

**CAPITAL REGION COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATION**

**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
(with supplementary information)**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
🖨 517.323.6346

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Capital Region Community Foundation
and Supporting Organization

Opinion

We have audited the accompanying consolidated financial statements of Capital Region Community Foundation and Supporting Organization (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital Region Community Foundation and Supporting Organization as of December 31, 2022 and 2021, and the changes in their net assets and their 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 Capital Region Community Foundation and Supporting Organization 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 12 to the consolidated financial statements, management has implemented FASB Accounting Standard Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

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 Capital Region Community Foundation and Supporting Organization'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, including omissions, 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.

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 Capital Region Community Foundation and Supporting Organization'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 Capital Region Community Foundation and Supporting Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

Maney Costerian PC

May 31, 2023

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,085,814	\$ 1,042,486
Investments	126,473,785	148,337,595
Promises to give, net of allowance for doubtful accounts and discount	547,407	594,657
Deposits	14,254	14,511
Property donation - cemetery lots	63,840	57,843
Furniture and equipment, less accumulated depreciation of \$184,301 and \$178,955 in 2022 and 2021, respectively	10,718	13,038
Operating lease right-of-use assets	<u>414,185</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 128,610,003</u></u>	<u><u>\$ 150,060,130</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,947	\$ 13,702
Accrued salaries and related	30,058	35,173
Grants payable	361,430	328,100
Funds held in agency endowments	13,450,125	14,522,263
Liabilities associated with gift annuities	58,624	74,534
Operating lease liabilities	<u>414,185</u>	<u>-</u>
TOTAL LIABILITIES	<u>14,324,369</u>	<u>14,973,772</u>
NET ASSETS		
Without donor restrictions	113,362,508	134,114,148
With donor restrictions	<u>923,126</u>	<u>972,210</u>
TOTAL NET ASSETS	<u>114,285,634</u>	<u>135,086,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 128,610,003</u></u>	<u><u>\$ 150,060,130</u></u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT						
Contributions of cash and other financial assets	\$ 4,778,403	\$ 312,028	\$ 5,090,431	\$ 7,293,707	\$ 1,025,605	\$ 8,319,312
Contributions of nonfinancial assets	5,997	-	5,997	-	-	-
Investment return (loss), net	(19,875,743)	-	(19,875,743)	17,470,261	-	17,470,261
Revenue from agency contributions to endowments	90,343	-	90,343	79,505	-	79,505
Event revenue	34,775	-	34,775	25,000	-	25,000
Change in value of gift annuities	6,634	-	6,634	(1,867)	-	(1,867)
Net assets released from restrictions	361,112	(361,112)	-	250,815	(250,815)	-
TOTAL REVENUES, GAINS (LOSSES), AND OTHER SUPPORT	<u>(14,598,479)</u>	<u>(49,084)</u>	<u>(14,647,563)</u>	<u>25,117,421</u>	<u>774,790</u>	<u>25,892,211</u>
EXPENSES						
Program expenses						
Grant awards	5,003,826	-	5,003,826	5,090,603	-	5,090,603
