	7,846,372	3,693,421	11,539,793	4,613,003	(1,106,776)	3,506,227
<b>EXPENSES</b>						
Program Services						
Grants	6,019,138	-	6,019,138	3,946,226	-	3,946,226
Other Charitable Exenditures	327,534	-	327,534	269,996	-	269,996
Supporting Services						
Philanthropic Development	254,870	-	254,870	230,777	-	230,777
Management and General	<u>256,479</u>	<u>-</u>	<u>256,479</u>	<u>211,132</u>	<u>-</u>	<u>211,132</u>
Total Expenses	<u>6,858,021</u>	<u>-</u>	<u>6,858,021</u>	<u>4,658,131</u>	<u>-</u>	<u>4,658,131</u>
Change in Net Assets	988,351	3,693,421	4,681,772	(45,128)	(1,106,776)	(1,151,904)
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 2,075,909</u>	<u>\$ 26,196,333</u>	<u>\$ 28,272,242</u>	<u>\$ 1,087,558</u>	<u>\$ 22,502,912</u>	<u>\$ 23,590,470</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, 2023

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Philanthropic Development</u>	<u>Management and General</u>	
Accounting and Audit	\$ 5,880	\$ 4,302	\$ 4,159	\$ 14,341
Bank, Credit Card, and Payment Processing Fees	9,813	-	259	10,072
Board Expense	-	-	4,689	4,689
Community Outreach	50,691	-	-	50,691
Depreciation Expense	2,150	1,574	1,521	5,245
Employee Benefits	3,633	3,924	4,197	11,754
Estate Planning Council Expenses	11,052	-	-	11,052
Grants/Scholarships	5,916,692	-	-	5,916,692
Insurance	3,015	2,206	2,133	7,354
Licenses and Permits	-	-	56	56
Marketing	1,470	724	-	2,194
Meals and Entertainment	8,594	6,289	6,079	20,962
Memberships/Subscriptions	2,889	2,114	2,043	7,046
Office Expenses	3,402	2,489	2,658	8,549
Payroll Taxes	18,842	13,146	13,071	45,059
Postage	2,456	1,210	-	3,666
Printing	3,671	3,671	-	7,342
Professional Development	2,201	1,610	1,557	5,368
Rent	38,953	28,502	27,552	95,007
Salaries and Wages	245,245	171,306	175,381	591,932
Technology/Web	13,131	9,608	9,288	32,027
Telephone	2,596	1,899	1,836	6,331
Travel Expenses	296	296	-	592
<b>Total Expenses</b>	<b>\$ <u>6,346,672</u></b>	<b>\$ <u>254,870</u></b>	<b>\$ <u>256,479</u></b>	<b>\$ <u>6,858,021</u></b>

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
<b>Total Expenses</b>	<b>\$ <u>4,216,222</u></b>	<b>\$ <u>230,777</u></b>	<b>\$ <u>211,132</u></b>	<b>\$ <u>4,658,131</u></b>

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, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,681,772	\$ (1,151,904)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss	(1,957,358)	3,178,283
Donated Securities	(1,500,877)	(139,992)
Depreciation	5,245	4,095
Changes in Operating Assets and Liabilities:		
Other Receivables	(2,750)	(2,500)
Unconditional Promises to Give	(835,374)	158,626
Other Assets	(9,330)	(3,722)
Operating Lease Assets and Liabilities	(1,317)	1,439
Accounts Payable and Accrued Expenses	(581)	(42,892)
Grants Payable	(179,201)	462,527
Deferred Revenue	7,591	1,367
Unapplied Grant Funds	(1,122,000)	1,122,000
Annuity Payments Liability	8,085	24,211
Agency Funds Liabilities	675,283	(109,410)
Net Cash Provided by Operating Activities	(230,812)	3,502,128
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(26,770,148)	(5,623,274)
Proceeds from Sale of Investments	27,837,877	2,460,971
Purchases of Fixed Assets	(22,211)	(3,033)
Net Cash Provided (Used) by Investing Activities	1,045,518	(3,165,336)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Change in Cash and Cash Equivalents	814,706	336,792
Cash and Cash Equivalents at Beginning of Year	1,533,529	1,196,737
Cash and Cash Equivalents at End of Year	\$ 2,348,235	\$ 1,533,529
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023, the Foundation's uninsured cash balances totaled approximately \$2,031,000. 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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022, 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, 2022.

