

ELLIN & TUCKER

THE COMMUNITY FOUNDATION OF FREDERICK COUNTY,
MARYLAND, INC., THE COMMUNITY FOUNDATION
HOLDING COMPANY, INC., AND PLEASANTS SUPPORTING
CHARITABLE TRUST
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023



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The Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
 The Community Foundation of Frederick County, Maryland, Inc.,
 The Community Foundation Holding Company, Inc., and
 Pleasants Supporting Charitable Trust

OPINION

We audited the accompanying consolidated financial statements of The Community Foundation of Frederick County, Maryland, Inc., The Community Foundation Holding Company, Inc., and Pleasants Supporting Charitable Trust (collectively referred to as the Foundation), which comprise the Consolidated Statements of Financial Position as of June 30, 2024 and 2023, 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 the Foundation as of June 30, 2024 and 2023 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' 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 auditors' 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 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 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 matters 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.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
October 18, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
June 30, 2024 and 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,406,175	\$ 1,932,032
Promises to Give (Note 3)	130,582	153,914
Contributions Receivable (Note 4)	8,459,474	15,759,106
Prepaid Expenses	242,976	175,344
Investments, at Fair Value (Note 2)	178,302,734	153,129,395
Land Held for Sale (Note 5)	19,500,000	19,500,000
Present Value of Remainder Interests	4,507,514	2,723,618
Cash Surrender Value of Life Insurance	251,674	245,888
Property and Equipment, Net of Accumulated Depreciation of \$579,521 and \$560,675, Respectively	112,620	103,107
Other Asset	222,000	-
Right-of-Use Asset – Operating (Note 9)	70,321	144,768
	<u>213,206,070</u>	<u>193,867,172</u>
Total Assets	<u>\$ 213,206,070</u>	<u>\$ 193,867,172</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 1,473,783	\$ 132,916
Other Liabilities	315,114	119,070
Liabilities Under Split-Interest Agreements	2,032,202	1,989,648
Funds Held for Others	9,407,087	8,448,735
Lease Liability – Operating (Note 9)	66,301	143,155
	<u>13,294,487</u>	<u>10,833,524</u>
Total Liabilities	<u>13,294,487</u>	<u>10,833,524</u>
COMMITMENTS (Note 2)		
NET ASSETS		
Without Donor Restrictions	171,522,454	158,074,914
With Donor Restrictions (Note 6)	28,389,129	24,958,734
	<u>199,911,583</u>	<u>183,033,648</u>
Total Net Assets	<u>199,911,583</u>	<u>183,033,648</u>
Total Liabilities and Net Assets	<u>\$ 213,206,070</u>	<u>\$ 193,867,172</u>

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF ACTIVITIES
The Community Foundation of Frederick County, Maryland, Inc., The
Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Bequests Raised	\$ 4,802,607	\$ 4,514,780	\$ 9,317,387
Less: Amounts Received on Behalf of Others	(61,774)	(610,812)	(672,586)
Net Contributions and Bequests Raised	<u>4,740,833</u>	<u>3,903,968</u>	<u>8,644,801</u>
Revenue:			
Change in Present Value of Remainder Interests	1,777,533	-	1,777,533
Investment Income, Net (Note 2)	14,524,224	3,003,675	17,527,899
Administrative Fee Income (Expense), Net	459,153	(368,078)	91,075
Increase in Cash Surrender Value of Life Insurance	5,786	-	5,786
Revenue Before Investment Income Allocated to Funds Held for Others	16,766,696	2,635,597	19,402,293
Less: Investment Income Allocated to Funds Held for Others, Net	(646,346)	(249,209)	(895,555)
Net Revenue	<u>16,120,350</u>	<u>2,386,388</u>	<u>18,506,738</u>
Net Assets Released From Restrictions	2,978,653	(2,978,653)	-
Total Support and Revenue	<u>23,839,836</u>	<u>3,311,703</u>	<u>27,151,539</u>
GRANTS AND EXPENSES			
Grants, Scholarships, and Philanthropic Distributions	8,447,146	-	8,447,146
Other Supporting Program Expenses	819,831	-	819,831
Less: Amounts Distributed on Behalf of Others	(516,762)	-	(516,762)
Total Grants, Scholarships, and Philanthropic Distributions	8,750,215	-	8,750,215
Fundraising	567,907	-	567,907
Administrative	955,482	-	955,482
Total Grants and Expenses	<u>10,273,604</u>	<u>-</u>	<u>10,273,604</u>
Changes in Net Assets	13,566,232	3,311,703	16,877,935
RECLASSIFICATION OF NET ASSETS (Note 11)	<u>(118,692)</u>	<u>118,692</u>	<u>-</u>
NET ASSETS – JULY 1, 2023	<u>158,074,914</u>	<u>24,958,734</u>	<u>183,033,648</u>
NET ASSETS – JUNE 30, 2024	<u>\$ 171,522,454</u>	<u>\$ 28,389,129</u>	<u>\$ 199,911,583</u>

