

COMMUNITY FOUNDATION OF BURKE COUNTY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2023 and 2022

(With Independent Auditor's Reports Thereon)



COMMUNITY FOUNDATION OF BURKE COUNTY

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December 31, 2023 and 2022

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Independent Auditor's Report

The Board of Directors
Community Foundation of Burke County:

Opinion

We have audited the accompanying financial statements of Community Foundation of Burke County (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Burke County 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 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 Community Foundation of Burke County 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of gifts for charitable purposes is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Davidson, Holland, Whitesell & Co., PLLC

Hickory, North Carolina
March 21, 2024

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Financial Position

December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current assets:			
Cash and equivalents	\$ 792,142	277,359	1,069,501
Short-term investments	-	1,944	1,944
Promises to give	3,191	336	3,527
Other receivables	1,143	-	1,143
Prepaid expenses	17,894	-	17,894
Land held for sale	-	25,500	25,500
Total current assets	<u>814,370</u>	<u>305,139</u>	<u>1,119,509</u>
Investments	697,740	40,956,556	41,654,296
Cash surrender value of life insurance	-	22,760	22,760
Property and equipment	3,496	-	3,496
Total assets	<u>\$ 1,515,606</u>	<u>41,284,455</u>	<u>42,800,061</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 12,047	-	12,047
Grants payable	-	68,619	68,619
Total current liabilities	<u>12,047</u>	<u>68,619</u>	<u>80,666</u>
Net assets:			
Without donor restrictions:			
Discretionary	208,350	-	208,350
Board designated	697,570	-	697,570
Donor advised	597,639	-	597,639
Total without donor restrictions	1,503,559	-	1,503,559
With donor restrictions	-	40,925,836	40,925,836
With donor restrictions - perpetual endowment	-	290,000	290,000
Total net assets	<u>1,503,559</u>	<u>41,215,836</u>	<u>42,719,395</u>
Total liabilities and net assets	<u>\$ 1,515,606</u>	<u>41,284,455</u>	<u>42,800,061</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Financial Position

December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current assets:			
Cash and equivalents	\$ 923,638	7,329,923	8,253,561
Short-term investments	200,768	4,055,384	4,256,152
Promises to give	2,310	244	2,554
Other receivables	893	-	893
Prepaid expenses	16,826	-	16,826
Land held for sale	-	25,500	25,500
Total current assets	<u>1,144,435</u>	<u>11,411,051</u>	<u>12,555,486</u>
Investments	528,764	25,194,022	25,722,786
Cash surrender value of life insurance	-	22,683	22,683
Property and equipment	2,543	-	2,543
Total assets	<u>\$ 1,675,742</u>	<u>36,627,756</u>	<u>38,303,498</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 10,766	-	10,766
Grants payable	6,000	30,349	36,349
Total current liabilities	<u>16,766</u>	<u>30,349</u>	<u>47,115</u>
Net assets:			
Without donor restrictions:			
Discretionary	224,343	-	224,343
Board designated	567,344	-	567,344
Donor advised	867,289	-	867,289
Total without donor restrictions	<u>1,658,976</u>	<u>-</u>	<u>1,658,976</u>
With donor restrictions	-	36,337,407	36,337,407
With donor restrictions - perpetual endowment	-	260,000	260,000
Total net assets	<u>1,658,976</u>	<u>36,597,407</u>	<u>38,256,383</u>
Total liabilities and net assets	<u>\$ 1,675,742</u>	<u>36,627,756</u>	<u>38,303,498</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 409,352	1,198,624	1,607,976
Investment income (loss)	(110,221)	1,039,831	929,610
Net realized and unrealized gains on investments	71,178	4,518,335	4,589,513
Change in cash surrender value of life insurance	-	77	77
Other	1,622	-	1,622
Net assets released from restrictions	<u>2,138,438</u>	<u>(2,138,438)</u>	<u>-</u>
Total revenues and other support	<u>2,510,369</u>	<u>4,618,429</u>	<u>7,128,798</u>
Expenses:			
Program services	2,482,328	-	2,482,328
Management and general	<u>183,458</u>	<u>-</u>	<u>183,458</u>
Total expenses	<u>2,665,786</u>	<u>-</u>	<u>2,665,786</u>
Increase (decrease) in net assets	<u>(155,417)</u>	<u>4,618,429</u>	<u>4,463,012</u>
Net assets at beginning of year	<u>1,658,976</u>	<u>36,597,407</u>	<u>38,256,383</u>
Net assets at end of year	<u>\$ 1,503,559</u>	<u>41,215,836</u>	<u>42,719,395</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Activities

