



Report of Independent Auditors and
Financial Statements

Ann Arbor Area Community Foundation

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Trustees
Ann Arbor Area Community Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ann Arbor Area Community Foundation, 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, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ann Arbor Area Community Foundation 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor Area Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Ann Arbor Area Community Foundation'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ann Arbor Area Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor Area Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



San Francisco, California
May 20, 2024

Financial Statements

Ann Arbor Area Community Foundation
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,789,458	\$ 2,408,443
Investments	199,625,612	179,470,220
Mission-related investments	3,691,000	1,441,000
Pledges receivable, net	481,152	735,952
Charitable remainder unitrust	1,520,501	1,067,988
Property, plant, and equipment, net	<u>965,717</u>	<u>977,900</u>
Total assets	<u><u>\$ 208,073,440</u></u>	<u><u>\$ 186,101,503</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 48,044	\$ 48,761
Grants payable	403,109	161,071
Liability to life beneficiaries of planned gifts	500,795	471,996
Annuity payable	108,821	113,648
Other liabilities	54,374	32,395
Assets held for others:		
Endowed	5,179,366	4,405,870
Nonendowed	<u>1,336</u>	<u>1,226</u>
Total liabilities	<u>6,295,845</u>	<u>5,234,967</u>
NET ASSETS		
Without donor restrictions	200,276,737	179,534,594
With donor restrictions	<u>1,500,858</u>	<u>1,331,942</u>
Total net assets	<u>201,777,595</u>	<u>180,866,536</u>
Total liabilities and net assets	<u><u>\$ 208,073,440</u></u>	<u><u>\$ 186,101,503</u></u>

See accompanying notes.

Ann Arbor Area Community Foundation
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS (LOSSES), AND OTHER SUPPORT						
Gifts, grants, and pledges	\$ 4,547,535	\$ 797,896	\$ 5,345,431	\$ 3,720,327	\$ 540,000	\$ 4,260,327
In-kind donations	-	-	-	21,032	-	21,032
Net realized and unrealized gains (losses) on investments	23,773,378	-	23,773,378	(28,556,025)	-	(28,556,025)
Interest and dividends	3,211,829	-	3,211,829	3,322,084	-	3,322,084
Change in value of charitable remainder trust and deferred gifts receivable	-	(89,871)	(89,871)	-	59,105	59,105
Loss on disposal of assets	-	-	-	(1,472)	-	(1,472)
Net assets released from restrictions	539,109	(539,109)	-	2,545,269	(2,545,269)	-
Total revenue, gains (losses), and other support	32,071,851	168,916	32,240,767	(18,948,785)	(1,946,164)	(20,894,949)
EXPENSES						
Program services:						
Grants	8,521,643	-	8,521,643	9,174,529	-	9,174,529
Programs and grants administration	815,009	-	815,009	834,178	-	834,178
Total program services	9,336,652	-	9,336,652	10,008,707	-	10,008,707
Support services:						
Management and general	1,345,871	-	1,345,871	1,136,146	-	1,136,146
Fundraising	647,185	-	647,185	486,561	-	486,561
Total support services	1,993,056	-	1,993,056	1,622,707	-	1,622,707
Total expenses	11,329,708	-	11,329,708	11,631,414	-	11,631,414
NET CHANGE IN NET ASSETS	20,742,143	168,916	20,911,059	(30,580,199)	(1,946,164)	(32,526,363)
NET ASSETS, beginning of year	179,534,594	1,331,942	180,866,536	210,114,793	3,278,106	213,392,899
NET ASSETS, end of year	\$ 200,276,737	\$ 1,500,858	\$ 201,777,595	\$ 179,534,594	\$ 1,331,942	\$ 180,866,536

See accompanying notes.

Ann Arbor Area Community Foundation
Statement of Functional Expenses
Year ended December 31, 2023

	Program Services and Community Services	Support Services		
		Management and General	Development	Total
Salaries and wages	\$ 365,570	\$ 756,048	\$ 291,573	\$ 1,413,191
Payroll taxes and fringe benefits	74,551	154,181	59,461	288,193
Total salaries and related expenses	440,121	910,229	351,034	1,701,384
Advertising	222	1,500	31,653	33,375
Bad debt	-	-	18,628	18,628
Conferences and meetings	18,006	45,084	19,169	82,259
Depreciation	12,656	30,345	9,212	52,213
Donor services	9,272	6,443	53,895	69,610
Dues and subscriptions	2,949	5,838	6,452	15,239
Events	4,469	-	43,099	47,568
Grants	8,521,643	-	-	8,521,643
Insurance	-	15,808	-	15,808
Impact investing	72,336	-	-	72,336
License and regulatory fees	6,234	5,494	-	11,728
Meals	-	11,745	-	11,745
Miscellaneous	81	1,765	8,212	10,058
Occupancy	8,660	20,765	6,305	35,730
Postage	11	1,499	1,649	3,159
Professional fees	173,007	130,177	36,683	339,867
Supplies	7,983	17,894	5,613	31,490
Tech licenses and fees	58,633	139,504	46,305	244,442
Telephone	369	885	269	1,523
Website	-	896	9,007	9,903
Total expenses	\$ 9,336,652	\$ 1,345,871	\$ 647,185	\$ 11,329,708

See accompanying notes.

