
Community Foundation of Northern Colorado

Consolidated Financial Report
June 30, 2023

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Independent Auditor's Report

To the Board of Trustees
Community Foundation of Northern Colorado

Opinion

We have audited the consolidated financial statements of Community Foundation of Northern Colorado and its subsidiary (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2023 and 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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 Consolidated 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 issued or available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated 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 audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

To the Board of Trustees
Community Foundation of Northern Colorado

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

December 12, 2023

Community Foundation of Northern Colorado

Consolidated Statement of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ -	\$ 765,116
Investments	183,630,389	166,507,684
Contributions receivable - Net	-	170,000
Prepaid expenses and other assets	59,965	45,377
Assets held for resale	750,000	-
Beneficial interest in trusts held by third parties	2,828,183	2,845,399
Property and equipment - Net	821,719	835,695
	<u>\$ 188,090,256</u>	<u>\$ 171,169,271</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 596,071	\$ 103,495
Split-interest agreement liabilities	8,035,710	7,870,008
Assets held for agency funds	42,262,987	39,211,814
	<u>50,894,768</u>	<u>47,185,317</u>
Total liabilities		
Net Assets		
Without donor restrictions	71,232,396	67,359,529
With donor restrictions	65,963,092	56,624,425
	<u>137,195,488</u>	<u>123,983,954</u>
Total net assets		
	<u>\$ 188,090,256</u>	<u>\$ 171,169,271</u>
Total liabilities and net assets		

Community Foundation of Northern Colorado

Consolidated Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains (Losses), and Other Support						
Contributions	\$ 4,330,643	\$ 9,133,797	\$ 13,464,440	\$ 11,709,920	\$ 2,950,242	\$ 14,660,162
Nonfinancial contributions	750,000	-	750,000	-	-	-
Less agency contributions	(2,343,183)	-	(2,343,183)	(3,330,483)	-	(3,330,483)
Management fees	325,668	-	325,668	323,247	-	323,247
Net realized and unrealized gains (losses) on investments	6,499,510	6,180,260	12,679,770	(12,843,007)	(9,433,537)	(22,276,544)
Interest and dividend income - Net	1,809,613	1,770,300	3,579,913	1,371,357	1,256,204	2,627,561
Net investment (loss) earnings of agency funds	(3,715,712)	-	(3,715,712)	4,100,682	-	4,100,682
Change in value of split-interest agreements	-	(1,388,203)	(1,388,203)	-	403,730	403,730
Other revenue	15,031	-	15,031	-	(3,083)	(3,083)
Net assets released from restrictions	6,357,487	(6,357,487)	-	2,961,181	(2,961,181)	-
Total revenue, gains (losses), and other support	14,029,057	9,338,667	23,367,724	4,292,897	(7,787,625)	(3,494,728)
Expenses						
Program services:						
Grant-making and program expenses	11,345,512	-	11,345,512	9,177,149	-	9,177,149
Less agency funds grants	(2,683,058)	-	(2,683,058)	(1,082,154)	-	(1,082,154)
Total program services	8,662,454	-	8,662,454	8,094,995	-	8,094,995
Support services:						
Management and general	867,092	-	867,092	895,310	-	895,310
Fundraising	626,644	-	626,644	695,123	-	695,123
Total support services	1,493,736	-	1,493,736	1,590,433	-	1,590,433
Total expenses	10,156,190	-	10,156,190	9,685,428	-	9,685,428
Increase (Decrease) in Net Assets	3,872,867	9,338,667	13,211,534	(5,392,531)	(7,787,625)	(13,180,156)
Net Assets - Beginning of year	67,359,529	56,624,425	123,983,954	72,752,060	64,412,050	137,164,110
Net Assets - End of year	\$ 71,232,396	\$ 65,963,092	\$ 137,195,488	\$ 67,359,529	\$ 56,624,425	\$ 123,983,954

