

# Community Foundation of Broward, Inc.

Financial Statements  
For the Year Ended June 30, 2022



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Financial Statements  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Foundation of Broward, Inc.

### Opinion

We have audited the accompanying financial statements of the Community Foundation of Broward, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

CPA's + Trusted Advisors

### **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 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 purposes of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

### **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 18, 2022

**Community Foundation of Broward, Inc.**  
**Statement of Financial Position**  
**June 30, 2022**  
**(with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Cash	\$ 94,763	\$ 288,712
Investments, at fair value	225,611,630	260,427,699
Bequests receivable	2,000,000	2,000,000
Promises to give, net	5,107,779	4,472,314
Assets under split-interest agreements	1,012,169	1,232,127
Prepaid expenses and other assets	91,460	105,790
Other real estate	500,000	500,000
Property and equipment, net	<u>128,182</u>	<u>128,455</u>
Total assets	\$ <u>234,545,983</u>	\$ <u>269,155,097</u>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 221,049	\$ 165,783
Grants and scholarships payable	2,487,058	2,279,017
Refundable advances and liabilities under split-interest agreements	576,390	587,707
Agency transactions payable	<u>17,779,898</u>	<u>21,328,946</u>
Total liabilities	<u>21,064,395</u>	<u>24,361,453</u>
<b>Net Assets:</b>		
Without donor restrictions	205,426,514	237,165,783
With donor restrictions	<u>8,055,074</u>	<u>7,627,861</u>
Total net assets	<u>213,481,588</u>	<u>244,793,644</u>
Total liabilities and net assets	\$ <u>234,545,983</u>	\$ <u>269,155,097</u>

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

Community Foundation of Broward, Inc.  
Statement of Activities  
For the Year Ended June 30, 2022  
(with comparative totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>Revenue, Gains (Losses) and Support:</b>				
Contributions and bequests	\$ 19,689,610	\$ 2,601,296	\$ 22,290,906	\$ 13,414,319
Net investment returns	(36,720,437)	(121,606)	(36,842,043)	58,890,423
Other revenues	273,373	-	273,373	132,795
Change in value of split-interest agreements	-	(86,646)	(86,646)	(63,479)
Loan forgiveness - Paycheck Protection Program	-	-	-	302,424
Net assets released from restrictions	<u>1,965,831</u>	<u>(1,965,831)</u>	<u>-</u>	<u>-</u>
Total revenue, gains (losses) and support	<u>(14,791,623)</u>	<u>427,213</u>	<u>(14,364,410)</u>	<u>72,676,482</u>
<b>Expenses:</b>				
Program services:				
Community impact grants and scholarships	<u>14,873,166</u>	<u>-</u>	<u>14,873,166</u>	<u>15,248,207</u>
Supporting services:				
Management and general	1,072,748	-	1,072,748	920,183
Fundraising - Building Philanthropy for Broward	<u>1,001,732</u>	<u>-</u>	<u>1,001,732</u>	<u>830,465</u>
Total supporting services	<u>2,074,480</u>	<u>-</u>	<u>2,074,480</u>	<u>1,750,648</u>
Total expenses	<u>16,947,646</u>	<u>-</u>	<u>16,947,646</u>	<u>16,998,855</u>
Change in net assets	(31,739,269)	427,213	(31,312,056)	55,677,627
<b>Net Assets, Beginning of Year</b>	<u>237,165,783</u>	<u>7,627,861</u>	<u>244,793,644</u>	<u>189,116,017</u>
<b>Net Assets, End of Year</b>	<u>\$ 205,426,514</u>	<u>\$ 8,055,074</u>	<u>\$ 213,481,588</u>	<u>\$ 244,793,644</u>

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

**Community Foundation of Broward, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
**(with comparative totals for 2021)**