Ann Arbor Area Community Foundation
Statement of Functional Expenses (Continued)
Year ended December 31, 2022

	Program Services and Community Services	Support Services		Total
		Management and General	Development	
Salaries and wages	\$ 382,487	\$ 623,720	\$ 232,698	\$ 1,238,905
Payroll taxes and fringe benefits	77,330	119,929	42,519	239,778
Total salaries and related expenses	459,817	743,649	275,217	1,478,683
Advertising	1,000	1,032	23,111	25,143
Conferences and meetings	18,971	29,253	3,980	52,204
Depreciation	16,648	29,080	8,216	53,944
Donor services	7,843	14,718	49,123	71,684
Dues and subscriptions	4,496	9,043	2,020	15,559
Events	5,000	-	40,310	45,310
Grants	9,174,529	-	-	9,174,529
In-kind expense	-	21,032	-	21,032
Insurance	-	16,032	-	16,032
Impact investing	29,677	-	-	29,677
Miscellaneous	-	5,645	6,709	12,354
Occupancy	10,787	18,842	5,324	34,953
Postage	95	1,383	1,533	3,011
Professional fees	222,998	150,741	25,135	398,874
Supplies	10,859	17,617	5,119	33,595
Tech licenses and fees	45,379	74,898	21,621	141,898
Telephone	608	1,062	300	1,970
Website	-	2,119	18,843	20,962
Total expenses	\$ 10,008,707	\$ 1,136,146	\$ 486,561	\$ 11,631,414

See accompanying notes.

Ann Arbor Area Community Foundation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net change in net assets	\$ 20,911,059	\$ (32,526,363)
Adjustments to reconcile decrease/increase in net assets to net cash used in operating activities:		
Depreciation	52,213	53,944
Amortization of discount on pledges receivable	-	(4,161)
Loss on disposal of fixed asset	-	1,472
Write offs of uncollectible receivables	18,628	-
Noncash charitable remainder unitrust	(333,296)	-
Net unrealized (gain) loss on investment	(24,786,883)	42,193,938
Net realized gain on investments	(994,060)	(15,547,138)
Changes in operating assets and liabilities:		
Accounts receivable	-	14,940
Pledges receivable	236,172	1,804,098
Trust receivable	(119,217)	281,984
Accounts payable and other liabilities	21,262	12,222
Grants payable	242,038	(203,250)
Annuity payable	(4,827)	(3,346)
Assets held for others, endowed	773,496	(470,754)
Assets held for others, nonendowed	110	103
Liability to life beneficiaries of planned gifts	28,799	(135,758)
Net cash used in operating activities	<u>(3,954,506)</u>	<u>(4,528,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(40,030)	-
Proceeds from sale of fixed asset	-	1,001
Purchases of investments	(19,064,080)	(65,961,194)
Proceeds from sales and maturities of investment	24,689,631	69,716,370
Community impact notes issued	(2,500,000)	(375,000)
Repayments of mission-related investments	250,000	71,945
Net cash provided by investing activities	<u>3,335,521</u>	<u>3,453,122</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(618,985)	(1,074,947)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,408,443</u>	<u>3,483,390</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,789,458</u>	<u>\$ 2,408,443</u>

See accompanying notes.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 1 – Nature of Activities

The Ann Arbor Area Community Foundation (the “Community Foundation”) enriches the quality of life in its region through its knowledgeable leadership, engaged grantmaking, and creative partnerships with donors to make philanthropic investments and build endowment.

Note 2 – Significant Accounting Policies

Basis of accounting – The financial statements of the Community Foundation have been prepared under accounting principles generally accepted in the United States of America for not-for-profit organizations (“GAAP”). References to fiscal years 2023 and 2022 refer to the years ended December 31, 2023 and 2022, respectively.

Use of estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Financial statement presentation – The Community Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income, and expenses, although not required by accounting standards, is a meaningful practice to continue. While not presented in these financial statements, internally the Community Foundation utilizes eight fund types to segregate activities as follows:

- Community impact – Also known as “unrestricted” funds, these are net assets that are not subject to donor or board-imposed restrictions.
- Field of impact – Resources used to support specific areas, such as community development, the performing arts, health care, environmental preservation, education, services for the elderly, or programs for youth.
- Scholarship – Resources used to help area students complete their education.
- Donor advised – Resources for which the donors are active participants in the giving process, sharing their insights and preferences with the Community Foundation’s trustees as fund distributions are made.
- Non-Profit endowments – Resources for which the donors specify certain charities as recipients of their gifts. Funds received directly from not-for-profit organizations for their own endowment fund are a subset of this category. Such funds are referred to as “agency” endowment funds and shown as a liability.
- Special – This fund category is used to account for nonendowed gifts and grants received by the Community Foundation. Such funds allow for distributions of both income and principal.
- Trust – This fund type includes a charitable remainder unitrust gift and a charitable gift annuity.

