

**The Community Foundation Serving
Boulder County**

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

Board of Directors The Community Foundation Serving Boulder County

Opinion

We have audited the accompanying consolidated financial statements of The Community Foundation Serving Boulder County (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Board of Directors
The Community Foundation Serving Boulder County

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 consolidated 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 consolidated 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Kundinger, Corder & Montoya, P.C.

October 25, 2023

The Community Foundation Serving Boulder County
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 31,253,270	1,163,834
Investments (note 3)	67,784,771	586,129
Beneficial interest in assets held by Greater Horizons (note 4)		
Cash and cash equivalents	–	9,064,581
Investments (note 3)	–	73,945,656
Contributions receivable (note 5)	109,145	4,228,374
Charitable remainder trust (notes 3 and 7)	95,279	128,108
Property and equipment, net (note 8)	4,405,494	4,519,155
Asset held for sale (note 9)	4,300,000	–
Prepaid expenses and other assets	60,369	73,366
	108,008,328	93,709,203
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	293,907	182,248
Grants payable (note 1(l))	61,709	241,006
Liabilities under charitable remainder trust (note 7)	45,913	58,176
Notes payable (note 11)	2,746,107	2,826,494
Assets held for others (note 10)	7,722,682	6,531,443
	10,870,318	9,839,367
Total liabilities		
Net assets		
Net assets without donor restrictions	96,981,155	79,523,435
Net assets with donor restrictions (note 12)	156,855	4,346,401
	97,138,010	83,869,836
Total net assets		
Commitments (notes 11, 13 and 14)		
	\$ 108,008,328	93,709,203
Total liabilities and net assets		

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County
Consolidated Statement of Activities
Year Ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 45,015,157	82,792	45,097,949
Net investment loss	(9,911,242)	–	(9,911,242)
In-kind contributions (note 1(m))	4,300,000	–	4,300,000
Program revenue and other income	10,995	–	10,995
Investment management fees	96,727	–	96,727
Rental income (note 14)	216,982	–	216,982
Change in value of charitable remainder trust	–	(20,317)	(20,317)
Net assets released from restrictions (note 12)	4,252,021	(4,252,021)	–
Total revenue and support	<u>43,980,640</u>	<u>(4,189,546)</u>	<u>39,791,094</u>
Expenses			
Program services	23,913,339	–	23,913,339
Supporting services			
Management and general	1,774,452	–	1,774,452
Fundraising	835,129	–	835,129
Total supporting services	<u>2,609,581</u>	<u>–</u>	<u>2,609,581</u>
Total expenses	<u>26,522,920</u>	<u>–</u>	<u>26,522,920</u>
Change in net assets	17,457,720	(4,189,546)	13,268,174
Net assets at beginning of year	<u>79,523,435</u>	<u>4,346,401</u>	<u>83,869,836</u>
Net assets at end of year	<u>\$ 96,981,155</u>	<u>156,855</u>	<u>97,138,010</u>

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	\$ 16,406,351	4,278,374	20,684,725
Net investment return	6,520,153	–	6,520,153
In-kind contributions (note 1(m))	195	–	195
Program revenue and other income	34,449	–	34,449
Investment management fees	64,324	–	64,324
Rental income (note 14)	267,725	–	267,725
Change in value of charitable remainder trust	–	5,267	5,267
Net assets released from restrictions (note 12)	30,000	(30,000)	–
Total revenue and support	<u>23,323,197</u>	<u>4,253,641</u>	<u>27,576,838</u>
Expenses			
Program services	13,240,216	–	13,240,216
Supporting services			
Management and general	1,400,527	–	1,400,527
Fundraising	720,767	–	720,767
Total supporting services	<u>2,121,294</u>	<u>–</u>	<u>2,121,294</u>
Total expenses	<u>15,361,510</u>	<u>–</u>	<u>15,361,510</u>
Change in net assets	7,961,687	4,253,641	12,215,328
Net assets at beginning of year	<u>71,561,748</u>	<u>92,760</u>	<u>71,654,508</u>
Net assets at end of year	<u>\$ 79,523,435</u>	<u>4,346,401</u>	<u>83,869,836</u>

