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, 2023 AND 2022

The Community Foundation
OF FREDERICK COUNTY

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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, 2023 and 2022, 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, 2023 and 2022 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

ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
October 19, 2023

ASSETS

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 1,932,032	$ 994,876
Promises to Give (Note 3)	153,914	181,127
Contributions Receivable (Note 4)	15,759,106	11,912,399
Prepaid Expenses	175,344	184,982
Investments, at Fair Value (Note 2)	153,129,395	140,237,938
Land Held for Sale (Note 5)	19,500,000	19,500,000
Present Value of Remainder Interests	2,723,618	2,590,742
Cash Surrender Value of Life Insurance	245,888	239,002
Property and Equipment, Net of Accumulated Depreciation of $560,675 and $545,884, Respectively	103,107	128,694
Right-of-Use Asset – Operating (Note 9)	144,768	-
Total Assets	$ 193,867,172	$ 175,969,760

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts Payable	$ 132,916	$ 195,683
Other Liabilities	119,070	284,843
Liabilities Under Split-Interest Agreements	1,989,648	1,936,214
Funds Held for Others	8,448,735	8,620,962
Lease Liability – Operating (Note 9)	143,155	-
Total Liabilities	10,833,524	11,037,702
COMMITMENTS (Note 2)		
NET ASSETS		
Without Donor Restrictions	158,074,914	141,035,402
With Donor Restrictions (Note 6)	24,958,734	23,896,656
Total Net Assets	183,033,648	164,932,058
Total Liabilities and Net Assets	$ 193,867,172	$ 175,969,760

(See Independent Auditors' Report and Accompanying Notes)

	Without Donor Restrictions	With Donor Restrictions	Total
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	13,646,290	2,661,343	16,307,633
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	11,218,179	1,504,169	12,722,348
Less: Investment Income Allocated to Funds Held for Others, Net	(483,603)	(170,820)	(654,423)
Net Revenue	10,734,576	1,333,349	12,067,925
Net Assets Released from Restrictions	3,039,804	(3,039,804)	-
Total Support and Revenue	27,420,670	954,888	28,375,558
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	8,590,600	-	8,590,600
Fundraising	721,241	-	721,241
Administrative	962,127	-	962,127
Total Grants and Expenses	10,273,968	-	10,273,968
Changes in Net Assets	17,146,702	954,888	18,101,590
RECLASSIFICATION OF NET ASSETS (Note 11)	(107,190)	107,190	-
NET ASSETS – JULY 1, 2022	141,035,402	23,896,656	164,932,058
NET ASSETS – JUNE 30, 2023	$ 158,074,914	$ 24,958,734	$ 183,033,648

(See Independent Auditors' Report and Accompanying Notes)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Bequests Raised	$ 14,589,201	$ 2,544,208	$ 17,133,409
Less: Amounts Received on Behalf of Others	(89,355)	(245,341)	(334,696)
Net Contributions and Bequests Raised	14,499,846	2,298,867	16,798,713
Revenue:			
Change in Present Value of Remainder Interests	(1,491,362)	-	(1,491,362)
Investment Loss, Net (Note 2)	(16,123,239)	(3,047,272)	(19,170,511)
Administrative Fee Income (Expense), Net	497,016	(391,213)	105,803
Increase in Cash Surrender Value of Life Insurance	10,172	-	10,172
Revenue before Investment Loss Allocated to Funds Held for Others	(17,107,413)	(3,438,485)	(20,545,898)
Less: Investment Loss Allocated to Funds Held for Others, Net	807,849	278,760	1,086,609
Net Revenue	(16,299,564)	(3,159,725)	(19,459,289)
Net Assets Released from Restrictions	3,150,230	(3,150,230)	-
Total Support and Revenue	1,350,512	(4,011,088)	(2,660,576)
GRANT AND EXPENSES			
Grants, Scholarships, and Philanthropic Distributions	9,350,118	-	9,350,118
Other Supporting Program Expenses	777,634	-	777,634
Less: Amounts Distributed on Behalf of Others	(513,929)	-	(513,929)
Total Grants, Scholarships, and Philanthropic Distributions	9,613,823	-	9,613,823
Fundraising	641,279	-	641,279
Administrative	913,923	-	913,923
Total Grants and Expenses	11,169,025	-	11,169,025
FORGIVENESS OF DEBT (Note 14)	198,134	-	198,134
Changes in Net Assets	(9,620,379)	(4,011,088)	(13,631,467)
NET ASSETS – JULY 1, 2021	150,655,781	27,907,744	178,563,525
NET ASSETS – JUNE 30, 2022	$ 141,035,402	$ 23,896,656	$ 164,932,058

(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					
	Scholarships	Grants	Total	Fundraising	General and Administrative	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
Contract Labor	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 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, 2022