	<b>Program Services</b>	<b>Supporting Services</b>				
	<b>Community Impact Grants and Scholarships</b>	<b>Management and General</b>	<b>Fundraising - Building Philanthropy for Broward</b>	<b>Total Supporting Services</b>	<b>2022 Total Expenses</b>	<b>2021 Total Expenses</b>
Grants and scholarships awarded	\$ 12,922,021	\$ -	\$ -	\$ -	\$ 12,922,021	\$ 13,369,097
Payroll and related benefits	1,238,748	642,062	721,323	1,363,385	2,602,133	2,351,185
Office expenses and other	237,546	111,971	104,599	216,570	454,116	379,279
Occupancy	247,963	136,392	52,358	188,750	436,713	419,858
Professional fees	153,571	84,098	89,425	173,523	327,094	331,257
Donor and community relations	52,313	27,114	30,462	57,576	109,889	66,664
Depreciation and amortization	-	67,937	-	67,937	67,937	68,642
Educational programs	21,004	3,174	3,565	6,739	27,743	12,873
Total expenses	<u>\$ 14,873,166</u>	<u>\$ 1,072,748</u>	<u>\$ 1,001,732</u>	<u>\$ 2,074,480</u>	<u>\$ 16,947,646</u>	<u>\$ 16,998,855</u>

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

**Community Foundation of Broward, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**  
**(with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (31,312,056)	\$ 55,677,627
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,937	68,642
Contributed investments	-	(1,542,312)
Net realized and unrealized (gains) losses on investments	41,180,870	(55,436,591)
Change in value of split-interest agreements	86,646	63,479
Extinguishment of debt - Paycheck Protection Program	-	(302,424)
(Increase) decrease in assets:		
Promises to give, net	(635,465)	1,499,026
Assets under split-interest agreements	219,958	(101,191)
Prepaid expenses and other assets	14,330	(45,215)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	55,266	(46,502)
Grants and scholarships payable	208,041	(484,158)
Refundable advances and liabilities under split-interest agreements	(97,963)	(97,918)
Agency transactions payable	41,291	(150,792)
Net cash provided by (used in) operating activities	<u>9,828,855</u>	<u>(898,329)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from the sale of investments	48,344,869	60,680,334
Purchases of investments	(58,300,009)	(59,982,733)
Purchases of property and equipment	(67,664)	(51,577)
Net cash provided by (used in) investing activities	<u>(10,022,804)</u>	<u>646,024</u>
Net increase (decrease) in cash	(193,949)	(252,305)
<b>Cash, Beginning of Year</b>	<u>288,712</u>	<u>541,017</u>
<b>Cash, End of Year</b>	\$ <u><u>94,763</u></u>	\$ <u><u>288,712</u></u>

**Supplemental disclosures for noncash operating activities:** Net realized and unrealized gains (losses) related to agency transactions were approximately \$ (3,590,000) and \$ 5,094,000 for the years ended June 30, 2022 and 2021, respectively. Paycheck Protection Program funds were received in fiscal year 2020 and full forgiveness was awarded to the Foundation in fiscal year 2021.

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

## Note 1 - Organization and Operations

The Community Foundation of Broward, Inc. (the "Foundation") was incorporated on December 17, 1984, under the laws of the State of Florida as a not-for-profit Foundation. The Foundation solicits, and manages Funds and distributes grants for charitable, scientific, educational, public and cultural purposes primarily in Broward County, Florida. The Foundation also provides educational resources to professional advisors and donors to advance philanthropy. The Foundation solicits contributions primarily from individuals, foundations and other organizations in Broward County.

## Note 2 - Summary of Significant Accounting Policies

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Basis of presentation:** Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU No. 2016-14, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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.
- *Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Net assets with donor restrictions include bequests receivable, promises to give, certain real estate subject to a life estate restriction and assets under split-interest agreements. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. The Foundation has no assets that are restricted in perpetuity as of June 30, 2022 and 2021.

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

## Note 2 - Summary of Significant Accounting Policies (continued)

The Foundation bylaws and Fund agreements include a variance power provision that allows the Board of Directors to change the purpose of contributions received when no longer applicable or incapable of fulfillment. Based on this provision, the Foundation classifies a significant portion of its contributions and assets as net assets without donor restrictions for financial statement presentation. Further, the Foundation will continue its stewardship responsibilities by internally accounting for and reporting on all net assets in accordance with each donor's original intent as provided for in the underlying gift instrument that established the fund, as presented in Note 10.