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF ACTIVITIES
The Community Foundation of Frederick County, Maryland, Inc., The
Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and Bequests Raised	\$ 13,802,416	\$ 2,964,648	\$ 16,767,064
Less: Amounts Received on Behalf of Others	(156,126)	(303,305)	(459,431)
Net Contributions and Bequests Raised	<u>13,646,290</u>	<u>2,661,343</u>	<u>16,307,633</u>
Revenue:			
Change in Present Value of Remainder Interests	178,302	-	178,302
Investment Income, Net (Note 2)	10,610,643	1,841,220	12,451,863
Administrative Fee Income (Expense), Net	422,348	(337,051)	85,297
Increase in Cash Surrender Value of Life Insurance	6,886	-	6,886
Revenue Before Investment Income Allocated to Funds Held for Others	<u>11,218,179</u>	<u>1,504,169</u>	<u>12,722,348</u>
Less: Investment Income Allocated to Funds Held for Others, Net	(483,603)	(170,820)	(654,423)
Net Revenue	<u>10,734,576</u>	<u>1,333,349</u>	<u>12,067,925</u>
Net Assets Released From Restrictions	<u>3,039,804</u>	<u>(3,039,804)</u>	<u>-</u>
Total Support and Revenue	<u>27,420,670</u>	<u>954,888</u>	<u>28,375,558</u>
GRANTS AND EXPENSES			
Grants, Scholarships, and Philanthropic Distributions	8,957,830	-	8,957,830
Other Supporting Program Expenses	832,452	-	832,452
Less: Amounts Distributed on Behalf of Others	(1,199,682)	-	(1,199,682)
Total Grants, Scholarships, and Philanthropic Distributions	<u>8,590,600</u>	<u>-</u>	<u>8,590,600</u>
Fundraising	721,241	-	721,241
Administrative	962,127	-	962,127
Total Grants and Expenses	<u>10,273,968</u>	<u>-</u>	<u>10,273,968</u>
Changes in Net Assets	17,146,702	954,888	18,101,590
RECLASSIFICATION OF NET ASSETS (Note 11)	<u>(107,190)</u>	<u>107,190</u>	<u>-</u>
NET ASSETS – JULY 1, 2022	<u>141,035,402</u>	<u>23,896,656</u>	<u>164,932,058</u>
NET ASSETS – JUNE 30, 2023	<u>\$ 158,074,914</u>	<u>\$ 24,958,734</u>	<u>\$ 183,033,648</u>

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
The Community Foundation of Frederick County, Maryland, Inc., The Community
Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2024

	Grants, Scholarships, and Philanthropic Distributions			Fundraising	General and Administrative	Total
	Scholarships	Grants	Total			
Grants, Scholarships, and Philanthropic Distributions	\$ 2,136,556	\$ 6,310,590	\$ 8,447,146	\$ -	\$ -	\$ 8,447,146
Less: Amounts Distributed on Behalf of Others	-	(516,762)	(516,762)	-	-	(516,762)
Salaries	266,573	266,573	533,146	361,757	484,112	1,379,015
Payroll Taxes	17,660	17,660	35,320	27,791	33,259	96,370
Advertising	1,665	1,665	3,330	1,628	4,883	9,841
Annual Report	3,124	3,124	6,248	1,735	9,371	17,354
Bad Debts	-	-	-	1,228	-	1,228
Contracted Services	5,918	5,918	11,836	1,045	659	13,540
Depreciation	4,941	4,941	9,882	2,745	14,824	27,451
Employee Health Insurance	20,419	20,419	40,838	49,098	44,215	134,151
Events	8,908	8,908	17,816	14,146	10,688	42,650
Facility Lease	14,739	14,739	29,478	27,996	25,981	83,455
General Insurance	4,799	4,799	9,598	2,740	12,907	25,245
Graphics, Printing, and Brochures	613	613	1,226	22,903	-	24,129
Legal and Accounting	1,924	3,849	5,773	-	31,600	37,373
Meetings	685	685	1,370	1,931	1,351	4,652
Memberships, Dues, and Subscriptions	1,413	1,413	2,826	5,047	10,640	18,513
Newsletter	857	857	1,714	1,713	13,707	17,134
Office	35,367	35,367	70,734	17,369	90,192	178,295
Other	2,464	2,464	4,928	1,378	4,725	11,031
Photography and Website	3,299	3,299	6,598	1,319	5,277	13,194
Postage	615	615	1,230	6,847	1,949	10,026
Real Estate Taxes	-	-	-	-	131,107	131,107
Repairs and Maintenance	1,515	1,515	3,030	1,561	4,592	9,183
Retirement Contributions	8,413	8,413	16,826	13,003	14,825	44,654
Strategic Initiatives	-	-	-	1,005	87	1,092
Telephone	352	352	704	627	627	1,958
Travel	1,310	1,310	2,620	310	15	2,945
Utilities	1,144	1,144	2,288	890	3,511	6,689
Volunteer and Donor Recognition	236	236	472	95	378	945
Total Expenses	\$ 2,545,509	\$ 6,204,706	\$ 8,750,215	\$ 567,907	\$ 955,482	\$ 10,273,604