	Grants, Scholarships, and Philanthropic Distributions					
	Scholarships	Grants	Total	Fundraising	General and Administrative	Total
Grants, Scholarships, and Philanthropic Distributions	$ 2,558,114	$ 6,792,004	$ 9,350,118	$ -	$ -	$ 9,350,118
Less: Amounts Distributed on Behalf of Others	-	(513,929)	(513,929)	-	-	(513,929)
Salaries	248,874	248,874	497,748	430,454	386,829	1,315,031
Payroll Taxes	17,937	17,937	35,874	30,511	27,299	93,684
Advertising	4,957	4,957	9,914	8,690	8,379	26,983
Annual Report	3,658	3,659	7,317	2,032	10,975	20,324
Bad Debts	-	-	-	2,125	-	2,125
Contract Labor	3,569	3,570	7,139	20,256	545	27,940
Depreciation	5,576	5,577	11,153	3,098	16,729	30,980
Employee Health Insurance	17,052	17,052	34,104	37,105	30,158	101,367
Events	9,194	9,195	18,389	11,678	11,033	41,100
Facility Lease	14,568	14,568	29,136	14,568	39,552	83,256
General Insurance	3,755	3,754	7,509	1,843	11,859	21,211
Graphics, Printing, and Brochures	3,519	3,519	7,038	15,206	-	22,244
Legal and Accounting	1,444	2,889	4,333	-	30,737	35,070
Meetings	4,606	4,605	9,211	1,658	304	11,173
Memberships, Dues, and Subscriptions	730	750	1,480	4,136	9,895	15,511
Newsletter	916	917	1,833	1,834	14,668	18,335
Office	32,731	32,731	65,462	21,676	72,808	159,946
Other	1,916	1,916	3,832	4,453	(1,301)	6,984
Photography and Website	2,306	2,306	4,612	923	3,690	9,225
Postage	561	561	1,122	9,697	1,907	12,726
Real Estate Taxes	-	-	-	-	126,076	126,076
Repairs and Maintenance	1,323	1,323	2,646	1,363	4,009	8,018
Retirement Contributions	7,363	7,363	14,726	12,279	13,078	40,083
Strategic Initiatives	-	-	-	100	91,770	91,870
Telephone	327	325	652	578	578	1,808
Travel	27	27	54	3,216	6	3,276
Utilities	966	965	1,931	1,716	2,005	5,652
Volunteer and Donor Recognition	210	209	419	84	335	838
Total Expenses	$ 2,946,199	$ 6,667,624	$ 9,613,823	$ 641,279	$ 913,923	$ 11,169,025

(See Independent Auditors' Report and Accompanying Notes)

	2023	2022
OPERATING ACTIVITIES		
Change in Net Assets	$ 18,101,590	$ (13,631,467)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	29,819	30,980
Amortization of Right-of-Use Asset – Operating	72,303	-
Change in Cash Surrender Value of Life Insurance	(6,886)	(10,172)
Forgiveness of Debt	-	(198,134)
Net Unrealized (Appreciation) Depreciation of Investments	(7,522,596)	30,714,247
Realized Gain on Sale of Investments	(902,916)	(7,760,992)
Contributions to Permanent Endowments	(151,994)	(33,191)
Net Changes in:		
Promises to Give	27,213	40,381
Contributions Receivable	(3,841,100)	(8,977,423)
Prepaid Expenses	4,031	(2,180)
Present Value of Remainder Interests	(132,876)	1,626,176
Accounts Payable	(62,767)	(1,954,855)
Other Liabilities	(165,773)	166,389
Lease Liability – Operating	(73,916)	-
Liabilities under Split-Interest Agreements	53,434	(468,412)
Funds Held for Others	(172,227)	(1,372,639)
Net Cash Provided by (Used in) Operating Activities	5,255,339	(1,831,292)
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(4,232)	(18,676)
Proceeds from Sale of Investments	13,230,241	31,525,168
Purchases of Investments	(17,696,186)	(31,796,752)
Net Cash Used in Investing Activities	(4,470,177)	(290,260)
FINANCING ACTIVITIES		
Contributions to Permanent Endowments	151,994	33,191
Net Change in Cash and Cash Equivalents	937,156	(2,088,361)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	994,876	3,083,237
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 1,932,032	$ 994,876

(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.

NEW ACCOUNTING STANDARD ADOPTION

In February 2016, the FASB issued Accounting Standards Update 2016-02 – Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and the corresponding lease liabilities and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The Foundation adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 through a cumulative effect adjustment. The Foundation elected the package of practical expedients to not reassess (1) whether any

(See Independent Auditors' Report)

expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) initial direct costs for any expired or existing leases. The Foundation elected the short-term lease exemption policy as well as the practical expedient that allows lessees to treat lease and non-lease components as a single lease component. The Foundation also elected the practical expedient to use the risk-free rate at the adoption date of July 1, 2022 to calculate the present value of lease payments.

The standard did not have a material impact on the Consolidated Statement of Financial Position, nor the Consolidated Statements of Activities and Cash Flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases. In the year of adoption, the Foundation recorded a right-of-use asset and operating lease liability of approximately $217,000 as of July 1, 2022.

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 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 discounted at the rate of 4.2% and 3.6% for the years ended June 30, 2023 and 2022, respectfully.

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 uncollectible 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.