**Cash equivalents:** In general, the Foundation defines all highly liquid investments, with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents that the Foundation intends to use for long-term purposes are classified as investments in the accompanying statement of financial position.

**Investments:** Investments are in the custody of brokerage and investment firms who manage them in accordance with policies set by the Foundation's Board of Directors.

Investments in common stocks (equities) are carried at market value, as quoted on major stock exchanges. Money market funds maintained a constant net asset value of \$ 1 per share. U.S. government and agency obligations and corporate bonds are carried at quoted market prices. Real assets, hedge funds, global bond/fixed income funds, certain equity funds and private equity funds are primarily valued at their net asset value (Note 5). Investments received as contributions are recorded at the quoted market value or estimated fair value at the date of receipt. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Foundation pools a number of funds in order to obtain greater investment advantage and more efficient administration. The objective of investment management of all funds is to maximize the growth consistent with minimizing exposure to risks of capital losses and attainment of the desired level of grant making. The Foundation's investment policy is to invest initial contributions and subsequent additions to all pooled funds in equity, fixed income and other assets based on an allocation determined by the Investment Committee and approved by the Board of Directors. The Foundation allocates income and expenses, gains and losses from pooled investments based on the ratio of the month's share of each Fund's fair value to the total pooled investments.

**Bequests receivable:** Bequests are recorded at amounts that approximate fair value, generally based on quoted prices, or other sources, of the underlying investments, less estimated costs and contingencies.

**Promises to give:** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques based on a risk-free rate of return (10 Year Treasury Note). In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. An allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. As of June 30, 2022, and 2021, management considers all promises to give to be fully collectible; therefore, no uncollectible allowance was recorded.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Other real estate:** The Foundation receives assets from estates which from time to time may include real estate property. The Foundation classifies the property as other real estate, and therefore, records the property at an estimated fair value, based on comparable market data. The property held at June 30, 2022, contains a life estate restriction and cannot be currently sold.

**Property and equipment:** The Foundation records property and equipment at cost and capitalizes assets whose value is \$ 1,000 or more, using the straight-line method of depreciation/amortization, based upon the estimated useful lives of the various classes of depreciable assets as follows:

Leasehold improvements	10 years or remaining life of lease, whatever is shorter.
Office equipment	5 years
Furniture and fixtures	15 years

**Grants and scholarships payable and expense:** Grants, scholarships and awards are recorded upon the approval of the Board of Directors and when funds are obligated for distribution. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the appropriations reported in the period when canceled or refunded. As of June 30, 2022 and 2021, the Foundation is unaware of any material conditions that are unlikely to be satisfied during the approved period.

**Agency transactions:** ASC No. 958, *Not-for-Profit Entities*, establishes standards for transactions in which a community foundation accepts assets from a not-for-profit organization and agrees to transfer those assets, the return on investment of those assets or both back to the not-for-profit Foundation. ASC No. 958 specifically requires that, if a not-for-profit organization establishes a Fund at a community foundation with its own assets and specifies itself as the beneficiary of that Fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The not-for-profit organization may request a partial or total distribution at any time. The Foundation refers to such Funds as agency transactions, the liability of which is shown on the statement of financial position as agency transactions payable. Agency activities are not reflected on the statement of activities and changes in net assets.

**Revenue and revenue recognition:** The Foundation recognizes contributions (nonexchange transactions) when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises 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 or explicitly waived. Bequests are recognized when all requirements for the transfer of the assets to the Foundation have been met, appropriate court orders have been issued and the amount is determinable. Assets received before the barrier is overcome are accounted for as refundable advances.

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation considers as exchange transactions those in which it receives consideration from agencies (Note 9) for management services associated with agency (funds) transactions.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Foundation management fees:** The Foundation assesses an annual administrative fee averaging 1% of the fair market value of assets under management. The Foundation also assesses a one-time administrative fee of 1% on gifts received from estates. The administrative fee is used to support the operations of the Foundation. Administrative fees amounted to approximately \$ 3,100,000 and \$ 2,747,000 for the years ended June 30, 2022 and 2021, respectively.

