

**The Community Foundation Serving
Boulder County**

Consolidated Financial Statements

December 31, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 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.

September 28, 2022

The Community Foundation Serving Boulder County
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,163,834	418,685
Investments (note 3)	586,129	148,605
Beneficial interest in assets held by Greater Horizons (note 4)		
Cash and cash equivalents	9,064,581	11,699,979
Investments (note 3)	73,945,656	63,002,266
Contributions receivable (note 5)	4,228,374	255,010
Notes receivable – program-related investments, net (note 6)	–	89,999
Charitable remainder trust (notes 3 and 7)	128,108	127,833
Property and equipment, net (note 8)	4,519,155	4,618,542
Prepaid expenses and other assets	73,366	66,320
	93,709,203	80,427,239
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	182,248	228,858
Grants payable	241,006	296,959
Liabilities under charitable remainder trust (note 7)	58,176	63,986
Notes payable (note 10)	2,826,494	2,888,783
Assets held for others (note 9)	6,531,443	5,294,145
	9,839,367	8,772,731
Total liabilities		
Net assets		
Net assets without donor restrictions	79,523,435	71,561,748
Net assets with donor restrictions (note 11)	4,346,401	92,760
	83,869,836	71,654,508
Total net assets		
Commitments (notes 10, 12 and 13)		
	\$ 93,709,203	80,427,239
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, 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 donations	195	–	195
Program revenue and other income	34,449	–	34,449
Investment management fees	64,324	–	64,324
Rental income (note 13)	267,725	–	267,725
Change in value of charitable remainder trust	–	5,267	5,267
Net assets released from restrictions (note 11)	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 Activities
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue			
Contributions	\$ 15,452,827	80,000	15,532,827
Net investment return	6,962,952	–	6,962,952
In-kind donations	27,165	–	27,165
Program revenue and other income	1,906	–	1,906
Investment management fees	48,620	–	48,620
Rental income (note 13)	279,639	–	279,639
Change in value of charitable remainder trust	–	(7,536)	(7,536)
Net assets released from restrictions (note 11)	184,600	(184,600)	–
Total revenue and support	<u>22,957,709</u>	<u>(112,136)</u>	<u>22,845,573</u>
Expenses			
Program services	11,736,632	–	11,736,632
Supporting services			
Management and general	1,482,459	–	1,482,459
Fundraising	781,183	–	781,183
Total supporting services	<u>2,263,642</u>	<u>–</u>	<u>2,263,642</u>
Total expenses	<u>14,000,274</u>	<u>–</u>	<u>14,000,274</u>
Change in net assets	8,957,435	(112,136)	8,845,299
Net assets at beginning of year	<u>62,604,313</u>	<u>204,896</u>	<u>62,809,209</u>
Net assets at end of year	<u>\$ 71,561,748</u>	<u>92,760</u>	<u>71,654,508</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 Statement of Functional Expenses
Year Ended December 31, 2020

	Program services	Supporting services			Total
		Management and general	Fund raising	Total supporting services	
Grants	\$ 10,334,198	–	–	–	10,334,198
Salaries, payroll taxes, and benefits	579,857	515,469	566,347	1,081,816	1,661,673
Office expenses	815	124,336	80	124,416	125,231
Consultant and contract employees	345,747	161,009	9,642	170,651	516,398
Professional fees and insurance	22,872	270,832	14,218	285,050	307,922
Information technology	446,553	56,323	607	56,930	503,483
Interest expense	–	77,685	–	77,685	77,685
Property taxes	–	46,746	–	46,746	46,746
Advertising and marketing	1,227	103,470	11,776	115,246	116,473
Meetings and events	3,124	–	4,064	4,064	7,188
Printing and publications	1,988	4,518	5,097	9,615	11,603
Other	–	2,033	–	2,033	2,033
Conference and travel	251	386	423	809	1,060
Bad debt expense	–	–	168,929	168,929	168,929
Depreciation	–	119,652	–	119,652	119,652
	<u>\$ 11,736,632</u>	<u>1,482,459</u>	<u>781,183</u>	<u>2,263,642</u>	<u>14,000,274</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 12,215,328	8,845,299
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gain on investments	(5,446,435)	(6,009,322)
Depreciation	122,673	119,652
Change in charitable remainder trust	(6,085)	6,449
Changes in operating assets and liabilities		
Contributions receivable	(3,973,364)	206
Investment proceeds receivable	—	551,098
Notes receivable – program-related investments	89,999	256,456
Prepaid expenses and other assets	(7,046)	(32,365)
Accounts payable and accrued liabilities	(46,610)	(104,877)
Grants payable	(55,953)	276,859
Assets held for others	1,237,298	1,082,148
Net cash provided by operating activities	<u>4,129,805</u>	<u>4,991,603</u>
Cash flows from investing activities		
Net proceeds from (purchases of) investments	(5,934,479)	808,517
Purchases of property and equipment	(23,286)	(14,435)
Net cash provided by (used in) investing activities	<u>(5,957,765)</u>	<u>794,082</u>
Cash flows from financing activities		
Repayments of bank loan	(62,289)	(51,414)
Net cash used in financing activities	<u>(62,289)</u>	<u>(51,414)</u>
Net increase (decrease) in cash and cash equivalents	(1,890,249)	5,734,271
Cash and cash equivalents at beginning of year	<u>12,118,664</u>	<u>6,384,393</u>
Cash and cash equivalents at end of year	<u>\$ 10,228,415</u>	<u>12,118,664</u>
Supplemental Disclosure		
Interest paid	<u>93,581</u>	<u>77,685</u>
Reconciliation of cash and cash equivalents at end of year		
Cash and cash equivalents	\$ 1,163,834	418,685
Beneficial interest in cash and cash equivalents held by Greater Horizons	<u>9,064,581</u>	<u>11,699,979</u>
	<u>\$ 10,228,415</u>	<u>12,118,664</u>