Date of Management Review

The Foundation has evaluated events and transactions that occurred during the period from the date of the financial statements through October 7, 2024, 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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,348,235	\$ 1,533,529
Other Receivables	5,250	2,500
Unconditional Promises to Give	3,365,532	2,530,158
Investments	<u>24,908,744</u>	<u>22,518,238</u>
Total Financial Assets Available at Year End	30,627,761	26,584,425
Less Amounts Not Available to be Used Within One Year		
Due to:		
Donor-Restricted Promises to Give	(3,365,532)	(2,530,158)
Specific Purposes	<u>(22,830,801)</u>	<u>(19,972,754)</u>
Total Financial Assets Available for General Expenditure Over the Next Twelve Months	\$ <u>4,431,428</u>	\$ <u>4,081,513</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2023</u>	<u>2022</u>
Amounts Due in:		
Within One Year	\$ 1,233,596	\$ 235,096
One to Five Years	858,405	934,384
More Than Five Years	<u>1,635,171</u>	<u>1,868,768</u>
 Total Unconditional Promises to Give	 \$ 3,803,151	 \$ 3,038,248
Less: Unamortized Discount	<u>(437,619)</u>	<u>(508,090)</u>
 Total Unconditional Promises to Give, Net of Discount	 \$ <u>3,365,532</u>	 \$ <u>2,530,158</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, 2023 and 2022. In the Foundation’s opinion, the balances of unconditional promises to give at December 31, 2023 and 2022 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, 2023 and 2022. 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, 2023 and 2022.

Assets measured at fair value on a recurring basis at December 31, 2023 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	\$ 935,136	\$ ---	\$ ---	\$ 935,136
Fixed Income	792,127	---	---	792,127
Exchange Traded Funds	4,394,005	---	---	4,394,005
Stocks	107,560	---	---	107,560
Real Estate	4,032	---	---	4,032
Mutual Funds	<u>18,675,884</u>	---	---	<u>18,675,884</u>
 Total	 \$ <u>24,908,744</u>	 \$ <u>---</u>	 \$ <u>---</u>	 \$ <u>24,908,744</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 - INVESTMENTS (CONTINUED)

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>

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

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 750,074	\$ 624,111
Net Realized Gain/(Loss) on Sales of Investments	1,694	(6,665)
Unrealized Gain/(Loss) on Investments	1,712,121	(2,973,990)
Investment Expense Fees	(76,606)	<u>(76,934)</u>
 Total Investment Income (Loss)	 \$	 \$ <u>(2,433,478)</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Operating Funds	\$ 2,632,838	\$ 2,559,104
Anne Arundel County Charitable Funds	2,789	8,860
Corporate Advised Funds	1,669,940	1,369,227
Designated Purpose Funds	1,911,643	1,364,624
Discretionary Grantmaking Funds	1,737,864	1,426,741
Donor Advised Funds	13,365,160	11,629,941
Field of Interest Funds	197,174	500,946
Giving Circle Funds	701,465	558,249
Scholarship Funds	611,928	555,062
Present Value of Promises to Give	<u>3,365,532</u>	<u>2,530,158</u>
 Total Net Assets With Donor Restrictions	 \$ <u>26,196,333</u>	 \$ <u>22,502,912</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>2023</u>	<u>2022</u>
Operating Funds	\$ 93,708	\$ 274,922
Anne Arundel County Charitable Funds	18,361	77,122
Corporate Advised Funds	345,398	401,826
Designated Purpose Funds	603,235	86,706
Discretionary Grantmaking Funds	1,110,695	204,523
Donor Advised Funds	3,858,170	2,723,036
Field of Interest Funds	52,197	193,388
Giving Circle Funds	187,853	201,445
Scholarship Funds	50,190	63,924
Subject to Passage of Time	<u>1,500</u>	<u>1,000</u>
 Total Restricted Released	 6,321,307	 4,227,892

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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, 2023 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>7,340,673</u>	\$ <u>7,340,673</u>
Total	\$ <u>          </u> ---	\$ <u>7,340,673</u>	\$ <u>7,340,673</u>
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Endowment <u>Net Assets</u>
Endowment Net Assets, Beginning of Year	\$            ---	\$ 5,746,830	\$ 5,746,830
Contributions	---	1,143,489	1,143,489
Investment Return	---	907,774	907,774
Underwater Endowment	---	(18,623)	(18,623)
Appropriation of Endowment for Expenditure	<u>          </u> ---	<u>(438,797)</u>	<u>(438,797)</u>
Endowment Net Assets, End of Year	\$ <u>          </u> ---	\$ <u>7,340,673</u>	\$ <u>7,340,673</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ <u>          ---</u>	\$ <u>5,746,830</u>	\$ <u>5,746,830</u>
Total	\$ <u>          ---</u>	\$ <u>5,746,830</u>	\$ <u>5,746,830</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ <u>          ---</u>	\$ <u>6,476,832</u>	\$ <u>6,476,832</u>
Contributions	<u>          ---</u>	<u>384,938</u>	<u>384,938</u>
Investment Return	<u>          ---</u>	<u>(539,819)</u>	<u>(539,819)</u>
Underwater Endowment	<u>          ---</u>	<u>(273,304)</u>	<u>(273,304)</u>
Appropriation of Endowment for Expenditure	<u>          ---</u>	<u>(301,817)</u>	<u>(301,817)</u>
Endowment Net Assets, End of Year	\$ <u>          ---</u>	\$ <u>5,746,830</u>	\$ <u>5,746,830</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>Estimated Life</u>	<u>2023</u>	<u>2022</u>
Equipment	5 Years	\$ <u>17,348</u>	\$ <u>14,197</u>
Furniture	7 Years	<u>13,528</u>	<u>13,528</u>
Software	5 Years	<u>18,000</u>	<u>          ---</u>
		<u>48,876</u>	<u>27,725</u>
Less Accumulated Depreciation		<u>(18,606)</u>	<u>(14,421)</u>
Net Value of Property and Equipment		\$ <u>30,270</u>	\$ <u>13,304</u>