**Contributed services, facilities, and goods:** A number of unpaid volunteers have made contributions of their time to develop and continue the programs of the Foundation. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets and (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. The Foundation has not disclosed the value of these services in the accompanying financial statements since it is not susceptible to objective measurement and valuation. Contributed facilities and goods/equipment are recorded at their estimated fair market value when received.

**Functional allocation of expenses:** The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by functions. Expenses that can be directly identified with a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll and related benefits, and most other expenses, are allocated on the basis of estimates of time and effort; unless specifically determined by management on an account by account basis. Certain occupancy expenses are allocated on the basis of square footage.

**Use of estimates:** The Foundation makes estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:** Certain accounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

**Comparative financial information:** The accompanying financial statements include summarized comparative information from the prior year, which is not presented by net asset type and functional expense classification and does not include sufficient detail to conform with accounting principles generally accepted in the United States of America ("GAAP"). This information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2021, from which the comparative information was derived.

**Subsequent events:** Subsequent events were evaluated by management through September 18, 2022, which is the date the financial statements were available for issuance.

**Community Foundation of Broward, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(with comparative totals for 2021)**

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**Note 3 - Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date ending June 30, 2022, comprise the following:

Financial assets:	
Cash	\$ 94,763
Investments	225,611,630
Bequests receivable	2,000,000
Promises to give, net	<u>5,107,779</u>
Financial assets, at year-end	<u>232,814,172</u>
Less those unavailable for general expenditures within one year, due to:	
Long-term investments - no immediate liquidity	(28,810,614)
Investments - unfunded commitments	(9,287,298)
Promises to give beyond one year, net	(2,652,122)
Agency funds invested for others	(17,779,898)
Board of Directors designated administrative and operating reserves	<u>(1,460,696)</u>
	<u>(59,990,628)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>172,823,544</u></u>

The Foundation employs a spending policy, which determines the aggregate distributions from its funds for grantmaking and administrative expenses in a given year, based on a rate provided by the Foundation's Board of Directors. The spending amount is limited to the Board of Directors' set rate, 5% for the following year, times a rolling twelve-quarter average fair value of the applicable Funds. Based on the information above, the spending amount of approximately \$ 13 million will be made available for grantmaking and administrative expenses from the applicable Funds within one year.

**Note 4 - Credit Risk and Concentrations**

The Foundation maintains its treasury management system consisting of deposit accounts at a financial institution. The cost of the treasury management system is offset by a minimum balance arrangement in certain deposit accounts. The Foundation had deposits in excess of the FDIC insurance limit of approximately \$ 9,640,000 at June 30, 2022. Deposit accounts are maintained with what management believes to be quality financial institutions.

Promises to give of \$ 4,500,000 or approximately 85% were due from six donors as of June 30, 2022. Bequests receivable of \$ 2,000,000 is due from one estate as of June 30, 2022. For the year ended June 30, 2022, approximately 56% of the contributions and bequests were received from eight donors.

**Note 5 - Investments and Investment Return**

As of June 30, 2022 and 2021, investments consisted of the following at their fair value:

	<u>2022</u>	<u>2021</u>
Equities and equity funds	\$ 146,960,097	\$ 187,361,072
Corporate bonds/fixed income funds	24,598,509	25,129,310
Money market funds and other deposits	12,855,020	13,089,189
Private equity funds	11,474,933	7,372,644
Hedge funds	9,680,153	11,233,186
Real assets	7,961,718	7,348,506
U.S. Government, agency obligations and funds	7,258,187	5,203,878
Global bond funds	4,428,277	3,401,783
Commodities investment trusts	<u>394,736</u>	<u>288,131</u>
Total	<u>\$ 225,611,630</u>	<u>\$ 260,427,699</u>

Alternative investments consist of hedge funds, private equity funds and real assets. Alternative investments (non-traditional, not readily-marketable assets), some of which are structured such that the Foundation holds limited partnership interests, are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may, in turn, include investments in both non-marketable and market-traded securities. Valuation of these investments and, therefore Foundation holdings, are determined by the investment manager or general partner. Values may be based on historical costs, appraisals, or other estimates that require varying degrees of judgment. While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance, and any remaining commitments, in each investment.