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program services	Supporting services			Total
		Management and general	Fund raising	Total supporting services	
Grants	\$ 23,261,157	–	–	–	23,261,157
Salaries, payroll taxes, and benefits	467,929	566,527	547,422	1,113,949	1,581,878
Office expenses	6,222	226,605	233,479	460,084	466,306
Consultant and contract employees	155,488	451,309	2,874	454,183	609,671
Professional fees and insurance	243	105,091	2,353	107,444	107,687
Information technology	17,520	83,648	–	83,648	101,168
Interest expense	–	98,705	–	98,705	98,705
Property taxes	–	59,780	–	59,780	59,780
Advertising and marketing	429	14,652	855	15,507	15,936
Meetings and events	4,132	23,086	35,136	58,222	62,354
Printing and publications	219	23,553	12,468	36,021	36,240
Other	–	3,582	360	3,942	3,942
Conference and travel	–	14,756	129	14,885	14,885
Bad debt expense	–	(10,450)	–	(10,450)	(10,450)
Depreciation	–	113,608	53	113,661	113,661
	<u>\$ 23,913,339</u>	<u>1,774,452</u>	<u>835,129</u>	<u>2,609,581</u>	<u>26,522,920</u>

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program services	Supporting services			Total
		Management and general	Fund raising	Total supporting services	
Grants	\$ 12,515,692	–	–	–	12,515,692
Salaries, payroll taxes, and benefits	493,682	563,452	544,846	1,108,298	1,601,980
Office expenses	2,254	250,866	120,066	370,932	373,186
Consultant and contract employees	208,475	52,089	15,390	67,479	275,954
Professional fees and insurance	–	161,978	–	161,978	161,978
Information technology	8,646	72,734	1,088	73,822	82,468
Interest expense	–	93,581	–	93,581	93,581
Property taxes	–	55,719	–	55,719	55,719
Advertising and marketing	2,928	38,569	10,264	48,833	51,761
Meetings and events	3,343	8,636	18,278	26,914	30,257
Printing and publications	2,291	1,938	9,380	11,318	13,609
Other	2,823	–	455	455	3,278
Conference and travel	82	83	–	83	165
Bad debt expense	–	(20,791)	–	(20,791)	(20,791)
Depreciation	–	121,673	1,000	122,673	122,673
	<u>\$ 13,240,216</u>	<u>1,400,527</u>	<u>720,767</u>	<u>2,121,294</u>	<u>15,361,510</u>

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County

Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 13,268,174	12,215,328
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments	11,206,755	(5,446,435)
Depreciation	113,661	122,673
Assets held for sale	(4,300,000)	–
Change in charitable remainder trust	20,566	(6,085)
Changes in operating assets and liabilities		
Contributions receivable	4,119,229	(3,973,364)
Notes receivable – program-related investments	–	89,999
Prepaid expenses and other assets	12,997	(7,046)
Accounts payable and accrued liabilities	111,659	(46,610)
Grants payable	(179,297)	(55,953)
Assets held for others	1,191,239	1,237,298
Net cash provided by operating activities	25,564,983	4,129,805
Cash flows from investing activities		
Net purchases of investments	(4,459,741)	(5,934,479)
Purchases of property and equipment	–	(23,286)
Net cash used in investing activities	(4,459,741)	(5,957,765)
Cash flows from financing activities		
Repayments of bank loan	(80,387)	(62,289)
Net cash used in financing activities	(80,387)	(62,289)
Net increase (decrease) in cash and cash equivalents	21,024,855	(1,890,249)
Cash and cash equivalents at beginning of year	10,228,415	12,118,664
Cash and cash equivalents at end of year	\$ 31,253,270	10,228,415
Supplemental Disclosure		
Interest paid	98,705	93,581
Reconciliation of cash and cash equivalents at end of year		
Cash and cash equivalents	\$ 31,253,270	1,163,834
Beneficial interest in cash and cash equivalents held by Greater Horizons	–	9,064,581
	\$ 31,253,270	10,228,415

