



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024 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

Annapolis, Maryland
May 11, 2026

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 557,346	\$ 581,343
Other Receivables	-	10,000
Unconditional Promises to Give, Current Portion	233,596	236,596
Investments	45,520,178	38,436,380
Other Current Assets	<u>1,185</u>	<u>16,383</u>
Total Current Assets	46,312,305	39,280,702
Property and Equipment, Net	28,385	38,873
Right of Use Asset - Operating Lease	<u>397,260</u>	<u>475,855</u>
Total Property and Equipment	425,645	514,728
Other Assets:		
Other Assets	55,893	66,242
Unconditional Promises to Give, Net of Current Portion	<u>1,792,841</u>	<u>1,964,603</u>
Total Other Assets	<u>1,848,734</u>	<u>2,030,845</u>
Total Assets	\$ <u><u>48,586,684</u></u>	\$ <u><u>41,826,275</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 39,543	\$ 48,487
Grants Payable	554,082	445,500
Deferred Revenue	3,200	7,050
Annuity Liability, Current Portion	2,869	2,869
Operating Lease Liability, Current Portion	<u>77,977</u>	<u>76,848</u>
Total Current Liabilities	677,671	580,754
Noncurrent Liabilities:		
Annuity Liability, Net of Current Portion	27,564	28,509
Agency Funds	3,343,956	2,491,024
Operating Lease Liability, Net of Current Portion	<u>324,148</u>	<u>402,125</u>
Total Non Current Liabilities	<u>3,695,668</u>	<u>2,921,658</u>
Total Liabilities	4,373,339	3,502,412
Net Assets:		
Without Donor Restrictions	3,263,359	2,383,565
With Donor Restrictions	<u>40,949,986</u>	<u>35,940,298</u>
Total Net Assets	<u>44,213,345</u>	<u>38,323,863</u>
Total Liabilities and Net Assets	\$ <u><u>48,586,684</u></u>	\$ <u><u>41,826,275</u></u>

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, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions	\$ 403,716	\$ 9,828,901	\$ 10,232,617	\$ 397,892	\$ 13,583,335	\$ 13,981,227
Program Services	8,850	-	8,850	12,220	-	12,220
Special Events, Net of Costs of Direct Benefit to Participants of \$35,106 and \$27,500 for 2025 and 2024, Respectively	100,579	29,511	130,090	70,100	23,108	93,208
Investment Income (Loss), Net	217,036	4,702,000	4,919,036	135,758	1,642,513	1,778,271
Change in Value of Split-Interest Agreements	301	-	301	1,166	-	1,166
Agency Funds Mangement Fees	31,916		31,916	25,287		25,287
Net Assets Released from Restrictions	<u>9,550,724</u>	<u>(9,550,724)</u>	<u>-</u>	<u>5,504,991</u>	<u>(5,504,991)</u>	<u>-</u>
Total Public Support and Revenue	10,313,122	5,009,688	15,322,810	6,147,414	9,743,965	15,891,379
EXPENSES						
Program Services						
Grants	8,409,697	-	8,409,697	4,836,887	-	4,836,887
Other Charitable Exenditures	375,028	-	375,028	388,968	-	388,968
Supporting Services						
Philanthropic Development	331,658	-	331,658	326,782	-	326,782
Management and General	<u>316,945</u>	<u>-</u>	<u>316,945</u>	<u>287,121</u>	<u>-</u>	<u>287,121</u>
Total Expenses	<u>9,433,328</u>	<u>-</u>	<u>9,433,328</u>	<u>5,839,758</u>	<u>-</u>	<u>5,839,758</u>
Change in Net Assets	879,794	5,009,688	5,889,482	307,656	9,743,965	10,051,621
Net Assets at Beginning of Year	<u>2,383,565</u>	<u>35,940,298</u>	<u>38,323,863</u>	<u>2,075,909</u>	<u>26,196,333</u>	<u>28,272,242</u>
Net Assets at End of Year	<u>\$ 3,263,359</u>	<u>\$ 40,949,986</u>	<u>\$ 44,213,345</u>	<u>\$ 2,383,565</u>	<u>\$ 35,940,298</u>	<u>\$ 38,323,863</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, 2025