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
The Community Foundation of Frederick County, Maryland, Inc., The Community
Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2023

	Grants, Scholarships, and Philanthropic Distributions			Fundraising	General and Administrative	Total
	Scholarships	Grants	Total			
Grants, Scholarships, and Philanthropic Distributions	\$ 2,180,855	\$ 6,776,975	\$ 8,957,830	\$ -	\$ -	\$ 8,957,830
Less: Amounts Distributed on Behalf of Others	-	(1,199,682)	(1,199,682)	-	-	(1,199,682)
Salaries	269,738	269,738	539,476	440,456	444,952	1,424,884
Payroll Taxes	18,180	18,181	36,361	34,285	29,850	100,496
Advertising	2,397	2,397	4,794	10,192	9,226	24,212
Annual Report	2,709	2,709	5,418	1,505	8,127	15,050
Bad Debts	-	-	-	1,432	-	1,432
Contracted Services	3,124	3,124	6,248	14,543	3,946	24,737
Depreciation	5,367	5,368	10,735	2,982	16,102	29,819
Employee Health Insurance	17,245	17,245	34,490	47,191	38,347	120,028
Events	10,126	10,126	20,252	20,401	12,152	52,805
Facility Lease	14,795	14,795	29,590	28,053	26,036	83,679
General Insurance	4,217	4,217	8,434	2,320	12,283	23,037
Graphics, Printing, and Brochures	3,365	3,365	6,730	38,338	-	45,068
Legal and Accounting	1,533	3,067	4,600	-	25,500	30,100
Meetings	432	432	864	2,966	-	3,830
Memberships, Dues, and Subscriptions	1,230	1,231	2,461	6,360	19,510	28,331
Newsletter	1,293	1,293	2,586	2,587	20,694	25,867
Office	34,253	34,253	68,506	19,427	86,485	174,418
Other	2,312	2,312	4,624	7,832	7,733	20,189
Photography and Website	10,640	10,640	21,280	4,256	17,025	42,561
Postage	582	583	1,165	9,223	1,781	12,169
Real Estate Taxes	-	-	-	-	126,629	126,629
Repairs and Maintenance	1,340	1,340	2,680	1,380	4,059	8,119
Retirement Contributions	7,885	7,885	15,770	14,244	14,548	44,562
Strategic Initiatives	-	-	-	6,300	29,697	35,997
Telephone	398	398	796	707	708	2,211
Travel	1,107	1,107	2,214	2,328	4,328	8,870
Utilities	1,057	1,057	2,114	1,880	2,197	6,191
Volunteer and Donor Recognition	132	132	264	53	212	529
Total Expenses	\$ 2,596,312	\$ 5,994,288	\$ 8,590,600	\$ 721,241	\$ 962,127	\$ 10,273,968