Other program expenses	529,131	-	529,131	769,917	-	769,917
Supporting services						
Management and general	551,722	-	551,722	533,673	-	533,673
Fundraising	68,482	-	68,482	167,475	-	167,475
TOTAL EXPENSES	<u>6,153,161</u>	<u>-</u>	<u>6,153,161</u>	<u>6,561,668</u>	<u>-</u>	<u>6,561,668</u>
CHANGE IN NET ASSETS	(20,751,640)	(49,084)	(20,800,724)	18,555,753	774,790	19,330,543
NET ASSETS						
Beginning of year	134,114,148	972,210	135,086,358	115,558,395	197,420	115,755,815
End of year	<u>\$ 113,362,508</u>	<u>\$ 923,126</u>	<u>\$ 114,285,634</u>	<u>\$ 134,114,148</u>	<u>\$ 972,210</u>	<u>\$ 135,086,358</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services			Management and General	Fundraising	Total
	Grant Awards	Other Program Expenses	Total			
Salaries and benefits	\$ -	\$ 362,654	\$ 362,654	\$ 404,826	\$ 52,230	\$ 819,710
Payroll taxes	-	23,023	23,023	25,700	3,316	52,039
Accounting and financial	-	850	850	23,333	-	24,183
Contracted services	-	6,617	6,617	4,037	521	11,175
Occupancy	-	29,541	29,541	32,975	4,254	66,770
Armory expenses	-	1,270	1,270	1,418	183	2,871
Insurance	-	6,448	6,448	6,441	831	13,720
Dues and subscriptions	-	3,422	3,422	3,397	-	6,819
Postage	-	661	661	737	95	1,493
Supplies and office printing	-	2,782	2,782	2,551	329	5,662
Telephone	-	782	782	873	113	1,768
Travel and parking	-	825	825	824	824	2,473
Computer and technology	-	24,727	24,727	27,603	3,561	55,891
Office equipment	-	2,657	2,657	2,965	383	6,005
Professional development	-	5,016	5,016	7,142	-	12,158
Meetings	-	12,163	12,163	2,270	-	14,433
Marketing	-	9,815	9,815	-	-	9,815
Fund development	-	1,620	1,620	-	1,620	3,240
Event expense	-	31,613	31,613	-	-	31,613
Depreciation	-	1,542	1,542	1,720	222	3,484
Grants	4,695,441	-	4,695,441	-	-	4,695,441
Leadership grants - Vibrant	308,385	-	308,385	-	-	308,385
Miscellaneous	-	1,103	1,103	2,910	-	4,013
	<u>\$ 5,003,826</u>	<u>\$ 529,131</u>	<u>\$ 5,532,957</u>	<u>\$ 551,722</u>	<u>\$ 68,482</u>	<u>\$ 6,153,161</u>
Percentage of total expenses:			<u>89.92%</u>	<u>8.97%</u>	<u>1.11%</u>	<u>100.00%</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services			Management and General	Fundraising	Total
	Grant Awards	Other Program Expenses	Total			
Salaries and benefits	\$ -	\$ 257,315	\$ 257,315	\$ 401,139	\$ 125,884	\$ 784,338
Payroll taxes	-	15,841	15,841	24,694	7,749	48,284
Legal	-	44,550	44,550	-	-	44,550
Accounting and financial	-	6,264	6,264	9,765	3,064	19,093
Contracted services	-	181,405	181,405	1,964	616	183,985
Occupancy	-	21,675	21,675	33,381	10,475	65,531
Armory expenses	-	-	-	2,811	882	3,693
Insurance	-	3,815	3,815	5,847	1,835	11,497
Dues and subscriptions	-	1,994	1,994	3,071	964	6,029
Postage	-	447	447	696	218	1,361
Supplies and office printing	-	2,433	2,433	2,965	930	6,328
Telephone	-	744	744	555	174	1,473
Travel and parking	-	747	747	1,138	357	2,242
Computer and technology	-	18,602	18,602	19,621	6,157	44,380
Office equipment	-	2,309	2,309	3,600	1,130	7,039
Professional development	-	823	823	906	284	2,013
Meetings	-	470	470	416	131	1,017
Marketing	-	5,202	5,202	6,161	1,933	13,296
Fund development	-	1,055	1,055	1,645	516	3,216
Event expense	-	111,882	111,882	8,491	2,665	123,038
Depreciation	-	1,536	1,536	2,395	751	4,682
Grants	4,796,438	-	4,796,438	-	-	4,796,438
Leadership grants - Vibrant	294,165	-	294,165	-	-	294,165
Miscellaneous	-	90,808	90,808	2,412	760	93,980
	<u>\$ 5,090,603</u>	<u>\$ 769,917</u>	<u>\$ 5,860,520</u>	<u>\$ 533,673</u>	<u>\$ 167,475</u>	<u>\$ 6,561,668</u>
Percentage of total expenses:			<u>89.31%</u>	<u>8.14%</u>	<u>2.55%</u>	<u>100.00%</u>