See the accompanying notes to the consolidated financial statements.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(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

The Foundation partners with Greater Horizons (GH), a wholly-owned nonprofit subsidiary of the Greater Kansas City Community Foundation, which provides 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 granted variance power to GH, allowing GH to make final decisions regarding distributions from the Foundation's assets. However, if GH intends to exercise its variance power, it must notify 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

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, 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.
- 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. Because of inherent uncertainties of the valuation of alternative investments, the recorded market values of such investments may differ significantly from realizable values. 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, 2021, 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 \$500 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.

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

(1) Summary of Significant Accounting Policies, Continued

(m) In-Kind Contributions

In-kind contributions are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation, or capitalized if they meet certain criteria. Donated services are recognized when they (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.

(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. 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 for 2021 from these activities.

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) Subsequent Events

The Foundation has evaluated subsequent events through September 28, 2022, the date the consolidated financial statements were available to be issued.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets

The Foundation's financial assets available to meet cash needs for general expenditure within one year exceeds \$82,679,667 as of December 31, 2021. This amount represents investments that are held in cash equivalents or are able to be liquidated within one year. None of these financial assets are subject to donor or other contractual agreements that make them unavailable for general expenditure. As described in note 4, the Foundation has the right to withdraw its assets held by Greater Horizons, and therefore considers the entire balance to be available for general expenditures.

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, 2022.

The Foundation has unrestricted cash equivalent reserves in excess of \$3,200,000 as of December 31, 2021, upon which it could draw if necessary.

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 10,228,415	12,118,664
Investments	586,129	148,605
Beneficial interest in investments held by GH	73,945,656	63,002,266
Contributions receivable, due in one year	4,228,374	255,010
Accounts receivable	46,367	26,053
Notes receivable – program-related investments, due in one year	<u>256,761</u>	<u>90,000</u>
Financial assets at year-end	89,291,702	75,640,598
Less amounts unavailable for general expenditures within one year due to contractual restrictions		
Required for debt service	80,592	59,437
Required to meet debt covenant	–	1,000,000
Agency endowment liabilities	<u>6,531,443</u>	<u>5,294,145</u>
	<u>6,612,035</u>	<u>6,353,582</u>
Financial assets available for general expenditures within one year	\$ <u>82,679,667</u>	<u>69,287,016</u>

(3) Investments

The Foundation's investment assets, which consist of publicly traded securities and beneficial interest in investments held by Greater Horizons, 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 fluctuate in response to changing interest rates, credit worthiness of issuers, and overall economic policies that impact market conditions.

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>
Publicly traded 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>

Investments are stated at their fair values and consist of the following at December 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Publicly traded securities	\$ <u>148,605</u>	<u>148,605</u>	<u>—</u>
Beneficial interest in investments held by Greater Horizons	\$ <u>63,002,266</u>	<u>63,002,266</u>	<u>—</u>
Charitable remainder trust	\$ <u>127,833</u>	<u>—</u>	<u>127,833</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

Effective January 1, 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 is reflected in the consolidated statement of financial position as “beneficial interest in assets held by Greater Horizons” and is included in net assets without donor restrictions.