Community Foundation of Northern Colorado

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services		Support Services		Total
	Grant-making and Program	Management and General	Fundraising		
Grants and program expenses	\$ 7,770,421	\$ -	\$ -	\$ 7,770,421	
Salaries and benefits	787,052	469,963	448,905	1,705,920	
Technology expenses	51,046	64,276	51,046	166,368	
Professional services	36,296	92,611	33,968	162,875	
Office supplies and expenses	11,910	98,759	6,792	117,461	
Development, events, and travel	5,729	25,798	85,933	117,460	
Marketing and printing	-	41,668	-	41,668	
Depreciation	-	41,522	-	41,522	
Occupancy costs	-	32,495	-	32,495	
Total functional expenses	\$ 8,662,454	\$ 867,092	\$ 626,644	\$ 10,156,190	

Community Foundation of Northern Colorado

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program	Support Services		Total
	Services	Management	Fundraising	
	Grant-making	and General		
	and Program			
Grants and program expenses	\$ 7,435,748	\$ -	\$ -	\$ 7,435,748
Salaries and benefits	604,465	491,364	484,647	1,580,476
Professional services	29,133	124,386	101,957	255,476
Office supplies and expenses	9,939	81,450	30,107	121,496
Development, events, and travel	-	31,697	62,702	94,399
Technology expenses	15,710	68,771	15,710	100,191
Depreciation	-	39,490	-	39,490
Occupancy costs	-	34,293	-	34,293
Marketing and printing	-	23,859	-	23,859
Total functional expenses	\$ 8,094,995	\$ 895,310	\$ 695,123	\$ 9,685,428

Community Foundation of Northern Colorado

Consolidated Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 13,211,534	\$ (13,180,156)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	41,522	39,490
Contribution of investments	(832,028)	(133,114)
Donated asset held for sale	(750,000)	-
Net realized and unrealized (loss) gain on investments	(12,679,770)	22,276,544
Change in present value of contributions receivable	-	(1,565)
Change in value of split-interest agreements	1,388,203	(403,730)
Gain on sale of property and equipment	-	6,568
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Contributions receivable	170,000	16,000
Prepaid expenses and other assets	(14,588)	(24,770)
Accounts payable and accrued liabilities	492,576	3,752
Assets held for agency funds	3,051,173	(2,168,639)
Net cash and cash equivalents provided by operating activities	4,078,622	6,430,380
Cash Flows from Investing Activities		
Purchases of investments	(64,991,811)	(82,322,472)
Proceeds from sales and maturities of investments	61,380,904	76,810,763
Payments received on notes receivable	-	29,363
Purchase of property and equipment	(27,546)	(112,578)
Proceeds from sale of assets	-	1,000
Net cash and cash equivalents used in investing activities	(3,638,453)	(5,593,924)
Cash Flows Used in Financing Activities - Payments on split-interest annuity agreements	(1,205,285)	(1,268,334)
Net Decrease in Cash and Cash Equivalents	(765,116)	(431,878)
Cash and Cash Equivalents - Beginning of year	765,116	1,196,994
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 765,116</u>

Note 1 - Nature of Business

Community Foundation of Northern Colorado (the "Foundation") was established in 1975 to encourage and assist those who want to be a part of shaping the future of our region. We make it easy to create a charitable legacy through the creation of both endowed and nonendowed customized charitable funds, and we connect people to the not-for-profit sector in ways that inform and inspire their philanthropy and community involvement. Through hundreds of individual charitable funds, we distribute millions of dollars into our community each year. Through initiatives, forums, and educational events, we bring people together to create greater impact. For those who wish to give back to their community, we serve as a long-term, strategic partner to make their donations of time and money more effective and enjoyable. Our vision is to create impact and leave legacy. Our mission is to create transformational community impact by inspiring philanthropy and engaging the region.

Note 2 - Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts and operations of the Foundation and its supporting organization, Community Foundation Trust (the "Trust"). All material intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

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, where the donor has stipulated the funds be maintained in perpetuity.