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

The Community Foundation Serving Boulder County (the Foundation) was established in 1991. The Foundation receives, administers, and disburses funds for public, charitable, educational, scientific, literary, environmental, health and human services, and other benevolent purposes. The Foundation finances its operations largely through donations and investment earnings. The Foundation exists to encourage and strengthen philanthropy, enhance the structure and capacity of local not-for-profit agencies, provide opportunities to improve the quality of life in Boulder County communities, and to benefit future generations.

The Foundation provides funding and creates connections between nonprofit organizations and the resources they need. They look to those nonprofits to help the Foundation respond to community needs and opportunities.

Greater Horizons

Through December 31, 2021, the Foundation partnered with Greater Horizons (GH), a wholly-owned nonprofit subsidiary of the Greater Kansas City Community Foundation, which provided the Foundation with back office administration, accounting, and access to institutional quality pooled investment funds. GH provides these services to community foundations throughout the country. To provide its customers with assurance regarding its accounting and internal control systems, GH completes an annual internal control audit (SOC 1) and a financial statement audit.

The Foundation had granted variance power to GH, allowing GH to make final decisions regarding distributions from the Foundation's assets. However, if GH intended to exercise its variance power, it must have notified the Foundation in advance and allow the Foundation to terminate the arrangement and withdraw its assets. See note 4.

As of December 31, 2021, this arrangement with Greater Horizons has been terminated and the back office administration, accounting, and investment management has been brought in-house.

(b) Financial Statement Presentation

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiaries described below. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

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

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Financial Statement Presentation, Continued

Financial Statement Presentation

The Foundation is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation did not have any net assets required to be maintained in perpetuity as of December 31, 2022 or 2021.

(c) Organizational Structure

For liability protection and management of certain gifts, the Foundation formed the following subsidiaries:

- 1123 Spruce Street LLC, a Colorado limited liability company which owns the office building where the Foundation conducts its operations. The Foundation is the sole member of the LLC.
- TCFSO, a Colorado nonprofit corporation that is wholly owned by the Foundation; a supporting organization that wholly owns the following LLCs:
 - Pledge 1% Colorado LLC (Pledge 1%), a Colorado limited liability company which holds donated stock warrants and other securities of privately held companies.
 - Willard, LLC, a Colorado limited liability company which holds a real estate remainder interest.

(d) Cash and Cash Equivalents

Cash and cash equivalents include money market accounts and certificates of deposit. For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid instruments with original maturities of three months or less and which are not held as part of the investment portfolio to be cash equivalents.

(e) Concentrations

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, contributions receivable and notes receivable – program-related investments. The Foundation places its cash and cash equivalents with creditworthy, high-quality financial institutions. A significant portion of the cash funds are not insured by the FDIC. Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the organizations from whom the amounts are due. Credit risk with respect to notes receivable – program-related investments varies based on the creditworthiness and past collection experience of the organizations to which the Foundation provides the loans.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations, Continued

Investments are under the guidance of the Foundation's investment committee and independent advisors. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Foundation believes that the investment policy is prudent for the long-term welfare of the Foundation.

(f) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(g).

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The value of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Occasionally, the Foundation receives noncash donations, such as real estate or equity securities of privately held companies, which do not have readily determinable market values. Donations of such investments are reported at fair value, estimated based upon evaluation of individual assets and sales of comparable assets. The Foundation holds warrants for stock and other ownership interests in privately held companies. No value is included for these assets unless there is a liquidity event to establish the market value.

It is the Foundation's policy to sell contributed publicly traded securities upon receipt. In cases where the security contains restrictions, the security is liquidated as soon as possible.