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS
The Community Foundation of Frederick County, Maryland, Inc., The
Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
For the Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Change in Net Assets	\$ 16,877,935	\$ 18,101,590
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	27,451	29,819
Noncash Lease Expense	(2,407)	(1,613)
Donation of Other Asset	(222,000)	-
Change in Cash Surrender Value of Life Insurance	(5,786)	(6,886)
Net Unrealized Appreciation of Investments	(5,376,962)	(7,522,596)
Realized Gain on Sale of Investments	(7,425,689)	(902,916)
Contributions to Permanent Endowments	(1,051,182)	(151,994)
Net Changes in:		
Promises to Give	23,332	27,213
Contributions Receivable	7,299,632	(3,841,100)
Prepaid Expenses	(67,632)	4,031
Present Value of Remainder Interests	(1,783,896)	(132,876)
Accounts Payable	1,340,867	(62,767)
Other Liabilities	196,044	(165,773)
Liabilities Under Split-Interest Agreements	42,554	53,434
Funds Held for Others	958,352	(172,227)
	10,830,613	5,255,339
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(36,964)	(4,232)
Proceeds From Sale of Investments	40,923,098	13,230,241
Purchases of Investments	(53,293,786)	(17,696,186)
	(12,407,652)	(4,470,177)
FINANCING ACTIVITIES		
Contributions to Permanent Endowments	1,051,182	151,994
	(525,857)	937,156
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	1,932,032	994,876
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 1,406,175	\$ 1,932,032

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

The Community Foundation of Frederick County, Maryland, Inc. (Community Foundation), The Community Foundation Holding Company, Inc. (Holding Company), and Pleasants Supporting Charitable Trust (Pleasants) are public charities formed to attract contributions and distribute funds for community betterment. Together, they match many donors' charitable intentions with community needs, bringing philanthropy within as broad a reach of Frederick County's citizenry as possible. Community Foundation and Holding Company were incorporated under the laws of Maryland in 1986 and 1997, respectively. Pleasants was established in 2017. Holding Company and Pleasants are supporting organizations of the Community Foundation.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Community Foundation, Holding Company, and Pleasants (collectively referred to as the Foundation). Community Foundation appoints the majority of the Board of Trustees for Holding Company and Pleasants. All material intercompany accounts and transactions were eliminated in the consolidation.

ACCOUNTING STANDARDS CODIFICATION

All references in the consolidated financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (GAAP) issued by the Financial Accounting Standards Board (FASB). The Codification is the single source of authoritative GAAP in the United States.

BASIS OF ACCOUNTING AND PRESENTATION

The consolidated financial statements were prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned, and expenses are recorded when incurred. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

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consolidated financial statements and certain reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Foundation maintains its cash in money market funds and bank deposit accounts, which may exceed federally insured limits. The Foundation believes its cash and cash equivalents are not exposed to any significant credit risk.

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PROMISES TO GIVE

Contributions are recognized when the donor makes a written promise to give amounts that are unconditional in substance to the Foundation. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results.

Promises to give in a future period are discounted to their net present value at the time the revenue is recorded. The Foundation's promises to give are generally receivable over a five-year period and discounted at a rate of 3%.

INVESTMENTS

The Foundation invests in various equity and debt securities. All investments are stated at fair value. Unrealized appreciation (depreciation) of investments is reflected as a component of revenue in the Consolidated Statements of Activities during the period in which the changes occur. Realized gains and losses are also reflected in the Consolidated Statements of Activities in the period credited to the Foundation's account. See Note 2 for a discussion of fair value measurements.

REMAINDER INTERESTS – CHARITABLE REMAINDER TRUSTS

The Foundation was named beneficiary of various charitable remainder trusts. A qualifying charitable remainder trust provides lifetime income to the donor and/or donor's family members, with the remaining trust assets passing to the Foundation when the trust ends. These trusts are created by donors independently of the Foundation and are neither in the possession nor under the control of the Foundation. However, Holding Company is the trustee of a number of the trusts. The trusts are administered by outside fiscal agents as designated by the donor. The Foundation recorded the present value of the remainder interest

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discounted at the rate of 5.6% and 4.2% for the years ended June 30, 2024 and 2023, respectively.

RISKS AND UNCERTAINTIES

The Foundation's investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risks in the near term would materially affect investment balances reported in the Consolidated Statements of Financial Position.

PROPERTY AND EQUIPMENT

Property and equipment in excess of \$1,000 are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of five to 10 years.

FUNDS HELD FOR OTHERS

These amounts represent funds established by various not-for-profit organizations for their benefit that are held and administered by the Foundation.

REVENUE RECOGNITION

Contributions received are recorded as support within net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

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

Unconditional promises to give are recognized as revenue or gain in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depended are substantially met. Promises to give are reviewed at the end of each year, and any amounts deemed uncollectable by management are reserved.