The Foundation receives gifts from individuals, foundations, and organizations and places them into individual funds that match the giving priorities of the donors. Some of the gifts are endowment gifts, which are preserved in perpetuity subject to the variance power discussed below. Endowment gifts are subject to a spending policy of 4.5 percent.

Under the terms of the articles of incorporation and bylaws, the board of trustees has a variance power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the board, such restriction or condition becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served. In addition, pursuant to the terms of endowment fund agreements, the Foundation retains the ultimate authority and control over the investment, expenditure, distribution, and grants of principal and income from endowment funds. It is the expressed intention of the Foundation to honor the designations of donors; however, the Foundation reserves the right to exercise final control over such funds.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the accompanying consolidated financial statements, the Foundation considers all highly liquid investments with original maturities of three months or less when purchased, unless held as part of the investment portfolio, to be cash equivalents. At times, cash balances in commercial banks may exceed the level of insurance provided by the FDIC.

Investments and Investment Income

The Foundation's investments include privately and publicly held investments. The Foundation is required to report investments in equity securities with readily determinable values and all investments in debt securities at their fair values, with unrealized gains and losses included in the consolidated statement of activities and changes in net assets.

Direct investments in real estate, mineral rights, and impact investments are recorded at the lower of cost or fair value.

Distributive shares of income or loss from pass-through entities, such as private equity and real estate partnerships, LLCs, and trusts, are recorded as income in the year such items are recognized by the Foundation and are reported as adjustments to the initial cost basis of the investment. Gains and losses attributable to the Foundation's investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the consolidated statement of activities and changes in net assets.

As of June 30, 2023 and 2022, the Foundation held \$1,826,000 and \$2,098,708, respectively, of investments at cost (see Note 4). The Foundation has evaluated all of the investments held at cost for impairment and did not identify any events or changes in circumstances that may have a significant adverse effect on the valuation of the investment. As a result, none of the investments have been impaired as of June 30, 2023 or 2022.

Property and Equipment

Property and equipment are recorded at cost or at fair value if donated. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives, which range from 3 to 40 years.

Beneficial Interest in Trusts Held by Third Parties

The Foundation has been named the beneficiary in assets held by trusts, where the assets of the trusts are invested and managed by third-party trustees in accordance with trust instruments established by the donors. The beneficial interest in these trust assets was \$2,828,183 and \$2,845,399 as of June 30, 2023 and 2022, respectively.

Split-interest Agreements

Split-interest agreements are recorded as an asset, revenue, and liability at the time of the gift. The liability amount is based upon the fair value of the underlying gift, the actuarial facts of the annuitant, and a present value discount rate for the expected life of the annuitant. The difference between this present value and the fair value of the gift is recorded as revenue at the time of the gift. Subsequent changes in the present value due to life expectancy or other actuarial facts are recognized as an increase or decrease of net assets in the year the change is detected. As of June 30, 2023 and 2022, the Foundation held total assets under split-interest agreements of \$15,847,628 and \$15,561,104, respectively, as part of its investment portfolio and has recorded liabilities of \$8,035,710 and \$7,870,008, respectively.

Note 2 - Significant Accounting Policies (Continued)

Assets Held for Agency Funds

A fund established with a contribution from an organization for the benefit of the contributing organization is classified as an agency fund. The activity in agency funds is reported as a change in the liability for assets held for agency funds on the consolidated statement of financial position.

Contributions

Contributions of marketable securities are recorded at fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

The Foundation reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports the expiration of donor restrictions when the assets are placed in service.

Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipients under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Approximately 36 percent of the Foundation's contributions for the year ended June 30, 2023 consist of contributions from two donors. Approximately 18 percent of the Foundation's contributions for the year ended June 30, 2022 consist of contributions from one donor.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Costs have been allocated between the various program and support services on several bases and estimates. Salaries have been allocated based on estimated time and effort for each role. Some other expenses, such as technology, are allocated based on usage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances reported in the financial statements.

Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. Management fees of \$316,286 were presented as revenue, rather than being netted against agency fund grants. There was no change to total net assets as a result of this change.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including December 12, 2023, which is the date the consolidated financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

	2023	2022
Cash and cash equivalents	\$ -	\$ 765,116
Investments	183,630,389	166,507,684
Contributions receivable	-	170,000
Beneficial interest in trusts	2,828,183	2,845,399
Financial assets - At year end	186,458,572	170,288,199
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Donor-imposed restrictions on endowment funds	55,322,991	45,917,930
Restricted pledges receivable	-	170,000
Investments held for split-interest agreements	15,847,628	15,561,104
Restrictions on the conversion of beneficial interest in trusts	2,828,183	2,845,399
Investments that may not be available within one year - Other (REITs, Hedge Funds, Impact Investments, LPs, RE Holdings, Gold Coins, Mineral Rights)	12,631,763	10,058,179
Financial assets available to meet cash needs for general expenditures within one year	\$ 99,828,007	\$ 95,735,587

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. The Foundation has no committed lines of credit.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 4 - Investments

The investment balance at June 30, 2023 and 2022 is composed of the following:

	2023	2022
Cash and cash equivalents	\$ 5,948,117	\$ 6,935,510
Certificates of deposit	106,089	104,024
Public equities and equity mutual funds	103,737,514	87,499,176
Fixed-income debt securities and fixed-income mutual funds	52,085,824	49,817,815
Other mutual funds	924,624	2,072,910
Real estate ETFs and investment trusts	1,520,528	119,390
Hedge funds	13,047,467	17,860,151
Private equity	4,434,226	-
Impact investments*	610,000	882,708
Real estate holdings*	1,000,000	1,000,000
Mineral rights*	216,000	216,000
Total	<u>\$ 183,630,389</u>	<u>\$ 166,507,684</u>

*These investments are valued at cost, as discussed in Note 2.

Investment earnings for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Net realized and unrealized gains (losses)	\$ 12,679,770	\$ (22,276,544)
Interest and dividends	3,998,031	3,075,767
Gross investment earnings	16,677,801	(19,200,777)
Investment fees	(418,118)	(448,206)
Net investment earnings of agency funds	(3,715,712)	4,100,682
Net investment earnings	<u>\$ 12,543,971</u>	<u>\$ (15,548,301)</u>

Note 5 - Fair Value Measurements

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

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

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

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

Certain assets are measured at net asset value (NAV) per share as a practical expedient to fair value and are not classified in the fair value hierarchy. NAV per share is provided by the investment managers of the investment funds and represents the investor entity's (the Foundation's) share of the underlying net assets (assets net of liabilities) of the investment fund as of the consolidated statement of financial position date.

Note 5 - Fair Value Measurements (Continued)

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

These classifications (Levels 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.

The following is a description of valuation methodologies used for assets measured at fair value:

Cash and cash equivalents, public equities, real estate ETFs, equity mutual funds, other mutual funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed-income debt securities and fixed-income mutual funds - Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings. While some fixed-income mutual funds may be actively traded and, therefore, could be valued based on Level 1 inputs, the underlying assets in those mutual funds are based on Level 2 inputs, and, therefore, the entirety of this portfolio segment has been included as Level 2.

Certificates of deposit - The Foundation values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

Hedge funds and real estate investment trusts - The value is calculated by using NAV per share of the hedge fund or real estate investment trusts. NAV per share is provided by the investment managers of the investment funds or trusts and represents the investor entity's (the Foundation's) share of the underlying net assets (assets net of liabilities) of the investment fund as of the consolidated statement of financial position date. The hedge funds class includes investments in hedge funds that invest both long and short, primarily in U.S. and international equity markets. Management of the hedge funds has the ability to shift investments from different positions and tailor strategies from small to large capitalization stocks and from a net long position to a net short position.