Investment return consists of the Foundation's distributive share of interest, dividends, and capital gains and losses generated from investments. Realized gains and losses attributable to the Foundation's investments are reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability, and;
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

(h) Contributions and Contributions Receivable

Contributions are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. The Foundation's bylaws and all donor agreements grant variance power to the Foundation's Board. Variance power allows the Board to modify or vary donor restrictions if they become incapable of fulfillment or are inconsistent with the charitable needs of the community. The Foundation strives to honor donor's charitable intent and accepts grant recommendations from donors. However, by virtue of its variance power the Foundation generally reports contributions as having no donor restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation records contributions with donor restrictions as having no donor restrictions if the restrictions are met in the same reporting period.

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Contributions and Contributions Receivable, Continued

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year, less an allowance for doubtful accounts. Management uses the allowance method to determine uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2022, management considers all contributions receivable to be fully collectible.

(i) Notes Receivable – Program-Related Investments

The Foundation makes loans as program-related investments for charitable purposes. The notes are made at varying interest rates over varying terms. Loans with below market interest rates are not discounted to net present value because the discount would not be significant to the financial statements. Loans receivable are carried at the unpaid principal balances. Past due status is determined based on contractual terms. Loans are evaluated for collectibility if full principal or interest payments are not anticipated in accordance with contractual terms. If a loan is deemed uncollectible, it is charged against their allowance or expensed in the period it is deemed uncollectible. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal outstanding.

(j) Charitable Remainder Trust

The Foundation occasionally receives gifts from donors who establish charitable remainder trusts naming the Foundation as trustee. Such trusts require the Foundation to make lifetime distributions to designated beneficiaries. The payments are made from the income or principal of the assets donated pursuant to the trust agreement. Upon the death of the beneficiary, assets remaining in such trusts will be transferred to the Foundation or another designated entity.

The Foundation records assets held in such trusts at fair value and records a liability at the estimated present value of the amounts due to the beneficiaries. The excess of the gift's fair value over the corresponding liability is recognized as support in the year of the gift. In subsequent years, gains or losses from changes in actuarial assumptions, accretions of the discount, and investment gains or losses are recorded as increases or decreases in the value of charitable remainder trusts in the consolidated statement of activities.

(k) Property and Equipment

Property and equipment is recorded at cost if purchased or fair value at the date of donation. The Foundation capitalizes all property and equipment with a cost of \$2,000 or more. Depreciation of owned assets is calculated using the straight-line method over estimated useful lives of the assets ranging from 3 to 40 years.

(l) Grants

Grants are recorded as an expense when approved for payment. Grants authorized but unpaid at year-end are reported as liabilities in the accompanying consolidated statement of financial position. As of December 31, 2022, there was \$16,975,000 in conditional grants payable related to unmet needs and rebuilding from the Wildfire Fund that are authorized and paid based on need up to an approved amount.

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) In-Kind Contributions

The Foundation received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Land held for sale (note 9)	\$ 4,300,000	—
Supplies	<u>—</u>	<u>195</u>
Total in-kind contributions	\$ <u>4,300,000</u>	<u>195</u>

Contributed goods and supplies are recorded as contributions and corresponding assets or expenses at their estimated fair values at the date of donation. Donated land is valued based on the appraisal report at the date of donation. Donated goods and supplies are valued using the current price located on a publicly available website if the item is a match for the website item when donated.

Contributed services are recognized as in-kind contributions at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. The Foundation also receives a significant amount of donated services from unpaid volunteers who assist with the Foundation's activities. No amounts have been recognized in the statements of activities for volunteers' donated services because the criteria for recognition have not been satisfied.

(n) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. The majority of Foundation expenses directly relate and can be assigned to a specific program of supporting activity. Costs which are not attributable to a specific program or supporting activity are allocated by management on a consistent basis such as estimates of time and effort incurred by staff.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The Foundation is a not-for-profit organization and is generally exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. The Foundation's wholly-owned subsidiary TCFSO has been designated a Type 2 supporting organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Spruce Steet LLC is considered a disregarded entity on the Foundation's tax return. The Foundation is subject to income tax on unrelated business income derived from certain partnership investments and rental income from a debt-financed office building. However, the Foundation had no taxable income to report in 2022 or 2021 from these activities.