See notes to consolidated financial statements.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	\$ (20,800,724)	\$ 19,330,543
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	3,484	4,682
Change in allowance for doubtful accounts	(1,834)	12,584
Change in discount	(12,028)	4,266
Realized (gain) loss on investments	3,069,154	558,667
Unrealized (gain) loss on investments	22,385,052	(15,663,356)
Contributions of nonfinancial assets - cemetery lots	(5,997)	-
Promises to give	61,112	(419,444)
Deposits	257	(432)
Operating lease right-of-use-assets	103,278	-
Accounts payable	(3,755)	(5,814)
Accrued salaries and related	(5,115)	5,211
Refundable advances	-	(823)
Grants payable	33,330	169,780
Funds held in agency endowments	(1,072,138)	1,801,375
Annuity payable	(15,910)	(9,399)
Operating lease liabilities	(103,278)	-
Total adjustments	24,435,612	(13,542,703)
Net cash provided by operating activities	3,634,888	5,787,840
Cash flows from investing activities		
Purchase of equipment	(1,164)	(5,924)
Proceeds from sales of investment securities	5,232,680	3,660,877
Purchases of investment securities	(8,823,076)	(10,028,926)
Principal receipts on loan receivable	-	23,071
Net cash used by investing activities	(3,591,560)	(6,350,902)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,328	(563,062)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,042,486	1,605,548
End of year	\$ 1,085,814	\$ 1,042,486

See notes to consolidated financial statements.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The consolidated financial statements include the accounts of the Foundation and its supporting organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The bylaws of the Foundation include a variance provision that allows the Board of Trustees of the Foundation to vary the use of substantially all contributions received. The Board of Trustees strives to honor a donor's charitable intent, unless in their sole judgment that intent becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community, or area served by the Foundation. Based on this variance provision, substantially all net assets of the Foundation have been classified as without donor restrictions. The following is a summary of the Foundation's internal classification of total net assets without donor restrictions.

	2022	2021
Undesignated funds	\$ 9,211,485	\$ 11,891,760
Field of interest funds	25,390,724	31,086,049
Designated funds	13,513,980	13,823,110
Donor advised funds	12,002,864	14,053,191
Scholarship funds	12,318,361	14,970,077
Agency funds	40,925,094	48,289,961
	<u>\$ 113,362,508</u>	<u>\$ 134,114,148</u>
Net assets without donor restrictions	<u>\$ 113,362,508</u>	<u>\$ 134,114,148</u>

Net Assets with Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (See Note 10).

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held in various checking and savings accounts. Cash amounts included in the investment portfolio (see Note 4) are not considered cash and cash equivalents for purposes of the consolidated statements of cash flows.

Investments

The Foundation carries investments at their fair values in the consolidated statements of financial position. Net investment return or loss included in the consolidated statement of activities and consist of interest and dividend income, realized and unrealized gains and loss, less investment expense.

Promises to Give

Contributions of cash and other assets, including unconditional promises to give in the future, 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 with donor-imposed time or purpose restrictions are reported as with donor restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as without donor restrictions.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2022 and 2021, the allowance for doubtful accounts was \$18,083 and \$19,917, respectively.

Furniture and Equipment

Furniture and equipment in excess of \$750 are stated at cost, if purchased, or at estimated fair value at date of donation. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from three to seven years.

Leases

The Foundation determines whether an arrangement is or contains a lease at inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the consolidated statement of financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent the Foundation's contractual obligation to make lease payments over the lease term.

The lease liability is measured as the present value of the lease payment over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Foundation has elected to not recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expenses associated with short term leases in the consolidated statements of activities.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds Held in Agency Endowments

A liability has been established for amounts received from other not-for-profit organizations that specify the donor organization or a related organization as the beneficiary. Investment earnings or losses allocated to the funds and distributions paid to the beneficiary organization are recorded as increases and decreases, respectively, to the liability. Distributions from restricted organizational funds are subject to the current spending policies of the Foundation.

Annuity Payable

From time to time, the Foundation receives charitable gift annuities. Charitable gift annuities provide for periodic payments during the donor's lifetime. Upon the donor's death, the remaining assets are to be available to the Foundation. Liabilities are recorded for the present value of the amounts expected to be paid to the donor or specified beneficiary over the term of the agreement. The interest rates used to calculate the present value of this liability range from 1.2% to 7.6%, based on the year the annuity was established.