The assets held by GH are in cash, certificates of deposit, marketable equity and fixed income securities, and co-mingled investment pools consisting of marketable investments. The Foundation reports its interest in the pool at fair value using information provided by GH. Investment return consists 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.

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(5) Contributions Receivable

Contributions receivable of \$4,228,374 are expected to be received in one year or less as of December 31, 2021. \$3,817,210 of this balance is related to the timing of the contributions related to the Boulder County Wildfire Fund.

At December 31, 2021, 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.

(6) Notes Receivable – Program-related Investments

Notes receivable – program-related investments are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note receivable, interest at 3.51% with quarterly interest and principal payments due through July 2022	\$ 191,704	190,489
Note receivable, interest at 1.00% with monthly interest and principal payments due through September 2025	119,499	129,669
Note receivable, interest at 1.00% with monthly interest and principal payments due through January 2024	101,034	112,870
Note receivable, interest at 0.00% with annual principal payments due through December 2021	<u>—</u>	<u>90,000</u>
	412,237	523,028
Less: allowance for doubtful accounts	<u>(412,237)</u>	<u>(433,029)</u>
Total notes receivable – program-related investments, net	\$ <u>—</u>	<u>89,999</u>

The notes receivable – program-related investments are scheduled to mature as follows for the year ending December 31, 2021:

2022	\$ 256,761
2023	65,711
2024	41,162
2025	<u>48,603</u>
	\$ <u>292,738</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 \$58,176 and \$63,986 at December 31, 2021 and 2020.

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

(8) Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 1,000,000	1,000,000
Building	4,026,775	4,007,660
Leasehold improvements	3,001	3,001
Office equipment, furniture, and signage	82,006	77,836
Software	<u>116,942</u>	<u>116,942</u>
	5,228,724	5,205,439
Less accumulated depreciation	<u>(709,569)</u>	<u>(586,897)</u>
Net property and equipment	\$ <u>4,519,155</u>	<u>4,618,542</u>

(9) 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 \$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>2021</u>	<u>2020</u>
Total contributions received	\$ 21,641,824	16,239,034
Less amounts received as agency endowments	<u>(956,904)</u>	<u>(706,207)</u>
Contributions revenue	\$ <u>20,684,920</u>	<u>15,532,827</u>
Total grants made	\$ 12,654,318	10,456,277
Less grants made from agency endowments	<u>(138,626)</u>	<u>(122,079)</u>
Grants expense	\$ <u>12,515,692</u>	<u>10,334,198</u>

The Community Foundation Serving Boulder County

Notes to Consolidated Financial Statements, Continued

(10) 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 \$5 million purchase price was financed in part with a bank loan of \$2.1 million, a seller loan of \$1.0 million, and a \$500,000 internal loan from a donor-advised fund (DAF).

The \$2.1 million bank loan and the \$1.0 million seller loan were consolidated and refinanced in February 2021. 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, 2021, the Foundation was compliant with this covenant.

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.

Future maturities under this note (except the internal DAF loan) is as follows as of December 31, 2021:

2022	\$	80,592
2023		83,069
2024		85,397
2025		88,248
2026		90,960
Thereafter		<u>2,398,228</u>
	\$	<u>2,826,494</u>

Total interest incurred on these notes in 2021 and 2020 was \$93,581 and \$76,472.

(11) Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 4,228,374	30,000
Purpose-restricted gifts	50,000	—
Remainder interest from charitable remainder trust	<u>68,027</u>	<u>62,760</u>
	\$ <u>4,346,401</u>	<u>92,760</u>

Net assets released from donor restrictions during 2021 and 2020 consisted of \$30,000 and \$184,600, respectively, of cash received against contributions receivable.

(12) 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 \$70,990 and \$80,389 in 2021 and 2020, respectively.

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

(13) Rental Income

The Foundation leases space to lessees under noncancelable operating leases with remaining terms through January 2023. Certain lessees have the option to extend the lease terms with advance notice. Future minimum rental income on noncancelable operating leases as of December 31, 2021 is:

2022	\$ 113,148
2023	<u>6,483</u>
Total future minimum rental income	\$ <u>119,631</u>

(14) Paycheck Protection Program Loan

In April 2020, the Foundation received a \$225,009 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The Foundation recognized contribution revenue totaling \$225,009 in 2020 as a result of incurring eligible expenses during the year. The Foundation received forgiveness of the loan from the SBA on November 2, 2020.