The Foundation believes the method for providing estimated fair values on these financial instruments is reasonable. Alternative investments often do not have readily determinable market values and their estimated value is subject to uncertainty. Therefore, there may be a significant difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

The Foundation's primary diversified portfolio has had approximately the following investment returns: three-years 5%, five-years 5% and ten-years 6%.

The Foundation's primary diversified portfolio investment advisors have reported that total investment expenses are approximately "81 basis points" (0.81%) and "86 basis points" (0.86%), respectively, of the total fair value of investments during the fiscal years ended June 30, 2022 and 2021. The statement of activities reflects net investment return (loss) net of investment management/consultant fees.

**Spending Policy:** The Investment Committee of the Board of Directors evaluates the spending rate periodically in light of total estimated long-term results from investments, fees, expenses and the effects of inflation. For the years ended June 30, 2022 and 2021, the Board sets a spending rate at 5% of the rolling twelve-quarter average fair value of the applicable Funds.

**Note 5 - Investments and Investment Return (continued)**

**Fair Value Measurements:** In accordance with the Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 820, *Fair Value Measurement and Disclosures*, the Foundation has defined and established a framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining the value of the Foundation's investments. These inputs are summarized in three levels listed below:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the reporting entity can access at the measurement date.
- Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly. (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices.)
- Level 3 - inputs are significant unobservable inputs. (e.g. information about assumptions, including risk, market participants would use in pricing a security.)

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

Fair values of investments held by the Foundation are classified at June 30, 2022 as follows:

	Level 1	Level 2	Level 3	Investments Valued at NAV	Total
Equities and equity funds	\$ 98,877,917	\$ -	\$ -	\$ 48,082,180	\$ 146,960,097
Corporate bonds/fixed income funds	9,743,928	-	-	14,854,581	24,598,509
Money market funds and other deposits	12,855,020	-	-	-	12,855,020
Private equity funds	-	-	-	11,474,933	11,474,933
Hedge funds	-	-	-	9,680,153	9,680,153
Real assets	306,190	-	-	7,655,528	7,961,718
U.S. Government, agency obligations and funds	7,258,187	-	-	-	7,258,187
Global bond funds	507,314	-	-	3,920,963	4,428,277
Commodities investment trusts	394,736	-	-	-	394,736
Total	<u>\$ 129,943,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,668,338</u>	<u>\$ 225,611,630</u>

**Community Foundation of Broward, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(with comparative totals for 2021)**

**Note 5 - Investments and Investment Return (continued)**

Fair values of investments held by the Foundation are classified at June 30, 2021 as follows:

	Level 1	Level 2	Level 3	Investments Valued at NAV	Total
Equities and equity funds	\$ 124,603,285	\$ -	\$ -	\$ 62,757,787	\$ 187,361,072
Corporate bonds/fixed income funds	10,352,780	-	-	14,776,530	25,129,310
Money market funds and other deposits	13,089,189	-	-	-	13,089,189
Private equity funds	-	-	-	7,372,644	7,372,644
Hedge funds	-	-	-	11,233,186	11,233,186
Real assets	402,485	-	-	6,946,021	7,348,506
U.S. Government, agency obligations and funds	5,203,878	-	-	-	5,203,878
Global bond funds	216,523	-	-	3,185,260	3,401,783
Commodities investment trusts	288,131	-	-	-	288,131
<b>Total</b>	<b>\$ 154,156,271</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,271,428</b>	<b>\$ 260,427,699</b>

The following summary represents the funds reported at NAV as of June 30:

	As of June 30, 2022		As of June 30, 2021		Manager's Anticipation of	Redemption	Redemption
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Commitment Timing	Frequency	Notice Period
Equity funds (a) *	\$ 48,082,180	\$ -	\$ 62,757,787	\$ -	-	Monthly, Quarterly, and Semi-Annually.	10 to 90 days
Fixed income funds (b)	14,854,581	-	14,776,530	-	-	Monthly	5 days
Hedge funds (c) *	9,680,153	-	11,233,186	-	-	Yearly and no liquidity.	60 to 120 days and N/A
Real assets (d)	7,655,528	3,231,936	6,946,021	1,056,818	1 to 3 years	No liquidity	N/A
Global bond funds (e)	3,920,963	-	3,185,260	-	-	Bi-Monthly	5 days
Private equity funds (f)	11,474,933	6,055,362	7,372,644	5,863,037	1 to 3 years	No liquidity	N/A
	<b>\$ 95,668,338</b>	<b>\$ 9,287,298</b>	<b>\$ 106,271,428</b>	<b>\$ 6,919,855</b>			

\* Includes certain investments with initial lock-ups of 1-3 years.