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 393,853	13,194,036	13,587,889
Investment income (loss)	(93,122)	579,156	486,034
Net realized and unrealized losses on investments	(121,527)	(5,896,917)	(6,018,444)
Change in cash surrender value of life insurance	-	(229)	(229)
Other	43	-	43
Net assets released from restrictions	<u>1,569,706</u>	<u>(1,569,706)</u>	<u>-</u>
Total revenues and other support	<u>1,748,953</u>	<u>6,306,340</u>	<u>8,055,293</u>
Expenses:			
Program services	1,352,113	-	1,352,113
Management and general	<u>124,038</u>	<u>-</u>	<u>124,038</u>
Total expenses	<u>1,476,151</u>	<u>-</u>	<u>1,476,151</u>
Increase in net assets	272,802	6,306,340	6,579,142
Net assets at beginning of year	<u>1,386,174</u>	<u>30,291,067</u>	<u>31,677,241</u>
Net assets at end of year	<u>\$ 1,658,976</u>	<u>36,597,407</u>	<u>38,256,383</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Functional Expenses

Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 194,124	83,196	277,320
Payroll taxes	14,666	6,285	20,951
Employee benefits	14,224	6,096	20,320
Total salaries and related expenses	<u>223,014</u>	<u>95,577</u>	<u>318,591</u>
Gifts for charitable purposes	2,214,511	-	2,214,511
Rent	-	16,050	16,050
Advertising	-	7,427	7,427
Office expense	32,021	-	32,021
Insurance	-	6,214	6,214
Postage	-	3,663	3,663
Telephone	1,776	761	2,537
Professional services	-	18,774	18,774
Travel and training	265	-	265
Printing and publications	4,427	1,897	6,324
Dues and subscriptions	-	3,488	3,488
Other	6,314	28,461	34,775
Total expenses before depreciation	<u>2,482,328</u>	<u>182,312</u>	<u>2,664,640</u>
Depreciation	-	1,146	1,146
Total expenses	<u>\$ 2,482,328</u>	<u>183,458</u>	<u>2,665,786</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 130,308	55,846	186,154
Payroll taxes	9,891	4,239	14,130
Employee benefits	8,242	3,532	11,774
Total salaries and related expenses	<u>148,441</u>	<u>63,617</u>	<u>212,058</u>
Gifts for charitable purposes	1,138,484	-	1,138,484
Rent	-	15,300	15,300
Advertising	-	6,252	6,252
Office expense	43,988	-	43,988
Insurance	-	4,546	4,546
Postage	-	3,204	3,204
Telephone	1,666	714	2,380
Professional services	-	21,923	21,923
Travel and training	110	-	110
Printing and publications	3,296	1,412	4,708
Dues and subscriptions	-	3,707	3,707
Meals and entertainment	-	91	91
Other	16,128	2,750	18,878
Total expenses before depreciation	<u>1,352,113</u>	<u>123,516</u>	<u>1,475,629</u>
Depreciation	-	522	522
Total expenses	<u>\$ 1,352,113</u>	<u>124,038</u>	<u>1,476,151</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,463,012	6,579,142
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,146	522
Net realized and unrealized (gains) losses on investments	(4,589,513)	6,018,444
Change in cash surrender value of life insurance	(77)	229
Receipt of donated stock	(423,869)	(5,152,979)
Restricted contributions	(1,198,624)	(13,194,036)
(Increase) decrease in:		
Promises to give	(973)	(973)
Other receivables	(250)	431
Prepaid expenses	(1,068)	(1,255)
Increase (decrease) in:		
Accounts payable	1,281	802
Grants payable	32,270	(7,228)
Net cash used by operating activities	<u>(1,716,665)</u>	<u>(5,756,901)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	22,119,927	1,531,578
Purchase of investments	(28,783,847)	(1,842,916)
Purchases of property and equipment	(2,099)	(1,849)
Net cash used by investing activities	<u>(6,666,019)</u>	<u>(313,187)</u>
Cash flows from financing activities:		
Contributions with donor restrictions	<u>1,198,624</u>	<u>13,194,036</u>
Net increase (decrease) in cash and cash equivalents	(7,184,060)	7,123,948
Cash and cash equivalents at beginning of year	<u>8,253,561</u>	<u>1,129,613</u>
Cash and cash equivalents at end of year	<u>\$ 1,069,501</u>	<u>8,253,561</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements

December 31, 2023 and 2022

(1) Operations and Summary of Significant Accounting Policies

(a) Organization and Nature of Operations

The Community Foundation of Burke County (the "Foundation") is a permanent foundation. The Foundation receives gifts, grants, and bequests for the purpose of making charitable donations to approved organizations (as defined in its articles of incorporation and determined by the Board of Directors) and generally to perform all acts which may be deemed necessary or expedient to develop charitable capital for Burke County, North Carolina. Revenues from the operations of the Foundation are concentrated to contributions from Burke County, North Carolina.