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Donated materials are recorded as contributions at their fair value at their date of donation. The Foundation reports the donations as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying consolidated financial statements because no objective basis is available to measure the value of such services.

The Foundation recognized contributed nonfinancial assets within assets and revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed cemetery lots recognized were utilized for the operation of the Foundation and its beneficiaries. In valuing the cemetery lots, the Foundation estimated the fair value of the contributions on the basis of estimates of values that would be received for selling similar products.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Classification of Expenses

The Foundation reports its expenses on the consolidated statement of activities into functional classifications based on direct identification, time (for salaries) and floor space studies. Each category is defined as follows:

Grant Awards

Grant awards (contributions to others) are recorded as expenses when they are approved by the Board of Trustees or their designates. Grant awards are presented in the financial statements net of grant refunds.

Other Program Expenses

Program expenses include grant awards as well as administrative expenses for awarding and monitoring grant expense and for charitable purposes that are not classified as grant awards, including education of the community. Program expenses include the contributed nonfinancial assets and other expenses incurred by such programs as the Youth Action Committee, placemaking projects, and nonprofit consulting on capacity building.

Management and General

Management and general expenses include those expenses associated with the administration and management of the Foundation.

Fundraising

Fundraising expenses include expenses incurred by soliciting donations for leadership projects (such as parks) or for general purposes (such as the annual appeal letter). Fundraising does not include working with donors to establish funds.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Capital Region Community Foundation (the Foundation) is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a nonprivate foundation under Section 509(a)(1) of the Internal Revenue Code of 1986. Therefore, the Foundation is currently exempt from federal income tax on related activities. The Foundation is responsible for charitable funds and the income generated by funds of many donors. In June 2018, Vibrant Communities LLC was formed as a wholly owned subsidiary of the Foundation to manage riverfront development projects or any similar projects in the future.

The Foundation is committed to serve the region's broad educational, scientific, literary, cultural, and charitable needs as well as enhance the quality of life in the capital region.

The Foundation is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Foundation to credit risk consist principally of cash and investments. The Foundation's cash is deposited with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year and at year-end, they are, in the opinion of management, subject to minimal risk. Credit risk with respect to investments is limited because of the wide variety of companies and industries.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the preparation of tax returns, tax positions are taken based on interpretations of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The Foundation evaluates events and transactions that occur after year end for potential recognition or disclosure in the consolidated financial statements. These subsequent events have been considered through May 31, 2023, which is the date consolidated the financial statements were available to be issued.

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 such changes could materially affect the amounts reported in the consolidated financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Foundation's primary source of operating revenue is derived from fees on funds. The remainder of revenue is funded by other miscellaneous income without donor restrictions. Fees service the Foundation's programs, operations, administrative, and general expenses necessary to facilitate the Foundation's objectives.

The Foundation's board meets to review the grants awarded and the board investment committee strives to maximize the investment of its available funds. The general investment objective for the Foundation is to generate sufficient long-term growth of capital without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the purchasing power of the investments. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents expected grant commitments.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

The table below presents financial assets available for general expenditures within one year at December 31:

	2022	2021
Cash and cash equivalents	\$ 1,085,814	\$ 1,042,486
Investments	126,473,785	148,337,595
Promises to give	547,407	594,657
	<u>128,107,006</u>	<u>149,974,738</u>
Total financial assets at year-end	128,107,006	149,974,738
Less donor-imposed restricted resources	(923,126)	(972,210)
Less board designated net assets	(4,838,201)	(4,668,477)
Less board designated endowment funds	<u>(107,702,718)</u>	<u>(128,785,093)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,642,961</u>	<u>\$ 15,548,958</u>

NOTE 4 - INVESTMENTS

The following table summarizes the cost basis and fair value (carrying value) of investments as of December 31.