Ann Arbor Area Community Foundation

Notes to Financial Statements

- **Administrative** – Resources used to provide financial support for the Community Foundation's day-to-day programs and operations.

Description of net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions are defined as that portion of net assets that has no use or time restrictions. The bylaws of the Community Foundation include a variance provision giving the Board of Trustees (the "Board") the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Community Foundation classifies contributions, except as noted below, as net assets without donor restrictions for financial statement presentation.

The Board has designated, from net assets without donor restrictions, net assets for Board-designated endowments. These Board-designated endowments distribute an annual payout based on the Board-approved spending policy which is used to provide funding for community impact, administrative, scholarship, non-profit endowment, and field of impact funds as described above.

Net assets with donor restrictions are defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as net assets with donor restrictions until the funds are received, and are discounted at a rate commensurate with the risk. The Community Foundation also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met, at which time the assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Cash and cash equivalents – For financial statement purposes, the Community Foundation considers all cash accounts, except those being held for investment purposes, and all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

Investments – Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The Community Foundation determines fair value based on the fair value hierarchy established under applicable accounting guidance which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value.

Investments are exposed to various risks, such as changes in interest rates or credit and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities and other investments, it is at least reasonably possible that changes in value in the near term could materially affect the Community Foundation's investments and total net assets balance.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Mission-related investments – As part of its strategy of using a portion of its investment assets to create direct community impact in Washtenaw County, the Community Foundation makes investments in notes receivable and equity investments with local organizations. These investments would not be made were it not for the relationship of the investment to the Community Foundation's programmatic mission; therefore, investments must be consistent with the Community Foundation's mission. Although the underlying investments may or may not have a profit motive, that is not the sole focus of the investment by the Community Foundation.

Community impact notes receivable are recorded at cost, less any principal payments the Community Foundation has received from the borrower since the note purchase date. Allowance for credit losses reflects management's best estimate of losses inherent in the loan portfolio. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Community Foundation. The Community Foundation believes historical loss information is a reasonable starting point from which to calculate the expected allowance for credit losses. The Community Foundation has recorded no losses on the investments made through December 31, 2023, therefore, the allowance for credit losses was zero for the years ended December 31, 2023 and 2022.

Equity investments in private companies, which are not traded on stock exchanges and do not have readily determinable fair values, are investments in which a less-than-20-percent ownership interest is held by the Community Foundation and the Community Foundation does not exert significant influence over the investee. Equity Investments are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer, and the value is reflected in investments on the statements of financial position. The Community Foundation evaluates these investments for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, then a charge would be recorded to reduce the related asset to its estimated net realizable value.

Allowance for Credit Losses - In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure and realize credit losses for most financial assets (and certain other instruments that aren't measured at fair value). The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Community Foundation that are subject to the guidance in FASB ASC 326 were mission-related notes receivable.

The Community Foundation adopted the standard effective January 1, 2023, evaluating a cumulative-effect adjustment for noted financial assets measured at amortized cost. After evaluation of the community impact notes receivables, the Community Foundation determined that it was not necessary to record a transition adjustment for the allowance for credit losses.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Pledges receivable – Pledges receivable are unconditional promises to give that are expected to be collected in future years. Management determines the allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. Pledges receivable expected to be realized in greater than one year are recorded at the present value of the revenue to be received using discount rates appropriate for the time frame and risk level of the asset, when in the judgment of management such a calculation would result in a meaningful discount. No such discount was deemed necessary for the fiscal years ended December 31, 2023 and 2022.

Bequests receivable and other deferred gifts receivable – Bequests receivable consist of gifts made by means of wills and trusts for which the donor is deceased and are otherwise considered irrevocable. Other deferred gifts receivable consist of other gifts for which payment is expected in the future. Deferred gifts expected to be realized in greater than one year are recorded at the present value of the revenue to be received using discount rates appropriate for the time frame and risk level of the asset, when in the judgment of management such a calculation would result in a meaningful discount. No such discount was deemed necessary for the fiscal year ended December 31, 2023. Bequests and other deferred gifts receivable totaled \$460,000 and \$610,393 as of December 31, 2023 and 2022, respectively.

Split-interest gifts – The Community Foundation has an irrevocable remainder beneficiary interest in charitable remainder trusts and charitable gift annuities whose maturities are based on the life expectancies of the income beneficiaries.

Trusts and annuities in which the Community Foundation is both trustee and remainder beneficiary are recorded at the fair value of the assets in the trusts. The corresponding liability for certain future amounts due to beneficiaries is recorded at the fair value of the annuity payments. The present value discount rate used for all trusts and annuities was 5% at December 31, 2023 and 2022, respectively.