Private equity - The value is calculated by using NAV per share provided by the investment managers. Unfunded commitments for private equity amounted to \$1,778,991 and \$3,518,391 as of June 30, 2023 and 2022, respectively, and redemptions were available with notice periods and frequencies ranging from daily to monthly between the various private equities in the asset class.

Beneficial interest in trusts - The fair values of investments held in beneficial interest in trusts include Levels 1 and 2; however, the Foundation's pro rata share of the interest in the trusts is not quoted in active markets and, therefore, is classified under Level 3 in the fair value hierarchy.

Split-interest agreement liabilities - The liability amount is based upon the fair value of the underlying investments, the actuarial facts of the annuitant, and a present value discount rate for the expected life of the annuitant. While the fair value of the investments associated with the split-interest agreement may be determined based on Levels 1 and 2, the annuitant's expected share of the interest in those investments is not quoted and, therefore, is classified under Level 3 in the fair value hierarchy.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 5 - Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the Foundation to determine those fair values:

<u>Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2023</u>					
	<u>Quoted Prices in</u>				
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	<u>Net Asset</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	<u>Value</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>per Share</u>	<u>Total</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>		
Assets					
Investments:					
Cash and cash equivalents	\$ 5,948,117	\$ -	\$ -	\$ -	\$ 5,948,117
Certificates of deposit	-	106,089	-	-	106,089
Public equities and equity mutual funds	103,737,514	-	-	-	103,737,514
Fixed-income debt securities and fixed-income mutual funds	-	52,085,824	-	-	52,085,824
Other mutual funds	924,624	-	-	-	924,624
Real estate ETFs	1,416,665	-	-	-	1,416,665
Private equity	-	-	-	4,434,226	4,434,226
Hedge funds	6,779,793	-	-	6,267,674	13,047,467
Real estate investment trusts	-	-	-	103,863	103,863
Total investments	118,806,713	52,191,913	-	10,805,763	181,804,389
Beneficial interest in trusts	-	-	2,828,183	-	2,828,183
Total assets	<u>\$ 118,806,713</u>	<u>\$ 52,191,913</u>	<u>\$ 2,828,183</u>	<u>\$ 10,805,763</u>	<u>\$ 184,632,572</u>
Liabilities - Split-interest agreements					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,035,710</u>	<u>\$ -</u>	<u>\$ 8,035,710</u>

The Foundation also held \$1,826,000 of investments at cost as of June 30, 2023, which are not reported at fair value and, therefore, are excluded from the table above.

Community Foundation of Northern Colorado

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 5 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in			Net Asset Value per Share	Total
	Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Investments:					
Cash and cash equivalents	\$ 6,935,510	\$ -	\$ -	\$ -	\$ 6,935,510
Certificates of deposit	-	104,024	-	-	104,024
Public equities and equity mutual funds	87,499,176	-	-	-	87,499,176
Fixed-income debt securities and fixed-income mutual funds	-	49,817,815	-	-	49,817,815
Other mutual funds	2,072,910	-	-	-	2,072,910
Real estate ETFs	102,521	-	-	-	102,521
Hedge funds	9,917,549	-	-	7,942,602	17,860,151
Real estate investment trusts				16,869	16,869
Total investments	106,527,666	49,921,839	-	7,959,471	164,408,976
Beneficial interest in trusts	-	-	2,845,399	-	2,845,399
Total assets	<u>\$ 106,527,666</u>	<u>\$ 49,921,839</u>	<u>\$ 2,845,399</u>	<u>\$ 7,959,471</u>	<u>\$ 167,254,375</u>
Liabilities - Split-interest agreements					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,870,008</u>	<u>\$ -</u>	<u>\$ 7,870,008</u>

The Foundation also held \$2,098,708 of investments at cost as of June 30, 2022, which are not reported at fair value and, therefore, are excluded from the table above.