(b) Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Foundation reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction: Net assets without donor restriction represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

Net Assets With Donor Restriction: Net assets with donor restriction represent resources whose use is limited by donors for the purpose and/or time in which they may be expended, and resources that must be maintained in perpetuity. Eventually, net assets with donor restriction, other than those that must be maintained in perpetuity, are released to net assets without donor restriction as their time and purpose requirements are met. Net assets with donor restriction that must be maintained in perpetuity do not get reclassified since, by definition, their restrictions never expire. The income may be unrestricted or restricted, according to the donor's wishes.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation, Continued

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor restricted and board designated endowment funds) and whether or not the organization is subject to UPMIFA.

The State of North Carolina enacted UPMIFA effective March 19, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Foundation adopted FASB ASC 958-205 during the year ended December 31, 2009. The Board of Directors has determined that the majority of the Foundation's net assets with donor restriction attributable to the perpetual endowment meet the definition of endowment funds under UPMIFA.

(d) Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support 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, other than those that must be maintained in perpetuity, are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(e) Variance Power

All contributions, including those with donor-imposed restrictions, are subject to the variance power established by the Foundation's governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or are inconsistent with the charitable needs of the community.

(f) Cash and Equivalents

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(g) Receivables

Receivables consist of amounts due from gifts in transit and sales tax refunds. An allowance for credit losses has not been established, as management believes all amounts are collectible.

(h) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved in the year in which the promises are received. As of December 31, 2023, no discount has been recorded, as the effect would be immaterial to the financial statements. An allowance for uncollectible promises to give has not been recorded as it is management's estimate that all promises to give will be collected.

(i) Short-term Investments

Short-term investments consist of donated securities expected to be sold within one year.

(j) Investments

Investments in money market funds and marketable securities are carried at fair value based on published quotations. Gains and losses on securities are reflected in the statement of activities. Contributed investments received that do not have readily determinable fair market values generally consist of closely held stock and property. Such investments are recorded at their appraised value at the date received, and no changes in carrying value are reflected in the financial statements for subsequent temporary increases or decreases in value.

Gains and losses from the sale or disposition of investments are accounted for within net assets without donor restrictions, or as net assets with donor restrictions if so stipulated by the donor of such assets. Unrealized appreciation (depreciation) from certain investments in securities and ordinary income earned from investments and similar sources is accounted for in the same manner as realized gains and losses.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(j) Investments, Continued

The Foundation maintains investment pools for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the investment pools are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the investment pool, as adjusted for additions to or deductions from those accounts.

(k) Property and Equipment

The Foundation capitalizes all assets with a cost of \$500 or more and books the assets at cost. Property and equipment are depreciated using the straight-line method. The estimated lives of the assets range from three to ten years.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

(l) Donated Goods and Services

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

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer committees, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(m) Grants

Unconditional grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Grants that are subject to conditions are recorded when approved by the Board of Directors and paid when the conditions are substantially met.

(n) Administrative Charges

The Foundation retains as compensation for its services a charge against the various accounts. For endowed funds (non-scholarship funds) the annual fee is 1% of the principal market value of the account charged on a quarterly basis of (1/4) of the 1% of the total assets computed on the previous month-end balance up to \$1,000,000, with the fee adjusted to .75% for fund assets greater than \$1,000,000 up to \$5,000,000, and adjusted to .5% for fund assets greater than \$5,000,000. For endowed scholarship funds, the annual fee is 1.5% of the principal market value of the account charged on a quarterly basis of (1/4) of the 1.5% of the total assets. For the years ended December 31, 2023 and 2022, administrative charges were \$328,816 and \$271,390, respectively.

(o) Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for Federal or state income taxes has been made in the accompanying financial statements. The Foundation is classified as a publicly-supported charity.

The Foundation has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and recognized no such interest or penalties during the years ended December 31, 2023 and 2022.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(p) Fair Value Measurements

The Foundation records its investments under the provisions of accounting principles generally accepted in the United States of America. In accordance with those standards, the Foundation has characterized its investments in securities, based on the priority of the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 - These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access. These investments are exchange-traded investments in marketable equity securities and fixed income mutual funds.