Property, plant, and equipment, net – Property, plant, and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation on property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

Agency transactions – The Community Foundation has adopted established standards for transactions in which the Community Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on the investment of those assets, or both to an entity that is specified by the donor. The Community Foundation refers to these types of resources as nonprofit endowments, agency endowments, or special funds and has accounted for these three types of funds in the nonprofit endowments and/or special fund categories. The statements of financial position refer to agency endowment funds held within the nonprofit endowment category as endowed assets held for others. The statements of financial position also refer to nonendowed assets held for others. These assets represent temporary special funds that have an impact on the community and facilitate the individual donors' support of time-limited initiatives.

The agency fund agreements between the Community Foundation and the organizations allow for distributions per the spending policy of the Community Foundation. The resources received and any income generated from these resources, under these agreements, are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.

Ann Arbor Area Community Foundation

Notes to Financial Statements

In 2023 and 2022, funds of \$210,672 and \$448,298, respectively, were received under agency endowment fund agreements and were recorded directly to assets held for others in the statements of financial position liability account.

Accounting treatment for each type of fund

Nonprofit endowment funds – Nonprofit endowment funds are typically established with gifts from a donor with a request to distribute the transferred assets, the return on the investment of those assets, or both to a specified unaffiliated beneficiary. Additionally, the donor has granted the Community Foundation variance power, which allows the Community Foundation the flexibility to ensure that the donor's charitable interest will be served in perpetuity. When accounting for additions to nonprofit endowment funds that are not agency endowment funds (see below), the Community Foundation records the assets received or promised as contributed revenue.

Agency endowment funds – When a not-for-profit organization ("NPO") establishes, with its own funds, a nonprofit endowment fund at the Community Foundation for its own benefit, the transfer of assets to the Community Foundation is not contribution revenue and is accounted for as a liability. The Community Foundation refers to such funds as "agency" endowment funds. The Community Foundation continues to report the fund as an asset of the Community Foundation. Agency endowment funds totaled \$5,179,366 and \$4,405,870 at December 31, 2023 and 2022, respectively.

Contributions revenue – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows if, in the judgment of management, this adjustment would result in a meaningful change in value. If calculated, the discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of public stock are recorded at the average of the high and low quoted market prices on the date of donation.

In-kind donations – Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill which the Community Foundation would have paid for if not contributed, are recorded at their estimated fair value at the date the contributed services are received. In-kind donations consist of materials and services given without remuneration. No in-kind donations were received by the Community Foundation in 2023. In 2022, professional services were donated by a consulting firm owned by the secretary of the Board of Trustees with a fair market value of \$20,360. The remaining 2022 donations consisted of other professional services.

Grants awarded – Grants are recognized when all conditions are met by grantees, all due diligence has been completed, and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Community Foundation receives or is notified of the refund.

There were no conditional grants awarded as of December 31, 2023 and 2022.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Functional allocation of expenses – The Community Foundation allocates expenses on a functional basis to program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Wages, payroll taxes, and benefits are allocated based on an estimate of the time each staff member spends related to each of the functional categories. Other expenses, such as certain administration and occupancy expenses, are allocated based on estimates of overall staff time allocated to each functional category. Although allocation methods used are considered reasonable, other methods could be used that would produce different results. Management and general and development costs are shown as administrative costs under support services on the statements of activities and changes in net assets. Additionally, advertising costs are expensed as incurred. Advertising costs of \$33,375 and \$25,143 were recognized for the years ended December 31, 2023 and 2022, respectively.

Tax status – The Internal Revenue Service has ruled that the Community Foundation is a public charity, as described in Section 509(a)(1) of the Internal Revenue Code (“IRC”). Consequently, the Community Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations under Section 501(c)(3) of the United States IRC.

Concentration of credit risk arising from deposit accounts – The Community Foundation maintains cash balances at two institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”) in accordance with the program limit. In addition, the Community Foundation uses a cash management product through its primary depository institution to diversify its deposits with other banking institutions, keeping each additional deposit under the FDIC limit. At times, the balances held in the primary deposit account may exceed federally insured amounts.

Reclassifications – Certain accounts in the prior year’s summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Community Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Community Foundation’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

In February 2024, the Community Foundation purchased the office building located at 301 N. Main Street, Ann Arbor, for approximately \$2,700,000. To fund this purchase, the Board of Trustees approved a term loan of up to \$3,000,000 and a revolving loan of up to \$1,250,000 from the board-designated endowment fund to the operating fund at an interest rate of 4.5% and a term of 30 years. The loans were approved specifically for the office building purchase and renovations to the building as needed. The loans will be interest only for the first five years, after which the principal and interest on the term loan will be due in accordance with the agreed upon payment terms.