Note 6 - Property and Equipment

Property and equipment as of June 30, 2023 and 2022 are summarized as follows:

	2023	2022
Land	\$ 225,000	\$ 225,000
Buildings	836,508	836,508
Building improvements	87,198	83,490
Furniture and fixtures	96,607	76,870
Computer equipment and software	20,488	20,487
Total cost	1,265,801	1,242,355
Accumulated depreciation	444,082	406,660
Net property and equipment	<u>\$ 821,719</u>	<u>\$ 835,695</u>

Depreciation expense for 2023 and 2022 was \$41,522 and \$39,490, respectively.

Community Foundation of Northern Colorado

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 7 - Net Assets

Net assets consist of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 4,907,380	\$ 55,322,991	\$ 60,230,371
Nonendowment funds	66,325,016	-	66,325,016
Split-interest agreements	-	10,640,101	10,640,101
Total	<u>\$ 71,232,396</u>	<u>\$ 65,963,092</u>	<u>\$ 137,195,488</u>

Net assets consist of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 4,684,015	\$ 45,917,930	\$ 50,601,945
Nonendowment funds	62,675,514	-	62,675,514
Split-interest agreements	-	10,536,495	10,536,495
Nonendowed pledges receivable	-	170,000	170,000
Total	<u>\$ 67,359,529</u>	<u>\$ 56,624,425</u>	<u>\$ 123,983,954</u>

Net assets by major category as of June 30, 2023 and 2022 are as follows:

	2023	2022
Endowment funds:		
Donor advised	\$ 21,566,158	\$ 18,261,564
Donor designated	22,250,522	18,048,421
Scholarship	1,832,276	1,503,281
Field of interest	12,689,325	10,900,111
Board designated	1,892,090	1,888,568
Total endowment funds	<u>60,230,371</u>	<u>50,601,945</u>
Nonendowment funds:		
Donor advised	62,369,113	58,565,846
Operations	2,183,375	2,235,716
Special project	168,938	298,778
Field of interest	198,021	206,662
Scholarship	153,317	229,014
Donor designated	959,293	920,811
Other	292,959	388,687
Split-interest agreements	10,640,101	10,536,495
Total nonendowment funds	<u>76,965,117</u>	<u>73,382,009</u>
Total net assets	<u>\$ 137,195,488</u>	<u>\$ 123,983,954</u>

Note 7 - Net Assets (Continued)

Funds may be established as endowed funds where only the earnings are available for the following purposes, but the corpus is intended to be maintained in perpetuity:

Donor advised - These funds are established by donors who wish to actively participate in the grant-making process in a convenient and flexible manner. Individuals, corporations, families, or committees establishing a fund advise the Foundation's staff throughout the year with respect to grant-making that benefits charitable projects or organizations of their choice. Donor-advised funds make it easy for donors to give to multiple nonprofit agencies in varying amounts at numerous times throughout the year. Successor advisors can be named, and the fund can be a beneficiary of a will, gift annuity, or charitable remainder trust. The Foundation's board of trustees maintains full authority and control regarding fund asset management and grant distributions.

Donor designated - These funds are established by donors who wish to support specific agencies or causes. Donors may also contribute to existing donor-designated funds. If the original designated charity ceases to exist, becomes obsolete, or is unable to perform its charitable purposes, the Foundation's board of trustees will redirect the funds to an organization providing similar services without the cost of expensive legal action.

Scholarship - These funds are established by donors who work with the Foundation's staff to establish objective criteria by which scholarship recipients will be selected. For example, scholarship criteria can look at financial need, academic achievements, seniors who are graduating from specific schools, or graduating seniors who live in a particular geographic area. Donors may serve on the selection committee (in accordance with current laws), but the Foundation's staff handles the necessary paperwork and ensures that scholarship awards are distributed to each recipient's college or university.

Field of interest - These funds are often established to support particular interest areas, specific program initiatives, causes, or geographic areas. To honor the donors' wishes, use of the funds is designated to specific areas of interest. Grants from these funds are awarded to local nonprofit agencies by the Foundation's community fund committees. The donor does not reserve an ongoing advisory role.