**Note 5 - Investments and Investment Return (continued)**

- (a) Equity funds - This category includes investments that pursue multiple strategies to achieve long-term capital appreciation superior to their respective benchmarks by investing in domestic, global and emerging markets equities.
- (b) Fixed income funds - This investment category focuses on high-quality fixed income strategies with limited risk and an environmental, social and governance focus.
- (c) Hedge funds - This category includes investments with a broad range of strategies including long/short, event driven, distressed securities and merger arbitrage.
- (d) Real assets - This category's investment strategy is to achieve substantial growth potential, significant current income and meaningful downside protection by investing in real assets, which include oil, gas, metals and renewable energy.
- (e) Global bond funds - This category's investment objective includes achieving favorable income-oriented returns from a globally diversified portfolio of primarily debt or debt-like securities with the objective of preservation and enhancement of principal.
- (f) Private equity funds - This category of funds pursues a broad range of strategies across the spectrum of the private equity market, including venture capital, leveraged buyouts, growth-stage and growth financing, distressed, and special situations.

**Note 6 - Promises to Give**

Promises to give are summarized, as of June 30, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 2,455,657	\$ 1,236,600
Receivable in one to five years	2,343,112	3,161,333
Receivable in over five years	<u>500,000</u>	<u>166,667</u>
Total unconditional promises to give at face value	<u>5,298,769</u>	<u>4,564,600</u>
Less: discount	<u>(190,990)</u>	<u>(92,286)</u>
Net unconditional promises to give	\$ <u><u>5,107,779</u></u>	\$ <u><u>4,472,314</u></u>

**Community Foundation of Broward, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(with comparative totals for 2021)**

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**Note 7 - Property and Equipment**

At June 30, 2022 and 2021, property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 411,994	\$ 448,844
Office equipment	93,554	161,163
Furniture and fixtures	<u>114,518</u>	<u>108,422</u>
	620,066	718,429
Less: accumulated depreciation and amortization	<u>491,884</u>	<u>589,974</u>
Property and equipment, net	\$ <u><u>128,182</u></u>	\$ <u><u>128,455</u></u>

**Note 8 - Agency Transactions**

Agency transactions during the year ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Agency transactions payable, beginning of year	\$ 21,328,946	\$ 16,385,307
Investment returns, net	(3,177,309)	5,403,589
Amounts received on behalf of others	153,172	55,685
Management fees earned by the Foundation	(136,070)	(127,140)
Distributions to agencies	<u>(388,841)</u>	<u>(388,495)</u>
Agency transactions payable, end of year	\$ <u><u>17,779,898</u></u>	\$ <u><u>21,328,946</u></u>

**Note 9 - Net Assets Without Donor Restrictions**

The Foundation internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument, in the following net asset without donor restricted classifications:

**Designated:** Funds for which the spending is distributed to one or more charitable beneficiaries in accordance with the donor's designation.

**Donor-advised:** Funds which enables donors to contribute assets to their funds at any time and then to periodically make recommendations to the Foundation regarding grants from their funds.

**Field of interest:** Funds that are established to make grants in a specified area of interest.

**Scholarship:** Funds that are opened by donors who are interested in helping students pursue university, or college, using criteria of the donor's choosing.

**Unrestricted:** Funds that are discretionary and the spending from which are under the direction of the Foundation's governing boards and management.