Depreciation expense was \$5,245 and \$4,095 for the years ended December 31, 2023 and 2022, respectively.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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>2023</u>	<u>2022</u>
Deferred Program Service Fees, Beginning of Year	\$ 7,409	\$ 6,042
Program Service Fees Revenue Recognized	(20,420)	(4,629)
Cash Collections of Program Service Fees	<u>28,011</u>	<u>5,996</u>
Deferred Program Service Fees, End of Year	\$ <u>15,000</u>	\$ <u>7,409</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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Beginning Balances	\$ 1,396,680	\$ 1,506,090
Additional Contributions to Existing Funds	---	115,000
New Agency Funds	516,365	---
Investment Return, Net	231,451	(188,243)
Expenses	<u>(72,533)</u>	<u>(36,167)</u>
Ending Balances	\$ <u>2,071,963</u>	\$ <u>1,396,680</u>



COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, the Foundation recognized rent expense associated with its leases as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Cost:		
Fixed Rent Expense	\$ 95,007	\$ 94,489
Short Term Lease Cost	<u>---</u>	<u>---</u>
Total Lease Cost	\$ <u>95,007</u>	\$ <u>94,489</u>

During the years ended December 31, 2023 and 2022, the Foundation had the following cash and non-cash activities associated with its leases:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amounts Included in the Measurement Of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ <u>94,595</u>	\$ <u>91,840</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 11 - LEASES (CONTINUED)

Future minimum payments due under operating leases as of December 31, 2023 are as follows:

2024	\$ 97,433
2025	<u>49,437</u>
Total Future Minimum Payments Due	146,870
Less Effects of Discounting	<u>(987)</u>
Lease Liabilities Recognized	\$ <u>145,883</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>2023</u>	<u>2022</u>
Right of Use Asset- Operating Lease	\$ 464,521	\$ 464,521
Less: Accumulated Amortization	<u>(325,589)</u>	<u>(232,758)</u>
Right of Use Asset- Operating Lease, Net	\$ <u>138,932</u>	\$ <u>231,763</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, 2023 and 2022 was \$32,296 and \$24,211, respectively.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. DEPARTMENT OF TREASURY</u>				
Passed Through Anne Arundel County:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ <u>1,100,000</u>	\$ <u>1,000,000</u>
Total Department of Treasury			<u>1,100,000</u>	<u>1,000,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,100,000</u>	<u>\$ 1,000,000</u>

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

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Community Foundation of Anne Arundel County, Inc. under programs of the Federal government for the year ended December 31, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Community Foundation of Anne Arundel County, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Foundation of Anne Arundel County, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Costs

Community Foundation of Anne Arundel County, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The grant agreements the Foundation has signed contain specified dollar amounts or percentages of allowable indirect costs.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Foundation of Anne Arundel County, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit, we considered Community Foundation of Anne Arundel County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Anne Arundel County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Foundation of Anne Arundel County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Foundation of Anne Arundel County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alta CPA Group, LLC*

October 7, 2024





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Community Foundation of Anne Arundel County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Community Foundation of Anne Arundel County, Inc.'s major federal programs for the year ended December 31, 2023. Community Foundation of Anne Arundel County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Foundation of Anne Arundel County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Community Foundation of Anne Arundel County, Inc.'s compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Community Foundation of Anne Arundel County, Inc.'s federal programs.

## **Auditors Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Community Foundation of Anne Arundel County, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Foundation of Anne Arundel County, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Community Foundation of Anne Arundel County, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Foundation of Anne Arundel County, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of Anne Arundel County, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's

Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Alta CPA Group, LLC*

October 7, 2024

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiency identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  Yes  No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None