As a donee, the Foundation records the assets received as contribution revenue. If the Foundation is considered an agent, trustee, or intermediary, a liability rather than contribution revenue is recorded.

Revenue from fees for services is recognized as the related services are performed.

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INCOME TAXES

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). In addition, the Internal Revenue Service determined the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the Foundation's evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it took any tax positions that would not meet this threshold.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities were summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs were allocated among the benefitting programs and supporting services based upon estimates of actual time or resources devoted to each functional category.

LEASES

The Foundation determines if an arrangement is a lease at inception. Short-term leases are leases that, at lease commencement, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that the Foundation is reasonably certain to exercise. With the exception of short-term leases, operating leases are included as right-of-use (ROU) assets and operating lease liabilities on the Consolidated Statements of Financial Position. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Foundation uses a risk-free rate in determining the present value of lease payments for all leases. The operating lease ROU asset includes any lease payments made and excludes any lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

SUBSEQUENT EVENTS

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 18, 2024, the date the consolidated financial statements were available to be issued.

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Community Foundation of Frederick County, Maryland, Inc.,
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NOTE 2 INVESTMENTS

The Foundation utilizes professional investment services to manage all assets held for investment purposes. At June 30, 2024, the distribution of invested assets was as follows:

	<u>Equities</u>	<u>Cash Equivalents</u>	<u>Bonds</u>	<u>Investment Funds</u>	<u>Mutual Funds</u>	<u>Total</u>
PNC Bank, N.A.	\$ 98,839	\$ 10,765	\$ -	\$ -	\$ 161,461	\$ 271,065
Wilmington Trust	16,594,428	12,222,228	-	-	78,827,197	107,643,853
Morgan Stanley	-	3,389,640	-	-	-	3,389,640
Maryland Financial Planners	-	-	-	-	7,476,805	7,476,805
Merrill Lynch	3,935,743	296,218	2,436,591	-	6,713,736	13,382,288
First United	-	2,045	-	-	32,791	34,836
Morgan Stanley PWM	2,286,788	8,342	523,433	-	420,944	3,239,507
Family Heritage Trust	-	82,533	-	-	7,210,117	7,292,650
Wells Fargo	2,014,083	49,235	-	-	-	2,063,318
Sandy Spring Bank	-	681,413	-	-	-	681,413
Other PVRT	436,452	28,606	84,701	-	-	549,759
Truist	32,984	200,737	-	-	2,062,345	2,296,066
RBC Wealth Management	618,021	58,219	152,530	-	2,475	831,245
Constitution Capital Partners	-	-	-	2,971,697	-	2,971,697
Crestline Management LP	-	-	-	703,742	-	703,742
Golub Capital	-	-	-	2,404,209	-	2,404,209
Prudential	-	-	-	8,425,020	-	8,425,020
Glouston Capital Partners	-	-	-	50,016	-	50,016
Intrinsic Edge Capital Management	-	-	-	2,481,483	-	2,481,483
ValStone Asset Management	-	-	-	1,174,442	-	1,174,442
StepStone Associates	-	-	-	5,286,805	-	5,286,805
Accolade Partners	-	-	-	1,835,496	-	1,835,496
Bedrock Capital	-	-	-	1,173,511	-	1,173,511
Base10 Partners	-	-	-	805,271	-	805,271
Auldbrass	-	-	-	918,701	-	918,701
JLL	-	-	-	919,896	-	919,896
June 30, 2024 Totals	<u>\$ 26,017,338</u>	<u>\$ 17,029,981</u>	<u>\$ 3,197,255</u>	<u>\$ 29,150,289</u>	<u>\$ 102,907,871</u>	<u>\$ 178,302,734</u>
Percentage of Total	14.6%	9.6%	1.8%	16.3%	57.7%	100.0%
June 30, 2023 Totals	\$ 21,373,407	\$ 10,622,613	\$ 1,896,319	\$ 35,488,390	\$ 83,748,666	\$ 153,129,395
Percentage of Total	14.0%	6.9%	1.2%	23.2%	54.7%	100.0%

(See Independent Auditors' Report)

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Investment income for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Net Investment Income – Realized	\$ 12,792,478	\$ 5,323,687
Net Unrealized Appreciation on Investments	5,376,962	7,522,596
	18,169,440	12,846,283
Less: Investment Expenses	(641,541)	(394,420)
	<u>\$ 17,527,899</u>	<u>\$ 12,451,863</u>

The Fair Value Measurements and Disclosures Section of the Codification establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace, as well as the existence and transparency of transactions between market participants. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities and listed derivatives. As required by the Codification, the Foundation does not adjust the quoted price for these investments, even in situations where it holds a large position, and a sale could reasonably impact the quoted price.
- Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Generally, investments in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Generally, investments in this category include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt, and non-investment grade residual interests in securitizations and collateralized debt obligations.