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Income Taxes, Continued

The Foundation follows *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Foundation to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The Foundation's tax returns for the previous three years are subject to examination by the IRS.

(q) New Accounting Pronouncement

During 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standards is aimed at increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to the presentation and disclosure. The provisions of ASU No. 2020-007 have been implemented in the accompanying financial statements on a retrospective basis. The amendments under this accounting standard update do not change the recognition and measurement requirements for contributed nonfinancial assets. Accordingly, there is no effect on net assets in connection with its implementation.

(r) Subsequent Events

The Foundation has evaluated subsequent events through October 25, 2023, the date the consolidated financial statements were available to be issued.

(2) Availability and Liquidity of Financial Assets

The Foundation's financial assets available to meet cash needs for general expenditure within one year totals \$96,014,826 as of December 31, 2022. None of these financial assets are subject to donor or other contractual agreements that make them unavailable for general expenditure.

The Foundation manages its financial assets to provide resources for the annual costs of its operations by strategically investing through a broadly diversified asset allocation model that meets the long-term expected needs of the Foundation. The Foundation expects to have sufficient cash flow for monthly obligations for the year ending December 31, 2023.

The Foundation has unrestricted cash equivalent reserves in excess of \$3,200,000 as of December 31, 2022, upon which it could draw if necessary.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets, Continued

The following represents the Foundation's financial assets at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 31,253,270	10,228,415
Investments	67,784,771	586,129
Beneficial interest in investments held by GH	—	73,945,656
Asset held for sale	4,300,000	—
Contributions receivable, due in one year	109,145	4,228,374
Accounts receivable	60,369	46,367
Notes receivable – program-related investments, due in one year	<u>313,022</u>	<u>256,761</u>
Financial assets at year-end	103,820,577	89,291,702
Less amounts unavailable for general expenditures within one year due to contractual restrictions		
Required for debt service	83,069	80,592
Agency endowment liabilities	<u>7,722,682</u>	<u>6,531,443</u>
	<u>7,805,751</u>	<u>6,612,035</u>
Financial assets available for general expenditures within one year	\$ <u>96,014,826</u>	<u>82,679,667</u>

(3) Investments

The Foundation's investment assets are dedicated to providing the financial resources needed to meet the Foundation's charitable objectives.

Marketable securities are exposed to various risks that may cause the reported value of the investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment. The value of certificates of deposit and other fixed income investments fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions.

Investments are stated at their fair values and consist of the following at December 31, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Exchange Traded Funds (ETFs)	\$ 40,131,948	40,131,948	—
Equity funds	13,011,416	13,011,416	—
Bond funds	1,622,187	1,622,187	—
Equity securities	3,875,528	3,875,528	—
Fixed income	838,966	—	838,966
REITs	549,157	549,157	—
Cash, CDs, & money market funds	<u>7,755,569</u>	<u>7,755,569</u>	—
	\$ <u>67,784,771</u>	<u>66,945,805</u>	<u>838,966</u>
Charitable remainder trust	\$ <u>95,279</u>	—	<u>95,279</u>

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

Investments are stated at their fair values and consist of the following at December 31, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equity securities	\$ <u>586,129</u>	<u>586,129</u>	<u>—</u>
Beneficial interest in investments held by Greater Horizons	\$ <u>73,945,656</u>	<u>73,945,656</u>	<u>—</u>
Charitable remainder trust	\$ <u>128,108</u>	<u>—</u>	<u>128,108</u>

Level 1 assets have been valued using the market approach. Level 2 assets have been valued using models or other methodologies. There were no changes in valuation techniques during the current year.

(4) Beneficial Interest in Assets Held by Others

In January 2016, the Foundation transferred cash and investments totaling \$50,864,402 to Greater Horizons (GH) and named itself as the beneficiary. The Foundation granted variance power to GH. The Foundation retains a beneficial interest in those assets and can withdraw all or a portion of the assets (including appreciation) upon approval of the Foundation’s governing board.