		Supporting Services			
	Program Services	Philanthropic Development	Management and General	Total	
Accounting and Audit	\$ 7,669	\$ 5,612	\$ 5,425	\$ 18,706	
Bank, Credit Card, and Payment Processing Fees	11,922	-	431	12,353	
Board Expense	-	-	5,244	5,244	
Community Outreach	26,781	-	-	26,781	
Consultants	5,150	-	-	5,150	
Depreciation Expense	4,301	3,146	3,041	10,488	
Employee Benefits	10,583	26,281	6,351	43,215	
Estate Planning Council Expenses	12,486	-	-	12,486	
Grants/Scholarships	8,277,879	-	-	8,277,879	
Insurance	3,435	2,513	2,430	8,378	
Licenses and Permits	-	-	63	63	
Marketing	1,672	836	-	2,508	
Meals and Entertainment	13,278	9,716	9,392	32,386	
Memberships/Subscriptions	2,745	2,008	1,942	6,695	
Needs Assessment	12,198	-	-	12,198	
Office Expenses	3,363	2,456	2,379	8,198	
Payroll Taxes	24,156	16,400	17,122	57,678	
Postage	3,676	1,838	-	5,514	
Printing	2,477	2,477	-	4,954	
Professional Development	648	474	458	1,580	
Rent	41,062	30,045	29,044	100,151	
Salaries and Wages	298,415	212,574	218,998	729,987	
Technology/Web	17,730	12,974	12,541	43,245	
Telephone	2,946	2,155	2,084	7,185	
Travel Expenses	153	153	-	306	
Total Expenses	\$ <u>8,784,725</u>	\$ <u>331,658</u>	\$ <u>316,945</u>	\$ <u>9,433,328</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, 2024

		Supporting Services		
	Program Services	Philanthropic Development	Management and General	Total
Accounting and Audit	\$ 6,607	\$ 4,835	\$ 4,673	\$ 16,115
Bank, Credit Card, and Payment Processing Fees	10,535	-	319	10,854
Board Expense	-	-	6,131	6,131
Community Outreach	37,450	-	-	37,450
Consultants	18,000	-	-	18,000
Depreciation Expense	3,852	2,819	2,725	9,396
Employee Benefits	9,691	23,769	5,933	39,393
Estate Planning Council Expenses	11,015	-	-	11,015
Grants/Scholarships	4,715,093	-	-	4,715,093
Insurance	3,431	2,510	2,427	8,368
Marketing	1,580	790	-	2,370
Meals and Entertainment	11,347	8,303	8,026	27,676
Memberships/Subscriptions	2,806	2,053	1,985	6,844
Needs Assessment	10,000	-	-	10,000
Office Expenses	3,263	2,388	2,311	7,962
Payroll Taxes	21,888	16,038	14,368	52,294
Postage	2,899	1,449	-	4,348
Printing	4,087	4,087	-	8,174
Professional Development	1,815	1,328	1,284	4,427
Rent	39,270	28,734	27,776	95,780
Salaries and Wages	287,837	210,503	192,786	691,126
Technology/Web	20,195	14,776	14,284	49,255
Telephone	2,959	2,165	2,093	7,217
Travel Expenses	235	235	-	470
Total Expenses	\$ <u>5,225,855</u>	\$ <u>326,782</u>	\$ <u>287,121</u>	\$ <u>5,839,758</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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,889,482	\$ 10,051,621
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss	(3,530,888)	(866,452)
Donated Securities	(1,012,740)	(2,129,457)
Depreciation	10,488	9,396
Changes in Operating Assets and Liabilities:		
Other Receivables	10,000	(4,750)
Unconditional Promises to Give	174,762	1,164,333
Other Assets	25,547	(15,349)
Operating Lease Assets and Liabilities	1,747	(3,833)
Accounts Payable and Accrued Expenses	(8,944)	22,132
Grants Payable	108,582	145,000
Deferred Revenue	(3,850)	(7,950)
Annuity Payments Liability	(945)	(918)
Agency Funds Liabilities	<u>852,932</u>	<u>419,061</u>
Net Cash Provided by Operating Activities	2,516,173	8,782,834
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(28,567,140)	(24,232,431)
Proceeds from Sale of Investments	26,026,970	13,700,704
Purchases of Fixed Assets	<u>-</u>	<u>(17,999)</u>
Net Cash Used for Investing Activities	(2,540,170)	(10,549,726)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	(23,997)	(1,766,892)
Cash and Cash Equivalents at Beginning of Year	<u>581,343</u>	<u>2,348,235</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>557,346</u></u>	\$ <u><u>581,343</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Income Taxes	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Interest	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 nine hundred (900) 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

The Foundation's primary purpose is to make charitable grants to qualifying recipients in 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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025, the Foundation's uninsured cash balances totaled approximately \$474,000. 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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising costs of \$2,507 and \$2,370 are included in marketing expense on the statements of functional expenses for the years ended December 31, 2025 and 2024, respectively.