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Foundation's investments in investment funds are measured at fair value using the net assets value as a practical expedient. In accordance with the FASB's Accounting Standards Update 2015-07, these investments are not required to be categorized within the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2024 and 2023:

	2024		
	Level 1	Level 2	Total
Cash Equivalents	\$ 17,029,981	\$ -	\$ 17,029,981
Bonds:			
Agency	-	46,853	46,853
Corporate	-	1,481,819	1,481,819
Treasury	-	1,351,487	1,351,487
Municipal	-	317,096	317,096
Total Bonds	-	3,197,255	3,197,255
Mutual Funds:			
Fixed Income	7,799,046	-	7,799,046
Foreign	17,327,209	-	17,327,209
Large Cap	32,132,057	-	32,132,057
Mid Cap	8,048,693	-	8,048,693
Equity	9,617,470	-	9,617,470
Real Estate	585,664	-	585,664
Small Cap	11,640,008	-	11,640,008
High Yield	273,750	-	273,750
Commodity	114,309	-	114,309
Emerging Markets	13,614,894	-	13,614,894
Other	1,754,771	-	1,754,771
Total Mutual Funds	102,907,871	-	102,907,871

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	2024 (Continued)		
	Level 1	Level 2	Total
Equities:			
Consumer Discretionary	2,815,216	-	2,815,216
Consumer Staples	458,401	-	458,401
Energy	1,160,849	-	1,160,849
Financial	4,823,860	-	4,823,860
Health Care	3,772,758	-	3,772,758
Industrials	4,465,476	-	4,465,476
Information Technology	3,948,369	-	3,948,369
Materials	805,240	-	805,240
Real Estate	102,375	-	102,375
Equity Cap	92,900	-	92,900
Telecommunications	3,055,533	-	3,055,533
Utilities	516,361	-	516,361
	<u>26,017,338</u>	<u>-</u>	<u>26,017,338</u>
	<u>\$ 145,955,190</u>	<u>\$ 3,197,255</u>	<u>149,152,445</u>
Private Investment Funds			<u>29,150,289</u>
Total			<u>\$ 178,302,734</u>
2023			
	Level 1	Level 2	Total
Cash Equivalents	\$ 10,622,613	\$ -	\$ 10,622,613
Bonds:			
Agency	-	17,109	17,109
Corporate	-	821,962	821,962
Treasury	-	539,980	539,980
Mortgages	-	426,592	426,592
Municipal	-	90,676	90,676
	<u>-</u>	<u>1,896,319</u>	<u>1,896,319</u>

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
The Community Foundation of Frederick County, Maryland, Inc.,
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	2023 (Continued)		
	Level 1	Level 2	Total
Mutual Funds:			
Fixed Income	5,651,870	-	5,651,870
Foreign	19,463,604	-	19,463,604
Large Cap	26,222,752	-	26,222,752
Mid Cap	11,292,490	-	11,292,490
Equity	3,074,578	-	3,074,578
Real Estate	298,415	-	298,415
Small Cap	6,699,347	-	6,699,347
High Yield	235,500	-	235,500
Commodity	211,289	-	211,289
Emerging Markets	6,068,612	-	6,068,612
Intermediate	199,777	-	199,777
Balanced	2,960,098	-	2,960,098
Other	1,370,334	-	1,370,334
Total Mutual Funds	<u>83,748,666</u>	<u>-</u>	<u>83,748,666</u>
Equities:			
Consumer Discretionary	2,175,254	-	2,175,254
Consumer Staples	787,597	-	787,597
Energy	989,822	-	989,822
Financial	4,883,804	-	4,883,804
Health Care	2,376,466	-	2,376,466
Industrials	3,042,518	-	3,042,518
Information Technology	2,988,702	-	2,988,702
Materials	447,872	-	447,872
Real Estate	197,814	-	197,814
Equity Cap	187,951	-	187,951
Telecommunications	3,201,620	-	3,201,620
Utilities	93,987	-	93,987
Total Equities	<u>21,373,407</u>	<u>-</u>	<u>21,373,407</u>
	<u>\$ 115,744,686</u>	<u>\$ 1,896,319</u>	117,641,005
Private Investment Funds			<u>35,488,390</u>
Total			<u>\$ 153,129,395</u>