The Community Foundation has evaluated subsequent events through May 20, 2024, which is the date the financial statements were available to be issued.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 3 – Investments and Fair Value Measurements

Investments were composed of the following fair values at December 31:

	2023	2022
Money market funds	\$ 862,524	\$ 312,149
Fixed income	13,969,376	15,921,620
Equity securities	92,254,447	87,267,066
Alternative investments	92,539,265	75,969,385
Total	<u>\$ 199,625,612</u>	<u>\$ 179,470,220</u>

Investment income (loss) and expenses were composed of the following for the years ended December 31:

	2023	2022
Interest and dividends	\$ 3,211,829	\$ 3,322,084
Net realized gains	994,060	15,547,138
Net unrealized gains (losses)	24,786,883	(42,193,938)
Investment fees	(2,007,565)	(1,909,225)
Total	<u>\$ 26,985,207</u>	<u>\$ (25,233,941)</u>

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Community Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2023 and 2022, and the valuation techniques used by the Community Foundation to determine those fair values.

Level 1 – Investments include marketable securities, exchange traded funds, and cash equivalents that are carried at fair value based on observable quoted market prices in active markets and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity (i.e., purchases and sales).

Level 2 – Inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 – Unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. Level 3 investments include charitable remainder unitrust and liabilities associated with life beneficiaries of planned gifts. Valuation techniques and inputs for each are described below.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Financial instruments such as commingled funds, hedge funds, and private equity funds are valued at net asset value (“NAV”) when an investment’s value is based on capital statements provided by entities that qualify to calculate fair value using NAV per share or its equivalent.

Beneficial interests – The Community Foundation uses a discounted cash flow methodology to determine fair value of the beneficial interests in charitable remainder trusts and to determine the liability associated with split interest agreements. Inputs used for valuation of remainder interests in charitable trusts include statements provided by the custodian, the life expectancy of the income beneficiaries, and an applicable discount rate determined by the Community Foundation. The fair value of beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rate, and market value of each trust. A decrease in the discount rate and a longer life expectancy will decrease the fair value of the trust receivable.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present the balance of assets and liabilities carried at fair value on the statements of financial position as of December 31, 2023 and 2022:

	December 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance, December 31, 2023
Assets:					
Investments:					
Money market funds:					
Short-term investment	\$ 862,524	\$ -	\$ -	\$ -	\$ 862,524
Mutual funds, fixed income	13,969,376	-	-	-	13,969,376
Mutual funds, domestic equity	51,261,168	-	-	-	51,261,168
Mutual funds, foreign equity	40,993,279	-	-	-	40,993,279
Alternative investments	6,067,429	-	-	86,471,836	92,539,265
Subtotal	113,153,776	-	-	86,471,836	199,625,612
Charitable remainder unitrust	-	-	1,520,501	-	1,520,501
Total assets	\$ 113,153,776	\$ -	\$ 1,520,501	\$ 86,471,836	\$ 201,146,113
Liabilities:					
Liability to life beneficiaries of planned gifts	\$ -	\$ -	\$ 500,795	\$ -	\$ 500,795

Ann Arbor Area Community Foundation

Notes to Financial Statements

	December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance, December 31, 2022
Assets:					
Investments:					
Money market funds:					
Short-term investment	\$ 312,149	\$ -	\$ -	\$ -	\$ 312,149
Mutual funds, fixed income	15,921,620	-	-	-	15,921,620
Mutual funds, domestic equity	47,837,373	-	-	-	47,837,373
Mutual funds, foreign equity	39,429,693	-	-	-	39,429,693
Alternative investments	-	-	-	75,969,385	75,969,385
Subtotal	103,500,835	-	-	75,969,385	179,470,220
Charitable remainder unitrust	-	-	1,067,988	-	1,067,988
Total assets	<u>\$ 103,500,835</u>	<u>\$ -</u>	<u>\$ 1,067,988</u>	<u>\$ 75,969,385</u>	<u>\$ 180,538,208</u>
Liabilities:					
Liability to life beneficiaries of planned gifts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,996</u>	<u>\$ -</u>	<u>\$ 471,996</u>

Alternative investments may include redeemable interests in domestic equity, global equity, real estate, real asset, private equity, and hedge funds. Alternative investments may be structured as limited partnerships, limited liability companies, commingled trusts, and offshore investment funds. These investments are based on their net asset value.

Investments in entities that calculate net asset value per share – The Community Foundation holds shares or interests in investment companies at year end for which the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company. For assets totaling \$29,187,469 and \$26,956,782 at December 31, 2023 and 2022, respectively, the underlying assets held by these investment managers are primarily publicly traded equities and bonds for which net asset value is readily determined on a daily basis. For the remaining investments in this category, the underlying assets are primarily investments in privately owned assets for which current net asset value is based on the best estimates of the management of those funds; realizable values for these assets may vary from these estimates.