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 319,422	\$ 319,422	\$ 545,924	\$ 545,924
Certificate of deposits	816,576	816,576	811,973	811,973
Mutual funds - equities	79,619,781	87,792,296	79,335,351	107,526,123
Mutual funds - fixed income	35,903,139	32,262,066	35,444,428	36,460,782
Real estate investment trust	-	5,283,425	-	2,992,793
	<u>\$ 116,658,918</u>	<u>\$ 126,473,785</u>	<u>\$ 116,137,676</u>	<u>\$ 148,337,595</u>
Total	<u>\$ 116,658,918</u>	<u>\$ 126,473,785</u>	<u>\$ 116,137,676</u>	<u>\$ 148,337,595</u>

At December 31, individual investments representing more than 5% of total investments were as follows:

	2022	2021
Vanguard Total Stock Market Fund	\$ 51,467,549	\$ 65,047,104
Doubleline Core Fixed	7,362,875	8,879,574
Vanguard FTSE All-World Ex-US Index Fund	9,196,908	9,472,879
Vanguard Total Bond Market Index Fund	7,740,491	8,926,845
T Rowe Price Overseas	7,949,779	9,493,292

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 4 - INVESTMENTS (continued)

Included in the above investment amounts are \$13,450,125 and \$14,522,263 as of December 31, 2022 and 2021, respectively, of funds held as agency endowments.

Investment return (loss), net for the years ended December 31 consists of the following:

	2022	2021
Interest, dividends and distributions	\$ 3,424,082	\$ 4,300,792
Investment fees	(44,335)	(42,037)
Realized gain (loss) on sales of investments	(3,069,154)	(558,667)
Unrealized gain (loss) on investments	(22,385,052)	15,663,356
	(22,074,459)	19,363,444
Allocated to agency endowments	2,198,716	(1,893,183)
Investment return (loss), net	<u>\$ (19,875,743)</u>	<u>\$ 17,470,261</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Foundation's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

- *Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the plan are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.
- *Real Estate Investment Trust:* Valued using the market approach based primarily on current appraised values and other market information for similar property.

The following is a market value summary by the level of the inputs used, as of December 31, 2022 and 2021, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Equities	\$ 87,792,292	\$ -	\$ -	\$ 87,792,292
Fixed income	32,262,070	-	-	32,262,070
Real estate investment trust	-	5,283,425	-	5,283,425
Total assets in the fair value hierarchy	<u>\$ 120,054,362</u>	<u>\$ 5,283,425</u>	<u>\$ -</u>	125,337,787
Money market funds (recorded at cost)				319,422
Certificates of deposit (recorded at cost)				<u>816,576</u>
Total investments				<u>\$ 126,473,785</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Equities	\$ 107,526,123	\$ -	\$ -	\$ 107,526,123
Fixed income	36,460,782	-	-	36,460,782
Real estate investment trust	-	2,992,793	-	2,992,793
Total assets in the fair value hierarchy	<u>\$ 143,986,905</u>	<u>\$ 2,992,793</u>	<u>\$ -</u>	146,979,698
Money market funds (recorded at cost)				545,924
Certificates of deposit (recorded at cost)				<u>811,973</u>
Total investments				<u>\$ 148,337,595</u>

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give before unamortized discounts and allowance for uncollectibles	\$ 602,776	\$ 663,888
Less allowance for doubtful accounts	(18,083)	(19,917)
Less unamortized discount	<u>(37,286)</u>	<u>(49,314)</u>
Net unconditional promises to give	<u>\$ 547,407</u>	<u>\$ 594,657</u>
Amounts due in:		
Less than one year	\$ 405,556	\$ 385,556
One to five years	<u>197,220</u>	<u>278,332</u>
Total	<u>\$ 602,776</u>	<u>\$ 663,888</u>

Discount rate was 5% in 2022 and 2021.

NOTE 7 - RETIREMENT PLAN

The Foundation has established a Simplified Employee Pension (SEP) Plan. All full-time employees with one year of service are eligible to participate in the plan. During 2022 and 2021, the Foundation contributed approximately \$37,000 and \$40,000, respectively, to the plan.

NOTE 8 - LEASE COMMITMENT

The Foundation has entered into a lease agreement for office space, including a Community Meeting Room.

The Community Room rental payments will be made through a grant from the Foundation and will be used as a meeting place that may be utilized by other like-minded nonprofit organizations.

Rent expense for 2022 and 2021 amounted to approximately \$110,600 and \$108,900, respectively.