Board designated - These funds are not designated for use by a particular agency, cause, or area of interest by a donor. The Foundation's board of trustees oversees the use of these funds, setting priorities for their use and determining how grants will be distributed to support the charitable needs of the community. Unrestricted funds give the Foundation the ability to respond to pressing and often changing needs in the community.

Note 8 - Donor-restricted and Board-designated Endowments

Interpretation of Relevant Law

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,892,090	\$ -	\$ 1,892,090
Donor-designated endowment funds:			
Original donor-designated gift amount and amounts required to be maintained in perpetuity by the donor	-	49,563,368	49,563,368
Accumulated investment gains (net of administrative fees)	-	5,759,623	5,759,623
Amounts available for spending	3,015,290	-	3,015,290
Total	\$ 4,907,380	\$ 55,322,991	\$ 60,230,371

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 4,684,015	\$ 45,917,930	\$ 50,601,945
Investment return	260,935	5,004,226	5,265,161
Contributions and transfers	165,173	7,528,657	7,693,830
Appropriation of endowment assets for expenditure	(202,743)	(3,127,822)	(3,330,565)
Endowment net assets - End of year	\$ 4,907,380	\$ 55,322,991	\$ 60,230,371

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,888,568	\$ -	\$ 1,888,568
Donor-designated endowment funds:			
Original donor-designated gift amount and amounts required to be maintained in perpetuity by the donor	-	42,034,711	42,034,711
Accumulated investment gains (net of administrative fees)	-	3,883,219	3,883,219
Amounts available for spending	2,795,447	-	2,795,447
Total	\$ 4,684,015	\$ 45,917,930	\$ 50,601,945

Certain amounts in the table above have been reclassified to conform to the 2023 presentation. The classification of amounts required to be maintained in perpetuity and accumulated investment gains have been updated based on the availability of more detailed information from a system conversion. This change had no impact on ending net asset classification or on the amounts available to be spent under current foundation spending policies.

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 4,442,809	\$ 52,226,206	\$ 56,669,015
Investment return	(443,513)	(5,077,725)	(5,521,238)
Contributions and transfers	684,719	2,153,346	2,838,065
Appropriation of endowment assets for expenditure	-	(3,383,897)	(3,383,897)
Endowment net assets - End of year	\$ 4,684,015	\$ 45,917,930	\$ 50,601,945

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023, there were 44 donor-restricted endowment funds that have deficiencies of this nature; together these endowment funds have an original gift value of \$6,141,225, a current fair value of \$5,583,475, and a deficiency of \$557,750. As of June 30, 2022, there were 59 donor-restricted endowment funds that have deficiencies of this nature; together these endowment funds had an original gift value of \$6,843,296, a current fair value of \$6,039,102, and a deficiency of \$804,194. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

June 30, 2023 and 2022

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The current spending policy is to distribute an amount equal to 4.5 percent of the fund's total market value average quarterly balance of the past four years. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets and to provide additional real growth through new gifts and investment return.

Note 9 - Retirement Plans

The Foundation has 401(k) retirement plans. The plans allow for eligible employees to make contributions up to the annual contribution limit provided under the Internal Revenue Code. The plans require matching contributions equal to 100 percent of employee salary deferrals, up to 5 percent of employee compensation. The Foundation expensed matching contributions to the retirement plans totaling \$55,485 and \$48,714 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - Contributed Nonfinancial Assets

Contributed nonfinancial assets of property of \$750,000 and \$0 were recognized within the consolidated statement of activities and changes in net assets for the years ended June 30, 2023 and 2022, respectively. Assets were recorded at fair value on the date received.

Contributed nonfinancial assets did not have donor-imposed restrictions.

Property contributed was held for sale as of June 30, 2023. Subsequent to year end, the property was sold for \$755,000.