The following table presents the unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

	December 31, 2023				
	Fair Value, December 31, 2023	Unfunded Commitments, December 31, 2023	Redemption Frequency, if Eligible	Redemption Notice Period	Redemption Restrictions and Lock-up Period
Domestic equity fund	\$ 25,817,582	\$ -	Quarterly	60 days	N/A
Foreign/global equity funds	3,369,887	-	Various	Various	Various
Hedge funds	7,483	-	Various	Various	Various
Private natural resources and real estate funds	15,513,362	12,156,499	Illiquid	N/A	N/A
Private equity funds	<u>41,763,522</u>	<u>31,667,045</u>	Illiquid	N/A	N/A
Total	<u>\$ 86,471,836</u>	<u>\$ 43,823,544</u>			

Ann Arbor Area Community Foundation

Notes to Financial Statements

Equity funds are actively managed funds that invest in stocks and other securities issued by companies in domestic and foreign markets. Funds in the domestic equity fund category provide participants with an opportunity to invest in companies primarily located in the United States. Funds in the foreign/global equity fund category invest primarily in diversified portfolios of either foreign or global equity securities. Investments are held within a commingled trust or limited partnership structure.

Private natural resources and real estate funds include investments in funds that focus on two broad categories:

1. *Private natural resources funds* are actively managed funds that invest primarily in private companies involved in mining, energy and infrastructure, timber, agribusiness, natural resources, and other hard assets. These investments are generally not redeemable from the fund manager.
2. *Real estate funds* are actively managed funds that invest in commercial properties in the U.S. and abroad including, but not limited to, residential, multi-family, office, retail, hotel, industrial, and other specialties. These investments are generally not redeemable from the fund manager.

Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including, but not limited to, early and late-stage venture capital, leveraged buyouts, distressed assets, special situations, and credit strategies. These investments are generally not redeemable from the fund manager.

The Community Foundation also monitors the liquidity of its investment portfolio to be certain that cash needs for any particular period of time can be met. At December 31, 2023 and 2022, the entire portfolio was invested as follows: 59 percent and 60 percent in assets with daily redemption terms, 0 percent and 2 percent monthly redemption, 13 percent and 11 percent quarterly redemption, and 28 percent and 27 percent illiquid, respectively. These figures are measured and monitored on a quarterly basis.

The table below presents information about significant unobservable inputs related to the categories of Level 3 financial assets and liabilities at December 31, 2023:

	Fair Value, December 31, 2023	Valuation Technique	Unobservable Inputs	Range Weighted Average
Assets - Charitable remainder unitrust	\$ 1,520,501	Fair value of trust investments	Underlying investments in trust	N/A
Liabilities - Liability to life beneficiaries of		Present value of	Life expectancy of the beneficiary	10.1
planned gifts	\$ 500,795	future cash outflows	Discount rate Growth rate	5 percent 5 percent

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 4 – Mission-Related Investments

The Foundation's program related investments during the years ended December 31, 2023 and 2022 are as follows:

	Beginning Balance	Notes originated	Principal repayments	Ending balance
2023				
Short-term notes	\$ 250,000	\$ -	\$ (250,000)	\$ -
Long-term notes	1,191,000	2,500,000	-	3,691,000
Total	<u>\$ 1,441,000</u>	<u>\$ 2,500,000</u>	<u>\$ (250,000)</u>	<u>\$ 3,691,000</u>
2022				
Short-term notes	\$ 71,945	\$ 250,000	\$ (71,945)	\$ 250,000
Long-term notes	1,066,000	125,000	-	1,191,000
Total	<u>\$ 1,137,945</u>	<u>\$ 375,000</u>	<u>\$ (71,945)</u>	<u>\$ 1,441,000</u>

The notes have various interest rates and maturity dates with additional commitments of \$120,000 yet to be deployed. Of the year ended December 31, 2023, balance, \$3,250,000 consisted of investments from the Community Foundation's investment portfolio, and \$441,000 consisted of investments made directly by donor-advised funds. Payments on the notes will consist of interest only, with the full principal balances due at maturity. Management determines the allowance for credit losses on notes receivable by evaluating individual balances and assessing the likelihood of collections. Management determined that an allowance for credit losses on notes receivable was not necessary as of December 31, 2023 and 2022.

The following represents the net activity for the noncontrolling interests in equity investments:

	2023	2022
Investment in privately held companies, beginning of year	\$ -	\$ -
Capital contribution	<u>950,000</u>	<u>-</u>
Investment in privately held companies, end of year	<u>\$ 950,000</u>	<u>\$ -</u>

The investment consists of preferred stock and is currently valued at cost; the value of this investment is included in investments on the statements of financial position.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 5 – Pledges Receivable

The Community Foundation receives contributions from related parties, such as the board members. For the years ended December 31, 2023 and 2022, such contributions were \$64,021 and \$117,526, respectively.