Level 2 - These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 - These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair value of substantially all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(q) Leases

At lease inception, the Foundation determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, current operating lease liabilities, and noncurrent lease liabilities in the financial statements. Finance leases are included in property and equipment, other current liabilities, and long-term liabilities in the financial statements. ROU assets represent the Foundation’s right to use leased assets over the term of the lease. Lease liabilities represent the Foundation’s contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Foundation uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Foundation uses its incremental borrowing rate or the risk-free rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Foundation if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Foundation has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the statement of operations and change in net assets.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term unless the lease transfers ownership to the lessee or contains a purchase option that is reasonably certain to be exercised by the lessee, in which case the ROU asset is amortized to the end of the underlying asset’s useful life.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(1) Operations and Summary of Significant Accounting Policies, Continued

(r) Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and revenue and expenses during the periods reported. Estimates are used when accounting for allowance for credit losses, depreciation and contingencies, among others. Actual results could differ from these estimates.

(s) Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense was \$7,427 and \$6,252 for the years ended December 31, 2023 and 2022, respectively.

(t) Functional Classification of Expenses

The Foundation allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means. Fundraising expenses for the years ended December 31, 2023 and 2022, in the amount of \$76,999 and \$62,371, respectively, are included in management and general expenses in the accompanying statements of functional expenses.

(u) Reclassification of Comparative Financial Statements

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year format. Net assets and change in net assets are unchanged due to these reclassifications.

(v) Subsequent Events

The Foundation has evaluated subsequent events through March 21, 2024, the date which the financial statements were available to be issued. There were no significant subsequent events identified which require disclosure in the financial statements or footnotes.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(2) Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The Foundation adopted the requirements of the new standard effective January 1, 2023. Management has analyzed the provisions of the new standard and has concluded that no changes are necessary to conform with the new standard.

(3) Restrictions on Assets

Net assets with donor restrictions are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Promises to give, endowed	\$ 336	244
Endowments	40,885,791	36,324,148
Other non-endowed	39,709	13,015
Perpetual endowment	290,000	260,000
	<u>41,215,836</u>	<u>36,597,407</u>

(4) Promises to Give

Promises to give are expected to be received in 2023.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(5) Investments

The Foundation holds investments consisting of Level 1 instruments at December 31, 2023 and 2022, as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 952,212	952,212	770,685	770,685
Equity securities	6,333,972	8,111,868	5,785,282	7,596,236
Mutual funds - fixed income	4,213,535	3,955,228	2,688,355	2,361,146
Mutual funds - equity	6,389,118	7,564,017	4,369,491	4,949,411
Exchange traded funds	19,456,521	20,920,599	13,091,771	14,162,347
Real estate investment trusts	152,901	152,316	152,901	139,113
	<u>37,498,259</u>	<u>41,656,240</u>	<u>26,858,485</u>	<u>29,978,938</u>
Less: short-term investments	1,944	1,944	4,256,152	4,256,152
	<u>\$ 37,496,315</u>	<u>41,654,296</u>	<u>22,602,333</u>	<u>25,722,786</u>

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of investments and the realized gains on investment transactions for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 3,120,453	9,236,501
End of year	4,157,981	3,120,453
Unrealized gains (losses) in market valuation	1,037,528	(6,116,048)
Realized gains on sale of investments	3,551,985	97,604
Net realized and unrealized gains (losses) on investments \$	<u>4,589,513</u>	<u>(6,018,444)</u>

Investment management fees netted against investment income for the years ended December 31, 2023 and 2022, were \$130,743 and \$107,606, respectively.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(6) Endowment Funds

The Foundation's endowments consist of 157 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted North Carolina UPMIFA as permitting the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to the perpetual endowment (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to the perpetual endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return, Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a real rate of return on investments, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, as determined by the Foundation's Investment Committee. The Foundation allocates all spendable income generated from the endowment investments to the funds.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(6) Endowment Funds, Continued

The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 7.5% annually to cover the 4.5% annual distribution amount, 1% administrative fee, and the approximate rate of inflation of 2.0%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets, and allocation between asset classes. The Foundation exercises due care to diversify invested fund assets through its strategies to achieve the stated objectives for the Foundation in accordance with the asset allocation policy.

Spending Policy

The Foundation has a policy of appropriating for distribution all spendable income generated from the endowment investments based on the net value of the funds. The net value is determined by averaging the previous twelve quarters' ending values. If the fund has not existed twelve quarters, the net value will be the average of the ending quarter values since its inception. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at an amount in excess of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The current Board has approved a spending rate of 4.5%. The spending policy is subject to the discretion of the Board, and can be changed at any time in order to meet the needs of the Foundation.