In accordance with *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* accounting standard, the transfer was not considered to be a contribution from the Foundation to GH but rather was accounted for as a reciprocal transfer from the Foundation to GH. Therefore, the transfer was reflected in the consolidated statement of financial position as “beneficial interest in assets held by Greater Horizons” and was included in net assets without donor restrictions.

The assets held by GH were in cash, certificates of deposit, marketable equity and fixed income securities, and co-mingled investment pools consisting of marketable investments. The Foundation reported its interest in the pool at fair value using information provided by GH. Investment return consisted of the Foundation’s distributive share of any interest, dividends, and capital gains and losses generated from the investments, as well as the change in fair value of the investments.

As of December 31, 2021, the arrangement with Greater Horizons was terminated and all assets were transferred back to the Foundation.

(5) Contributions Receivable

Contributions receivable totaled \$109,145 at December 31, 2022 and \$4,228,374 at December 31, 2021. All receivables are expected to be collected within one year.

At December 31, 2022, the Foundation had no conditional contributions receivable that have not been recorded in the accompanying consolidated financial statements because the conditions have not been met.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(6) Notes Receivable – Program-Related Investments

Program-related investments (PRIs) are strategic investments, beyond grants, made by the Foundation for the specific objective of furthering the Foundation’s charitable purpose. The production of income is not the primary driver of a PRI. The Foundation’s PRIs consist of loans invested in not-for-profit and private sector entities. The Foundation did not enter into a new PRI in the years ended December 31, 2022 and 2021, respectively.

The PRI activity for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Notes receivable, gross beginning of year	\$ 412,237	523,028
Increases	7,795	1,513
Principal payments	<u>(18,246)</u>	<u>(112,304)</u>
Gross subtotal, notes receivable	401,786	412,237
Less uncollectible allowance	<u>(401,786)</u>	<u>(412,237)</u>
Notes receivable, net end of year	\$ <u>—</u>	<u>—</u>

The notes receivable – program-related investments are scheduled to mature as follows for the years ending December 31:

2023	\$ 313,022
2024	40,161
2025	<u>48,603</u>
	\$ <u>401,786</u>

(7) Charitable Remainder Trust

The Foundation serves as trustee for a charitable remainder unitrust whose assets will be transferred to the Foundation’s Open Door Fund upon the beneficiary’s death. Each year of the beneficiary’s lifetime the trust must pay to the beneficiary an amount equal to 10% of the net fair market value of the trust assets valued as of the last business day of the first calendar month of each taxable year.

Trust liabilities are recorded using current interest rates and are adjusted annually for the beneficiary’s estimated life expectancy. The accompanying consolidated statement of financial position includes estimated liabilities of \$45,913 and \$58,176 at December 31, 2022 and 2021, respectively.

(8) Property and Equipment

The Foundation’s property and equipment at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,000,000	1,000,000
Building	4,026,775	4,026,775
Leasehold improvements	3,001	3,001
Office equipment, furniture, and signage	34,824	82,006
Software	<u>—</u>	<u>116,942</u>
	5,064,600	5,228,724
Less accumulated depreciation	<u>(659,106)</u>	<u>(709,569)</u>
Net property and equipment	\$ <u>4,405,494</u>	<u>4,519,155</u>

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(9) Asset Held for Sale

In November 2022 the Foundation received a gift of land that will be sold in the coming year and all proceeds will be used to create a Donor Advised Fund (DAF) in the name of the donor. All costs associated with the maintenance and sale of the property will be the responsibility of the donor. The property was appraised for \$4,300,000 and has been recorded as an asset held for sale on the statement of financial position. The Foundation plans to sell the real estate parcel as soon as feasible and has listed the parcel for sale as of February 2023.