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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As of June 30, 2024, the fair value of the investments within the scope of the Fair Value Measurements and Disclosures Topic of the Codification and for which the Foundation estimated fair value using net asset value or partners' capital aggregated \$29,150,289. The table below summarizes such investments and certain attributes as of June 30, 2024:

	<u>Fair Value</u>	<u>Future Commitments</u>	<u>Redemption Provision</u>
Ironsides Partnership Fund III, LP	\$ 3,404	\$ 96,686	None *
Ironsides Co-Investment Fund III, LP	402,642	24,538	None *
Ironsides Offshore Direct Investment Fund IV	467,811	105,273	None *
Ironsides Offshore Opportunities Fund, LP	485,378	456,241	None *
Ironsides Co-Investment Fund VI, LP	1,612,462	204,652	None *
Glouston Private Equity Opportunities IV, LP	50,016	218,000	None *
Crestline Associates Fund III	703,742	152,182	None *
Intrinsic Edge Plus Offshore LTD	2,481,483	-	Monthly
Golub Capital Partners International 10, LP	1,335,656	187,500	With consent ***
Golub Capital Partners International 11, LP	1,068,553	150,000	With consent ***
Prudential Institutional Core Plus Bond-NQ	8,425,020	-	Monthly **
ValStone Opportunity Fund VI	1,174,442	73,172	Quarterly
StepStone Opportunities V, LP	923,813	40,000	Quarterly
StepStone Early Stage I, LP	966,704	7,500	Quarterly
StepStone Secondaries Fund IV, LP	1,671,558	26,602	Quarterly
StepStone Secondaries Fund V, LP	1,724,730	480,000	Quarterly
Accolade Partners VI-C, LP	835,632	112,499	None *
Accolade Partners Growth I, LP	999,864	208,125	None *
Bedrock Capital III, LP	1,173,511	61,000	None *
Base 10 Advancement Initiative I, LP	805,271	43,546	None *
Auldbrass Secondary Opportunity Fund III, LLC	918,701	646,452	None *
JLL Income Property Trust Class MI	919,896	-	Daily ****
	<u>\$ 29,150,289</u>	<u>\$ 3,293,968</u>	

* No redemption provision for these investments prior to funds liquidating the underlying investments

** Requires five days notice

*** Requires general partner consent

**** Subject to one year lockup period

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 PROMISES TO GIVE

Promises to give at June 30, 2024 and 2023 were as follows:

	2024	2023
Promises to Give Expected to Be Collected in:		
Less Than One Year	\$ 101,378	\$ 92,952
One to Five Years	41,732	77,223
	143,110	170,175
Less: Allowance for Uncollectable Promises to Give	(6,873)	(8,101)
Less: Discount on Promises to Give	(5,655)	(8,160)
Net Promises to Give	\$ 130,582	\$ 153,914

NOTE 4 CONTRIBUTIONS RECEIVABLE

As of June 30, 2024, the Foundation was the beneficiary of estates with an estimated value of \$8,459,474. The Foundation expects to receive this amount during the year ending June 30, 2025.

NOTE 5 LAND HELD FOR SALE

During the year ended June 30, 2018, Pleasants was established as a Type 1 supporting organization of the Foundation and received a donation of land in Anne Arundel County valued at \$19,500,000. It is expected that the land will be developed and sold.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023 were restricted for the following purposes:

	2024	2023
Grants, Scholarships, and Philanthropic Purposes:		
Subject to Expenditure for Specified Purpose	\$ 14,746,685	\$ 13,469,557
Subject to Foundation's Spending Policy and Appropriation	2,091,458	1,036,669
Amounts Invested in Perpetuity	11,550,986	10,452,508
	\$ 28,389,129	\$ 24,958,734

(See Independent Auditors' Report)

NOTE 7 **ENDOWMENT FUNDS**

The Foundation's endowment consists of various donor-restricted funds established to provide a source of income for ongoing grants and scholarships. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Foundation is subject to the Maryland 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 expenditure. 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 interprets 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 interprets 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:

- (1) Duration and preservation of the fund
- (2) Purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) Possible effect of inflation and deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) Investment policies of the Foundation

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2024 AND 2023:

	2024	2023
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 11,550,986	\$ 10,452,508
Accumulated Investment Gains	2,091,458	1,036,669
	\$ 13,642,444	\$ 11,489,177