From time to time, the donor-restricted portion of the endowment may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(6) Endowment Funds, Continued

Endowment net asset composition by type of fund at December 31, 2023 and 2022, is as follows:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	40,886,127	40,886,127
Donor-restricted endowment funds - perpetual endowment	-	290,000	290,000
Board designated endowment funds	697,570	-	697,570
	<u>\$ 697,570</u>	<u>41,176,127</u>	<u>41,873,697</u>
	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	36,324,392	36,324,392
Donor-restricted endowment funds - perpetual endowment	-	260,000	260,000
Board designated endowment funds	567,343	-	567,343
	<u>\$ 567,343</u>	<u>36,584,392</u>	<u>37,151,735</u>

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(6) Endowment Funds, Continued

Changes in endowment net assets for the years ended December 31, 2023 and 2022, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 567,343	36,584,392	37,151,735
Contributions	-	1,163,374	1,163,374
Contributions - perpetual endowment	-	20,000	20,000
Interfund transfers	40,000	(97,592)	(57,592)
Investment income (expense), net	13,236	587,445	600,681
Distributions	-	(1,594,091)	(1,594,091)
Net appreciation	76,991	4,512,599	4,589,590
Endowment net assets, end of year	<u>\$ 697,570</u>	<u>41,176,127</u>	<u>41,873,697</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 610,243	30,257,771	30,868,014
Contributions	-	13,173,036	13,173,036
Contributions - perpetual endowment	-	20,000	20,000
Interfund transfers	67,769	(393,097)	(325,328)
Investment income (expense), net	(17,981)	264,729	246,748
Distributions	-	(812,062)	(812,062)
Net depreciation	(92,688)	(5,925,985)	(6,018,673)
Endowment net assets, end of year	<u>\$ 567,343</u>	<u>36,584,392</u>	<u>37,151,735</u>

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(7) Property and Equipment

A description of property and equipment at December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 866	866
Office equipment	4,698	13,076
	<u>5,564</u>	<u>13,942</u>
Less accumulated depreciation	2,068	11,399
	<u>\$ 3,496</u>	<u>2,543</u>

(8) Operating Leases

The Foundation leases office space under an operating lease agreement which expires June 30, 2024, and has elected to account for the lease as a short-term lease under ASC 842. The components of lease expense for the years ended December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Short-term lease cost	\$ 16,050	15,300

Future minimum rentals for the year ending December 31, 2024, are \$8,250.

(9) Land Held for Sale and Investment

The Foundation received donated land in 2013, which was recorded at the appraised value at the time of gift in the amount of \$25,500. The land was held for sale at December 31, 2023 and 2022.

(10) Cash Surrender Value of Life Insurance

Cash surrender value of life insurance represents the cash value of a contributed life insurance policy. The Foundation records the change in value on an annual basis. The cash surrender value of life insurance at December 31, 2023 and 2022, was \$22,760 and \$22,683, respectively.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(11) Liquidity

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets, at end of year:		
Cash and cash equivalents	\$ 1,069,501	8,253,561
Short-term investments	1,944	4,256,152
Investments	41,654,296	25,722,786
Promises to give	3,527	2,554
Other receivables	1,143	893
	<u>42,730,411</u>	<u>38,235,946</u>
Less those unavailable for general expenditure within one year, due to:		
Donor restrictions as to time or purpose	(41,215,836)	(36,597,407)
Board designated restrictions	(697,570)	(567,344)
	<u>\$ 817,005</u>	<u>1,071,195</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. In addition, the Foundation has endowment assets that may be appropriated for expenditure by the Foundation in accordance with the standard of prudence by the North Carolina UPMIFA (see note 6), although the Foundation does not intend to spend from its endowment other than amounts appropriated for general expenditure.

(12) Retirement Plan

The Foundation offers a SIMPLE IRA retirement plan to eligible employees. The Foundation matches 100% of employee contributions up to 3% of compensation. Retirement expense for the years ended December 31, 2023 and 2022, was \$6,229 and \$5,515, respectively.

COMMUNITY FOUNDATION OF BURKE COUNTY

Notes to Financial Statements, Continued

(13) Summary of Disclosure of Significant Contingencies

Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees and volunteers, and natural disasters. The Foundation carries commercial insurance for risks of loss. Claims have not exceeded coverage in any period since inception.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF BURKE COUNTY

Schedule of Gifts for Charitable Purposes

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Advancing the arts and humanities	\$ 282,740	67,012
Improving human services	349,457	375,362
Enhancing our environment	54,796	88,853
Improving educational opportunities	263,964	220,140
Promoting access to quality health care	911,662	107,559
Religion	330,606	260,934
Building the community and economic vitality	21,286	18,624
Total	<u>\$ 2,214,511</u>	<u>1,138,484</u>