(10) Assets Held for Others

The Foundation has arrangements with certain not-for-profit organizations (NPOs) whereby an NPO transfers assets to the Foundation and specifies itself as beneficiary. In such cases, the Foundation does not report the receipt of these assets as contributions. Even though the NPO has granted the Foundation variance power and the Foundation has legal title to the assets, under U.S. generally accepted accounting principles, such transfers are reported by the Foundation as increases in liabilities. Likewise, grant expense and investment income and expense (including unrealized gains or losses) relating to these funds are reported as changes to the liability. Assets held for others totaled \$7,722,682 at December 31, 2022 and \$6,531,443 at December 31, 2021.

The table below shows the effects of agency endowments on the Foundation's contribution revenue and grant expense for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Total contributions received	\$ 51,817,879	21,641,824
Less amounts received as agency endowments	<u>(2,419,930)</u>	<u>(956,904)</u>
Contributions revenue	\$ <u>49,397,949</u>	<u>20,684,920</u>
Total grants made	\$ 23,462,781	12,654,318
Less grants made from agency endowments	<u>(201,624)</u>	<u>(138,626)</u>
Grants expense	\$ <u>23,261,157</u>	<u>12,515,692</u>

(11) Notes Payable

In 2016 the Foundation formed 1123 Spruce Street LLC (a special purpose LLC) to acquire an office building in Boulder, Colorado. The Foundation conducts its operations in this building. The purchase of the building was financed in part with a bank loan, a seller loan, and an internal loan from a DAF. During 2021 the bank loan and seller loan were consolidated and refinanced. This \$2.9 million bank loan is payable over seven years and requires principal and interest payments of \$13,763 for 83 months and one payment of \$2,302,566 due on February 26, 2028. The loan bears interest at a fixed rate of 2.99%. During the term of the loan the Foundation must maintain a debt service coverage ratio of 1.0 to 1.0. At December 31, 2022, the Foundation was compliant with this covenant. The balance of this loan at December 31, 2022 totaled \$2,746,107.

In October 2019, the \$500,000 DAF loan was amended to reflect outstanding principal of \$377,295. The loan is payable over five years and requires interest-only payments for 24 months, interest and principal payments for 36 months, and one payment of \$338,779 on November 1, 2024. The loan bears interest at a fixed rate of 1.34% and is secured by a deed of trust on the property. The balance of this loan at December 31, 2022 totaled \$349,061 and is eliminated on the statement of activities as it is an intercompany loan.

The Community Foundation Serving Boulder County
Notes to Consolidated Financial Statements, Continued

(11) Notes Payable, Continued

Future maturities under this note (except the internal DAF loan) is as follows for the years ending December 31:

2023	\$ 83,069
2024	85,397
2025	88,248
2026	90,960
2027	93,756
Thereafter	<u>2,304,677</u>
	<u>\$ 2,746,107</u>

Total interest incurred on these notes in 2022 and 2021 was \$98,705 and \$93,581, respectively.

(12) Net Assets with Donor Restrictions

Donor-restricted net assets consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 109,145	4,228,374
Purpose-restricted gifts	-	50,000
Remainder interest from charitable remainder trust	<u>47,710</u>	<u>68,027</u>
	<u>\$ 156,855</u>	<u>4,346,401</u>

Net assets released from donor restrictions during 2022 and 2021 consisted of \$4,252,021 and \$30,000, respectively, of cash received against contributions receivable and fulfilling restrictions.

(13) Retirement Plan

The Foundation sponsors a 401(k) retirement plan (the Plan), which covers all employees with six consecutive months of service. Employees may elect to defer a portion of their compensation, subject to certain limits. The Plan also provides for a 5% safe harbor contribution, and discretionary matching and profit-sharing contributions by the Foundation. The Foundation contributed \$52,691 and \$70,990 in 2022 and 2021, respectively.

(14) Rental Income

The Foundation leases space to lessees under noncancelable operating leases with remaining terms through January 2025. Certain lessees have the option to extend the lease terms with advance notice. Future minimum rental income on noncancelable operating leases for the years ending December 31 is:

2023	\$ 91,886
2024	48,449
2025	<u>3,958</u>
Total future minimum rental income	<u>\$ 144,293</u>