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LEASE COMMITMENT (continued)

Future minimum lease payments required under operational leases that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 107,792
2024	107,792
2025	107,792
2026	<u>98,809</u>
Total undiscounted cash flows	422,185
Less present value discount	<u>(8,000)</u>
Total lease liabilities	<u><u>\$ 414,185</u></u>

NOTE 9 - BOARD DESIGNATED ENDOWMENTS

The Foundation's unrestricted net assets include designated endowments that would be classified as donor-restricted endowments except that the Foundation has variance power over these assets. Therefore, the Foundation treats these funds as designated endowments and they are classified and reported based on the existence or absence of donor-restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as: (a) assets will be invested prudently in diversified investments that seek growth, as well as income; and (b) appreciation of assets could prudently be spent for the purposes of any endowment fund held by the charitable institution. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate designated endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the designated endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 9 - BOARD DESIGNATED ENDOWMENTS (continued)

Endowment Funds and Changes Therein

The Foundation maintained the following endowment funds as of December 31:

	2022	2021
Board designated endowments		
Unrestricted funds	\$ 8,389,896	\$ 11,231,182
Field of interest funds	25,390,724	31,086,049
Designated funds	13,513,980	13,823,110
Donor advised funds	7,164,663	9,384,714
Scholarship funds	12,318,361	14,970,077
Agency funds	40,925,094	48,289,961
	<hr/>	<hr/>
Total endowment funds	107,702,718	128,785,093
	<hr/>	<hr/>
Nonendowed donor advised funds	4,838,201	4,668,477
Undesignated net assets	821,589	660,578
	<hr/>	<hr/>
	5,659,790	5,329,055
	<hr/>	<hr/>
Net assets without donor restrictions	\$ 113,362,508	\$ 134,114,148
	<hr/>	<hr/>

The annual changes in the endowment funds is not significantly different from the consolidated statements of activities for the years ended December 31, 2022 and 2021.

Return Objectives and Risk Parameters

The Foundation's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy should allow for predictability of spendable fund for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

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 of equity securities, fixed income funds, and alternative investments with performance benchmarks on each asset class.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy which shall allow for maximum annual distributions equal to 5% of a twelve-quarter rolling average of fund balances. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, the Foundation expects the current spending policy to allow its net assets to grow over time. This is consistent with the Foundation's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are available for the following:

	<u>2022</u>	<u>2021</u>
Subject to passage of time		
Promises to give	\$ 547,407	\$ 594,657
Subject to expenditure for specific purpose		
Leadership projects	<u>375,719</u>	<u>377,553</u>
Total net assets with donor restrictions	<u>\$ 923,126</u>	<u>\$ 972,210</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time specified by the donor for the years ended December 31 as follows:

	<u>2022</u>	<u>2021</u>
Subject to the passage of time		
Promises to give	\$ 75,367	\$ 48,498
Subject to expenditure for specific purpose		
Leadership projects	<u>285,745</u>	<u>202,317</u>
Total net assets released from restriction	<u>\$ 361,112</u>	<u>\$ 250,815</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

Board members of the Foundation are employed at organizations that provide professional services to the Foundation from time to time. These organizations were paid \$0 and \$44,550 for such services in 2022 and 2021.

Furthermore, various board members of the Foundation are employed by organizations that receive support and scholarships from the Foundation. Board members recuse themselves from voting in any instance that involves their organization of employment. Also, board members and their employers make contributions to the Foundation on a regular basis.

**CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Foundation implemented the following new pronouncement:

Financial Accounting Standards Board (the “FASB”) Accounting Standard Update (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”),

Summary:

On February 25, 2016, the FASB issued ASU 2016-02 and thereafter issued additional ASUs to clarify and update the guidance in ASU 2016-02 (collectively, the “new leases standard”). The objective of ASU 2016-02 is to increase transparency and comparability in financial reporting by requiring consolidated statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Foundation adopted the new lease standard using the effective date method of the modified retrospective transition, under which amounts in prior periods presented were not restated. For adoption, the Foundation elected to not reassess (i) whether any existing contracts contain leases, (ii) initial direct costs, and (iii) and classification of existing leases. The restatement of the beginning of the year had no impact on net assets. The change in assets and liabilities are as follows:

	<u>Assets</u>	<u>Liabilities</u>
Balances, as of December 31, 2021, as previously stated	\$ 150,060,130	\$ 14,973,772
Adoption of FASB ASU 2016-03	<u>517,463</u>	<u>517,463</u>
Balances as of January 1, 2022, as restated	<u><u>\$ 150,577,593</u></u>	<u><u>\$ 15,491,235</u></u>

SUPPLEMENTARY INFORMATION

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(with comparative totals for December 31, 2021)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2022	Total 2021
ASSETS					
Cash and cash equivalents	\$ 986,116	\$ 99,698	\$ -	\$ 1,085,814	\$ 1,042,486
Investments	126,473,785	-	-	126,473,785	148,337,595
Promises to give, net of allowance for doubtful accounts and discount	547,407	-	-	547,407	594,657
Deposits	14,254	-	-	14,254	14,511
Property donation - cemetery lots	63,840	-	-	63,840	57,843
Furniture and equipment, less accumulated depreciation of \$184,301 and \$178,955 in 2022 and 2021, respectively	10,718	-	-	10,718	13,038
Operating lease right-of-use assets	414,185	-	-	414,185	-
TOTAL ASSETS	<u><u>\$ 128,510,305</u></u>	<u><u>\$ 99,698</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 128,610,003</u></u>	<u><u>\$ 150,060,130</u></u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 9,947	\$ -	\$ -	\$ 9,947	\$ 13,702
Accrued salaries and related	30,058	-	-	30,058	35,173
Grants payable	361,430	-	-	361,430	328,100
Funds held in agency endowments	13,450,125	-	-	13,450,125	14,522,263
Liabilities associated with gift annuities	58,624	-	-	58,624	74,534
Operating lease liabilities	414,185	-	-	414,185	-
TOTAL LIABILITIES	<u>14,324,369</u>	<u>-</u>	<u>-</u>	<u>14,324,369</u>	<u>14,973,772</u>
NET ASSETS					
Without donor restrictions	113,262,810	99,698	-	113,362,508	134,114,148
With donor restrictions	923,126	-	-	923,126	972,210
TOTAL NET ASSETS	<u>114,185,936</u>	<u>99,698</u>	<u>-</u>	<u>114,285,634</u>	<u>135,086,358</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 128,510,305</u></u>	<u><u>\$ 99,698</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 128,610,003</u></u>	<u><u>\$ 150,060,130</u></u>

CAPITAL REGION COMMUNITY FOUNDATION AND SUPPORTING ORGANIZATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(with comparative totals for the year ended December 31, 2021)

	Capital Region Community Foundation	Vibrant Communities LLC	Eliminations	Total 2022	Total 2021
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT					
Contributions of cash and other financial assets	\$ 4,790,431	\$ 300,000	\$ -	\$ 5,090,431	\$ 8,319,312
Contributions of nonfinancial assets	5,997	-	-	5,997	-
Investment return (loss), net	(19,875,754)	11	-	(19,875,743)	17,470,261
Revenue from agency contributions to endowments	90,343	-	-	90,343	79,505
Event revenue	34,775	-	-	34,775	25,000
Change in value of gift annuities	6,634	-	-	6,634	(1,867)
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT	(14,947,574)	300,011	-	(14,647,563)	25,892,211
EXPENSES					
Program expenses					
Grant awards	4,693,991	309,835	-	5,003,826	5,090,603
Other program expenses	529,131	-	-	529,131	769,917
Supporting services					
Management and general	550,847	875	-	551,722	533,673
Fundraising	68,482	-	-	68,482	167,475
TOTAL EXPENSES	5,842,451	310,710	-	6,153,161	6,561,668
CHANGE IN NET ASSETS	(20,790,025)	(10,699)	-	(20,800,724)	19,330,543
NET ASSETS					
Beginning of year	134,975,961	110,397	-	135,086,358	115,755,815
End of year	\$ 114,185,936	\$ 99,698	\$ -	\$ 114,285,634	\$ 135,086,358