Pledges outstanding at December 31, 2023 and 2022, are expected to be collected as follows:

	2023	2022
Pledges receivable in less than one year	\$ 474,952	\$ 718,952
Pledges receivable in one to five years	6,200	16,000
Pledge receivable in more than five years	-	1,000
	<hr/>	<hr/>
Gross unconditional promises to give	481,152	735,952
Less: unamortized discount on pledges due in greater than one year	<hr/> -	<hr/> -
	<hr/>	<hr/>
Unconditional promises to give	<u>\$ 481,152</u>	<u>\$ 735,952</u>

Note 6 – Property, Plant, and Equipment, net

The cost of property, plant, and equipment is summarized as follows:

	2023	2022
Buildings	\$ 1,428,238	\$ 1,401,778
Furniture and fixtures	155,928	147,968
Computer equipment and software	<hr/> 51,116	<hr/> 121,690
	<hr/>	<hr/>
Total cost	1,635,282	1,671,436
Less: accumulated depreciation	<hr/> (669,565)	<hr/> (693,536)
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 965,717</u>	<u>\$ 977,900</u>

Depreciation expense for 2023 and 2022 was \$52,213 and \$53,944, respectively.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 7 – Grants Payable

The following summarizes grants approved, paid, and those committed for future payments for 2023 and 2022:

	2023	2022
Grants payable, beginning of year	\$ 161,071	\$ 364,321
Unconditional grants expensed	8,521,643	9,300,818
Payments made	<u>(8,279,605)</u>	<u>(9,504,068)</u>
Grants payable, end of year	<u>\$ 403,109</u>	<u>\$ 161,071</u>

Note 8 – Charitable Remainder Unitrust

During the year ended December 31, 1999, the Community Foundation began to administer a planned gift under a charitable remainder unitrust. A charitable remainder unitrust provides for the payment of a fixed percentage of the net fair value of the trust's assets, as determined each year. Upon termination of the income beneficiary's interest, the assets of the trust are to be transferred in the following amounts: (1) \$50,000 to an unrelated charity, and (2) the balance of the trust to the Community Foundation for donor-designated purposes.

The portion of the planned gift attributable to the present value of the future benefits to be received by the Community Foundation, \$422,107, was recorded in the statements of activities and changes in net assets as a contribution in the period in which the planned gift was established. The balance of the charitable remainder unitrust assets was \$1,187,205 and \$1,067,988 at December 31, 2023 and 2022, respectively.

The present value of the estimated future payments to the beneficiary was redetermined in 2023 and 2022, using a discount rate of 5.0 percent and the applicable mortality tables, adjusting the liability and recognizing loss (gain) of \$89,871 and (\$59,105), respectively. The liability to life beneficiaries of planned gifts was \$500,795 and \$471,996 for 2023 and 2022, respectively.

During the year ended December 31, 2023, the Community Foundation was notified that it is a beneficiary of an additional charitable remainder unitrust. The portion of the planned gift attributable to the present value of the future benefits to be received by the Community Foundation, \$333,296, was recorded in the statements of activities and changes in net assets as a contribution in the period in which the Community Foundation was notified it was irrevocable.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 9 – Annuity Payable

Annuity payable is composed of a charitable gift annuity, which is a contract between the Community Foundation and a donor in which the Community Foundation agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. A liability is recorded for the amount due to an income beneficiary of a charitable gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is remeasured by changes in actuarial assumptions, and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue, gains, and other support.

Note 10 – Board-Designated Endowments

The Community Foundation's net assets without donor restrictions include board-designated endowments that would be classified as donor-restricted endowments, except that the Community Foundation has variance power over those assets. Therefore, the Board treats these funds as board-designated endowments, and they are classified and reported based on the absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of the Community Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which is designed to help ensure the long-term preservation of the corpus of endowed funds. As a result of this law and variance power provision rights, the Community Foundation classifies within net assets without donor restrictions (a) the original value of gifts donated to the designated endowment, (b) the original value of subsequent gifts to the designated endowment, and (c) accumulations to the designated endowment. In accordance with UPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds:

- The duration and preservation of the fund
- The purpose of the Community Foundation and the board-designated endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Community Foundation
- The investment policies of the Community Foundation

Ann Arbor Area Community Foundation

Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>
Net assets without donor restrictions, beginning of year	\$ 179,534,594
Investment return:	
Investment income	3,211,829
Net increase (realized and unrealized)	<u>23,773,378</u>
Total investment return	26,985,207
Contributions, other support and net assets released from restriction	5,086,644
Appropriation for distributions and administrative fees	<u>(11,329,708)</u>
Net assets without donor restrictions, end of year	<u><u>\$ 200,276,737</u></u>
Nonendowed net assets, end of year	
Nonendowed donor advised funds	\$ 25,320,824
Other nonendowed assets	<u>4,617,714</u>
Total nonendowed net assets	<u>29,938,538</u>
Board-designated endowment net assets	<u><u>\$ 170,338,199</u></u>