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023:

Endowment Funds, July 1, 2022		\$ 11,113,066
Investment Return:		
Investment Income – Realized		234,337
Net Unrealized Appreciation		301,564
Total Investment Return		535,901
Contributions		151,994
Net Assets Reclassified		(25,801)
Appropriation of Endowment Assets for Expenditure		(285,983)
Endowment Funds, June 30, 2023		11,489,177
Investment Return:		
Investment Income – Realized		477,751
Net Unrealized Appreciation		749,968
Total Investment Return		1,227,719
Contributions		1,051,182
Net Assets Reclassified		144,607
Appropriation of Endowment Assets for Expenditure		(270,241)
Endowment Funds, June 30, 2024		\$ 13,642,444

(See Independent Auditors' Report)

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2024, there were underwater endowment funds totaling approximately \$411,000 with an original gift balance of approximately \$423,000. As of June 30, 2023, there were underwater endowment funds totaling approximately \$3,363,000 with an original gift balance of approximately \$3,472,000.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation established 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 preserve the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds the Foundation must hold in perpetuity or for donor-specified periods. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner intended to produce results that exceed the portfolio's benchmark index, as defined by the indices represented by the portfolio's asset allocation, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an annual average rate of return that exceeds the spending rate. Actual returns in any given year may vary from this amount.

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 capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on fixed income-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 Foundation has a Board-approved endowment spending policy that targets net income as of June 30 of the previous fiscal year for all funds. In establishing this policy, the Foundation considers the long-term expected return on its endowment. Annually, the investment committee debates the prudence of continuing the spending policy, keeping in mind the seven prudence guidelines for appropriation as outlined in UPMIFA. Over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate of return that exceeds the spending rate. This is consistent with the objective to maintain the purchasing power of the endowment assets in perpetuity or for a donor-specified term as well as provide additional real growth through new gifts and investment return.

(See Independent Auditors' Report)

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NOTE 8 **EMPLOYEE RETIREMENT PLAN**

The Foundation has a 401(k) plan for eligible employees. The 401(k) plan requires the Foundation to contribute up to 3% of a participant’s compensation plus 50% of each participant’s contribution that exceeds 3% of a participant’s compensation up to 5% of a participant’s compensation. For the years ended June 30, 2024 and 2023, contributions were \$44,654 and \$44,562, respectively.

NOTE 9 **OPERATING LEASE OBLIGATION**

The Foundation leases office space under an operating lease agreement. The ROU asset and operating lease liability is being amortized over the life of the lease. The weighted-average remaining lease term was 0.83 and 1.83 years as of June 30, 2024 and 2023, respectively. The weighted-average discount rate was 2.85% as of June 30, 2024 and 2023. Operating lease expense was \$83,455 and \$83,679 for the years ended June 30, 2024 and 2023, respectively.

Future minimum lease payments under the operating lease are as follows:

Year Ending June 30, 2025	\$ 67,170
Less: Amount Representing Interest	<u>(869)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 66,301</u></u>

NOTE 10 **DONATED SERVICES**

No amounts were reflected in the consolidated financial statements for donated services because no objective basis is available to measure the value of such services. However, a substantial number of volunteers donates significant amounts of time to the Foundation’s program services, scholarship committees, and general administration.

NOTE 11 **RECLASSIFICATION OF NET ASSETS**

Certain net assets were reclassified as a result of revisions to the funds.

NOTE 12 **ADMINISTRATIVE FEES**

Gross administrative fees earned by the Foundation for the years ended June 30, 2024 and 2023 were as follows:

	2024	2023
Administrative Fees, Gross	\$ 1,920,128	\$ 1,662,301

(See Independent Auditors’ Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the Consolidated Statements of Financial Position date were as follows:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,406,175	\$ 1,932,032
Promises to Give	130,582	153,914
Investments, at Fair Value	178,302,734	153,129,395
Contributions Receivable	<u>8,459,474</u>	<u>15,759,106</u>
 Total Financial Assets	 188,298,965	 170,974,447
 Financial Assets to Be Collected in More Than One Year:		
Promises to Give	(36,077)	(69,063)
Private Investment Funds	(29,150,289)	(35,488,390)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(13,642,444)	(11,489,177)
Donor Contributions Restricted to Specific Purpose	<u>(14,746,685)</u>	<u>(13,469,557)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 130,723,470</u>	 <u>\$ 110,458,260</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

(See Independent Auditors' Report)