Date of Management Review

The Foundation has evaluated events and transactions that occurred during the period from the date of the financial statements through May 11, 2026, 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>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 557,346	\$ 581,343
Other Receivables	---	10,000
Unconditional Promises to Give	2,026,437	2,201,199
Investments	<u>45,520,178</u>	<u>38,436,380</u>
Total Financial Assets Available at Year End	48,103,961	41,228,922
Less Amounts Not Available to be Used Within One Year		
Due to:		
Agency Funds Liabilities	(3,343,956)	(2,491,024)
Donor-Restricted Promises to Give	(2,026,437)	(2,201,199)
Specific Purposes	<u>(38,923,549)</u>	<u>(33,739,099)</u>
Total Financial Assets Available for General Expenditure Over the Next Twelve Months	\$ <u>3,810,019</u>	\$ <u>2,797,600</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2025</u>	<u>2024</u>
Amounts Due in:		
Within One Year	\$ 233,596	\$ 236,596
One to Five Years	934,384	934,384
More Than Five Years	<u>1,167,981</u>	<u>1,401,574</u>
 Total Unconditional Promises to Give	 \$ 2,335,961	 \$ 2,572,554
Less: Unamortized Discount	<u>(309,524)</u>	<u>(371,355)</u>
 Total Unconditional Promises to Give, Net of Discount	 \$ <u>2,026,437</u>	 \$ <u>2,201,199</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, 2025 and 2024. In the Foundation's opinion, the balances of unconditional promises to give at December 31, 2025 and 2024 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, 2025 and 2024. 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, 2025 and 2024.

Assets measured at fair value on a recurring basis at December 31, 2025 are as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	<u>Total</u>
Money Market Funds	\$ 1,476,917	\$ ---	\$ ---	\$ 1,476,917
Certificates of Deposit	---	250,708	---	250,708
Fixed Income	199,975	---	---	199,975
Exchange Traded Funds	8,037,170	---	---	8,037,170
Stocks	13,202	---	---	13,202
Mutual Funds	<u>35,542,206</u>	<u>---</u>	<u>---</u>	<u>35,542,206</u>
 Total	 \$ <u>45,269,470</u>	 \$ <u>250,708</u>	 \$ <u>---</u>	 \$ <u>45,520,178</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 4 - INVESTMENTS (CONTINUED)

Assets measured at fair value on a recurring basis at December 31, 2024 are as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Money Market Funds	\$ 9,040,200	\$ ---	\$ ---	\$ 9,040,200
Fixed Income	598,257	---	---	598,257
Exchange Traded Funds	6,955,396	---	---	6,955,396
Stocks	97,693	---	---	97,693
Mutual Funds	<u>21,744,834</u>	<u>---</u>	<u>---</u>	<u>21,744,834</u>
Total	\$ <u>38,436,380</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>38,436,380</u>

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

	2025	2024
Interest and Dividend Income	\$ 1,778,188	\$ 1,062,837
Net Realized Gain (Loss) on Sales of Investments	(1,279)	3,023
Unrealized Gain on Investments	3,251,730	797,431
Investment Expense Fees	<u>(109,603)</u>	<u>(85,020)</u>
Total Investment Income (Loss)	\$ <u>4,919,036</u>	\$ <u>1,778,271</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Operating Funds	\$ 2,966,724	\$ 2,693,902
Anne Arundel County Charitable Funds	32,314	1,085
Corporate Advised Funds	1,237,245	1,549,808
Designated Purpose Funds	6,497,331	2,159,129
Discretionary Grantmaking Funds	2,517,151	2,082,273
Donor Advised Funds	19,058,557	23,551,348
Field of Interest Funds	4,851,659	218,592
Giving Circle Funds	1,035,481	845,440
Scholarship Funds	727,087	637,522
Present Value of Promises to Give	<u>2,026,437</u>	<u>2,201,199</u>
Total Net Assets With Donor Restrictions	\$ <u>40,949,986</u>	\$ <u>35,940,298</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 - 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.
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NOTE 6 - 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, 2025 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ ---	\$ <u>18,800,176</u>	\$ <u>18,800,176</u>
Total	\$ ---	\$ <u>18,800,176</u>	\$ <u>18,800,176</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets,			
Beginning of Year	\$ ---	\$ 8,500,235	\$ 8,500,235
Contributions	---	8,809,382	8,809,382
Investment Return	---	2,262,544	2,262,544
Underwater Endowment	---	(8,043)	(8,043)
Appropriation of Endowment for Expenditure	---	<u>(763,942)</u>	<u>(763,942)</u>
Endowment Net Assets, End of Year	\$ ---	\$ <u>18,800,176</u>	\$ <u>18,800,176</u>