**Note 9 - Net Assets Without Donor Restrictions (continued)**

**Board of Directors designated:** The Foundation's Board has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time.

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Designated	\$ 66,803,802	\$ 78,942,200
Donor-advised	45,625,973	46,585,727
Field of interest	35,000,825	42,162,346
Scholarship	6,065,647	8,021,838
Unrestricted	<u>50,469,571</u>	<u>59,992,976</u>
	203,965,818	235,705,087
Designated by the Board of Directors to administrative and operating reserves	<u>1,460,696</u>	<u>1,460,696</u>
Total	\$ <u><u>205,426,514</u></u>	\$ <u><u>237,165,783</u></u>

**Note 10 - Commitments**

**Lease Commitment:** The Foundation previously entered into a one hundred twenty-four (124) month lease agreement for office space, commencing December 1, 2011 and expiring March 31, 2022. The agreement provided two successive renewal options of 60 months, which the Foundation exercised one of these options. The option requires monthly base lease payments of \$ 19,375, plus the Foundation's share of common area maintenance/operating expenses. Additionally, the base lease payment escalates thereafter annually by approximately 3.0% for the remainder of the lease term. Rent expense for the years ended June 30, 2022 and 2021 was approximately \$ 372,000 and \$ 363,000, respectively.

At year end, the Foundation is committed to approximate base minimum lease payments under the terms of the operating lease as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 234,000
2024	\$ 241,000
2025	\$ 249,000
2026	\$ 256,000
2027	\$ 196,000
Thereafter	\$ None

**Funding Commitments:** The Foundation has entered into various separate funding commitments on certain alternative investments. The remaining commitment as of June 30, 2022 and 2021 is approximately \$ 9,290,000 and \$ 6,920,000, respectively.

#### **Note 11 - Liabilities Under Split-Interest Agreements**

Split-interest agreements are arrangements where a donor gives an investment to the Foundation and the Foundation pays a beneficiary selected by the donor an annual amount as specified by the terms of the agreement. Split-interest agreements at the Foundation are charitable gift annuities. The Foundation records the liability due to the beneficiaries of charitable gift annuities at net present value using discount rates determined by investment managers based upon actuarial tables, which this year ranged from 1.2% to 1.4%.

As of June 30, 2022, the Foundation reported approximately \$ 1,012,000 in assets held under split-interest agreements (\$ 1,012,000 level 1 as described in Note 5) and recognized net investment losses of approximately \$ 122,000 from split-interest agreements during the fiscal year ended June 30, 2022. As of June 30, 2022, the Foundation reported approximately \$ 565,000 in liabilities under split-interest agreements.

As of June 30, 2021, the Foundation reported approximately \$ 1,232,000 in assets held under split-interest agreements (\$ 1,232,000 level 1 as described in Note 5) and recognized net investment gains of approximately \$ 200,000 from split-interest agreements during the fiscal year ended June 30, 2021. As of June 30, 2021, the Foundation reported approximately \$ 577,000 in liabilities under split-interest agreements.

The State of Florida requires that the Foundation maintains assets equal to at least 110% of the sum of the reserves on outstanding gift annuity agreements in order to collateralize the charitable gift annuities. Reserves are calculated as the net present value of future guaranteed payments to beneficiaries using the same discount rates noted above. The Foundation is required to segregate these assets as separate and distinct accounts and not use these assets for any purpose other than the annuity benefits. In addition, the state also requires the Foundation to meet investment guidelines for the annuities.

#### **Note 12 - Retirement Plan**

The Foundation currently offers a 401(k) "Safe Harbor" retirement plan, to which employees make pre-tax contributions subject to limits imposed by the Internal Revenue Service. The Foundation provides for a match of 150% of the employees' deferral contributions not to exceed the first 4% of eligible compensation and 100% of the next 2% of eligible compensation. Employees must attain age twenty-one and complete three months and two-hundred and fifty hours of service to be eligible for participation in the plan. Total expense for the years ended June 30, 2022 and 2021 was approximately \$ 125,000 and \$ 113,000, respectively.

#### **Note 13 - Related Party Transactions**

At June 30, 2022, outstanding promises to give from related parties totaled approximately \$ 1,772,000 or approximately 33% of the Foundation's total promises to give balance (face value).

During the year ended June 30, 2021 the Foundation received \$ 875,000 in new promises to give from one board member. At June 30, 2021, outstanding promises to give from related parties totaled approximately \$ 3,369,000 or approximately 74% of the Foundation's total promises to give balance (face value).

**Note 14 - Income Taxes**

The Foundation is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made.