Ann Arbor Area Community Foundation

Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>
Net assets without donor restrictions, beginning of year	\$ 210,114,793
Investment return:	
Investment income	3,322,084
Net decrease (realized and unrealized)	<u>(28,556,025)</u>
Total investment return	(25,233,941)
Contributions, other support and net assets released from restriction	6,285,156
Appropriation for distributions and administrative fees	<u>(11,631,414)</u>
Net assets without donor restrictions, end of year	<u><u>\$ 179,534,594</u></u>
Nonendowed net assets, end of year	
Nonendowed donor advised funds	\$ 23,443,081
Other nonendowed assets	<u>3,935,896</u>
Total nonendowed net assets	<u>27,378,977</u>
Board-designated endowment net assets	<u><u>\$ 152,155,617</u></u>

Return objective and risk parameters – The Community Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the Board, the Community Foundation has four objectives: (1) preserve and grow the assets of the Community Foundation, (2) balance long-term growth with appropriate risk and liquidity, (3) achieve market returns, and (4) comply with applicable laws, rules, and regulations.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a broadly diversified asset allocation model with performance benchmarks based on each asset class.

Spending policy and how the investment objectives relate to spending policy – The Community Foundation has a policy of appropriating for distributions and administrative fees each year up to 5 percent of its endowed investment pool's average fair value over the prior 16 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on its investment portfolio. By limiting its spending policy, over the long term, the Community Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Community Foundation's objective to maintain the purchasing power of the investment portfolio and net assets, as well as to provide real growth through new gifts and investment returns.

Ann Arbor Area Community Foundation

Notes to Financial Statements

The annual spending amount, as defined above, is used for both amounts available to grant from each fund, as well as administrative fees charged to each fund. The administrative fee is calculated based on the fund fee schedule approved by the Board and in effect at the time the calculation is made. Amounts available to grant are calculated by subtracting the administrative fee from the total calculated spending amount. Endowed funds that have met minimum contribution levels can make grants six months after they are funded. Pass-through and donor-advised funds do not have the two-quarter restriction. Administrative fees are charged to funds from the date that the fund is established, as prescribed by the fund fee schedule in effect at the time. The annual spending amount is determined and recommended by the finance committee and approved by the Board. In 2023 and 2022, the Community Foundation used 5 percent of the 16-quarter rolling average for the spending amount per the spending policy in effect at those times.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets resulting from contributions whose use by the Community Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation pursuant to those stipulations.

Net assets with donor restrictions consist of the following:

	2023	2022
Pledges receivable	\$ 20,979	\$ 125,559
Bequests and other deferred gifts receivable	460,173	610,393
Charitable remainder unitrust, net	1,019,706	595,990
	<hr/>	<hr/>
Total net assets with donor restrictions	\$ 1,500,858	\$ 1,331,942
	<hr/>	<hr/>

Note 12 – Defined Contribution Plan

The Community Foundation has a tax-sheltered retirement plan under IRC Section 403(b). Under this plan, the Community Foundation made a discretionary profit-sharing contribution (2 percent of eligible wages for the years ended December 31, 2023 and 2022) in addition to a match of 100 percent of each participant's contribution, up to a maximum of 3 percent of eligible wages for the years ended December 31, 2023 and 2022, respectively. The Community Foundation incurred retirement plan expenses of \$76,107 and \$68,978 during 2023 and 2022, respectively.

Note 13 – Line of Credit

On March 12, 2021, the Community Foundation entered into a secured, revolving line of credit with its custodial bank for \$10,000,000 with an interest rate equal to the bank's prime rate minus two percentage points. It is collateralized by the funds held in the custodial bank account, which had a balance of \$113,153,777 as of December 31, 2023. The note requires monthly payments of interest only, with the entire principal and unpaid interest due on demand. At December 31, 2023 and 2022, there was no outstanding balance on this line of credit.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 14 – Liquidity and Availability of Financial Resources

At December 31, 2023 and 2022, the Community Foundation has \$4,783,074 and \$5,591,860, respectively, of financial assets available within one year to meet cash needs for general expenditures. At December 31, 2023, the \$4,783,074 consists of cash and cash equivalents of \$1,789,457 and contributions and notes receivable of \$474,952, along with an approved endowment spend of \$2,518,665 for 2024 general expenditures. At December 31, 2022, the \$5,591,860 consists of cash and cash equivalents of \$2,408,443 and contributions and notes receivable of \$968,952, along with an approved endowment spend of \$2,214,465 for 2023 general expenditures. General expenditures include administrative expenses, fundraising expenses and some program expenses expected to be paid in the subsequent year. None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable included above are subject to implied time restrictions but are expected to be collected within one year.

The Community Foundation has a goal of maintaining sufficient liquid financial assets, composed of cash and short-term investments, on hand to meet six months of general expenditures, which are approximately \$1,353,800 and \$1,133,600 for the years ended December 31, 2023 and 2022, respectively. The Community Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Community Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury investments.