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, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ ---	\$ <u>8,500,235</u>	\$ <u>8,500,235</u>
Total	\$ ---	\$ <u>8,500,235</u>	\$ <u>8,500,235</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets,			
Beginning of Year	\$ ---	\$ 7,340,673	\$ 7,340,673
Contributions	---	638,372	638,372
Investment Return	---	629,404	629,404
Underwater Endowment	---	(9,964)	(9,964)
Appropriation of Endowment for Expenditure	---	<u>(98,250)</u>	<u>(98,250)</u>
Endowment Net Assets, End of Year	\$ ---	\$ <u>8,500,235</u>	\$ <u>8,500,235</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>Estimated Life</u>	<u>2025</u>	<u>2024</u>
Equipment	5 Years	\$ 18,397	\$ 18,397
Furniture	7 Years	13,528	13,528
Software	5 Years	<u>34,950</u>	<u>34,950</u>
		66,875	66,875
Less Accumulated Depreciation		<u>(38,490)</u>	<u>(28,002)</u>
Net Value of Property and Equipment		\$ <u>28,385</u>	\$ <u>38,873</u>

Depreciation expense was \$10,488 and \$9,396 for the years ended December 31, 2025 and 2024, respectively.

NOTE 8 - REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<u>2025</u>	<u>2024</u>
Deferred Program Service Fees, Beginning of Year	\$ 7,050	\$ 15,000
Program Service Fees Revenue Recognized	(8,850)	(12,220)
Cash Collections of Program Service Fees	<u>5,000</u>	<u>4,270</u>
Deferred Program Service Fees, End of Year	\$ <u>3,200</u>	\$ <u>7,050</u>

NOTE 9 - 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.

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 - AGENCY FUNDS (CONTINUED)

The agency funds activity at December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Beginning Balances	\$ 2,491,024	\$ 2,071,963
Additional Contributions to Existing Funds	252,343	216,330
New Agency Funds	288,675	83,954
Investment Return, Net	396,143	181,839
Expenses	<u>(84,229)</u>	<u>(63,062)</u>
Ending Balances	\$ <u>3,343,956</u>	\$ <u>2,491,024</u>

NOTE 10 - 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 original lease commenced July 1, 2020, and was scheduled to expire June 30, 2025. On December 17, 2024, the Organization executed an extension for an additional five-year term, commencing July 1, 2025, and expiring June 30, 2030. The lease requires escalating base rent payments and obligates the Organization to pay a proportionate share of increases in operating charges and real estate taxes over the applicable base year. The lease term includes the non-cancelable period and the extension executed in December 2024. The Organization is responsible for 4.88% of increases in operating charges and real estate taxes over the 2020 base year for the original term and over the 2025 base year for the extension. The security deposit of \$7,321 was returned to the Organization at the start of the extension period. Because the Foundation does not have access to the rate implicit in the lease, the Foundation has used the Treasury bill risk-free rate. The discount rate used to measure the lease liability was 0.16% for the original term and 4.26% for the extension.

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, 2025 and 2024, the Foundation recognized rent expense associated with its leases as follows:

	<u>2025</u>	<u>2024</u>
Operating Lease Cost:		
Fixed Rent Expense	\$ 97,134	\$ 93,600
Variable Lease Expense	<u>3,017</u>	<u>2,180</u>
Total Lease Cost	\$ <u>100,151</u>	\$ <u>95,780</u>

COMMUNITY FOUNDATION OF ANNE ARUNDEL COUNTY, INC.
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NOTE 11 - LEASES (CONTINUED)

During the years ended December 31, 2025 and 2024, the Foundation had the following cash and non-cash activities associated with its leases:

	<u>2025</u>	<u>2024</u>
Cash Paid for Amounts Included in the Measurement Of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 95,388	\$ 97,433
Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ ---	\$ 427,866

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	<u>2025</u>	<u>2024</u>
Weighted-average Remaining Lease Term in Years:		
Operating Leases	4.50	5.50
Weighted-average Discount Rate:		
Operating Leases	4.26%	4.26%

Future minimum payments due under operating leases as of December 31, 2025 are as follows:

2026	\$ 93,281
2027	96,079
2028	98,961
2029	101,930
2030	<u>51,718</u>
Total Future Minimum Payments Due	441,969
Less Effects of Discounting	<u>(39,844)</u>
Lease Liabilities Recognized	\$ <u>402,125</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, 2025 and 2024 was \$30,433 and \$31,378, respectively.