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

Effective July 1, 2022, 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 Statement of Financial Position as of June 30, 2023. 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 19, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

The Foundation utilizes professional investment services to manage all assets held for investment purposes. At June 30, 2023, the distribution of invested assets was as follows:

	Equities	Cash Equivalents	Bonds	Investment Funds	Mutual Funds	Total
PNC Bank, N.A.	$ 192,219	$ 31,913	$ -	$ -	$ 231,849	$ 455,981
Wilmington Trust	12,692,527	6,454,757	-	-	66,006,861	85,154,145
Morgan Stanley	-	2,477,201	-	-	-	2,477,201
Maryland Financial Planners	-	-	-	-	6,811,792	6,811,792

(See Independent Auditors' Report)

	Equities	Cash Equivalents	Bonds	Investment Funds	Mutual Funds	Total
Merrill Lynch	3,304,798	180,010	1,666,486	-	4,280,257	9,431,551
First United	-	1,928	-	-	29,921	31,849
Morgan Stanley PWM	2,219,001	107	-	-	772,116	2,991,224
Family Heritage Trust	-	17,249	-	-	3,729,525	3,746,774
Wells Fargo	1,898,524	53,288	-	-	-	1,951,812
Sandy Spring Bank	-	658,539	-	-	-	658,539
Primis Bank	-	250,000	-	-	-	250,000
ACNB Bank	-	255,377	-	-	-	255,377
Other PVRT	422,494	34,318	90,676	-	-	547,488
Truist	30,348	165,345	-	-	1,881,537	2,077,230
RBC Wealth Management	613,496	42,581	139,157	-	4,808	800,042
Constitution Capital Partners	-	-	-	3,922,658	-	3,922,658
Crestline Management LP	-	-	-	923,297	-	923,297
Golub Capital	-	-	-	2,440,349	-	2,440,349
MacKay Shields	-	-	-	7,517,994	-	7,517,994
Prudential	-	-	-	7,518,613	-	7,518,613
Glouston Capital Partners	-	-	-	76,229	-	76,229
Intrinsic Edge Capital Management	-	-	-	2,389,593	-	2,389,593
ValStone Asset Management	-	-	-	1,310,021	-	1,310,021
StepStone Associates	-	-	-	4,907,797	-	4,907,797
Accolade Partners	-	-	-	1,650,444	-	1,650,444
Bedrock Capital	-	-	-	755,928	-	755,928
Base10 Partners	-	-	-	719,756	-	719,756
Auldbrass	-	-	-	358,243	-	358,243
JLL	-	-	-	997,468	-	997,468
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%
June 30, 2022 Totals	$ 16,825,978	$ 11,409,451	$ 522,744	$ 36,217,887	$ 75,261,878	$ 140,237,938
Percentage of Total	12.0%	8.1%	0.4%	25.8%	53.7%	100.0%

Investment income (loss) for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Net Investment Income – Realized	$ 5,323,687	$ 12,439,231
Net Unrealized Appreciation (Depreciation) on Investments	7,522,596	(30,714,247)
	12,846,283	(18,275,016)
Less: Investment Expenses	(394,420)	(895,495)
	$ 12,451,863	$ (19,170,511)

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

(See Independent Auditors' Report)

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.

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, 2023 and 2022:

	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
Total Bonds	-	1,896,319	1,896,319
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	83,748,666	-	83,748,666
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

(See Independent Auditors' Report)

	2023		
	Level 1	**Level 2**	**Total**
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	21,373,407	-	21,373,407
	$ 115,744,686	$ 1,896,319	117,641,005
Investment Funds			35,488,390
Total			$ 153,129,395

	2022		
	Level 1	**Level 2**	**Total**
Cash Equivalents	$ 11,409,451	$ -	$ 11,409,451
Bonds:			
Agency	-	87,219	87,219
Corporate	-	138,596	138,596
Treasury	-	113,481	113,481
Mortgages	-	89,704	89,704
Municipal	-	93,744	93,744
Total Bonds	-	522,744	522,744
Mutual Funds:			
Fixed Income	6,604,896	-	6,604,896
Foreign	16,779,234	-	16,779,234
Large Cap	23,278,196	-	23,278,196
Mid Cap	9,996,538	-	9,996,538
Equity	2,773,998	-	2,773,998
Real Estate	492,207	-	492,207
Small Cap	5,966,822	-	5,966,822
High Yield	274,452	-	274,452
Commodity	149,163	-	149,163
Emerging Markets	5,321,249	-	5,321,249
Intermediate	194,255	-	194,255
Balanced	2,922,170	-	2,922,170
Other	508,698	-	508,698
Total Mutual Funds	75,261,878	-	75,261,878

(See Independent Auditors' Report)

	2022		
	Level 1	Level 2	Total
Equities:			
Consumer Discretionary	1,910,245	-	1,910,245
Consumer Staples	684,073	-	684,073
Energy	195,965	-	195,965
Financial	4,260,721	-	4,260,721
Health Care	2,183,808	-	2,183,808
Industrials	1,775,879	-	1,775,879
Information Technology	2,315,436	-	2,315,436
Materials	368,408	-	368,408
Real Estate	418,022	-	418,022
Equity Cap	119,648	-	119,648
Telecommunications	2,502,385	-	2,502,385
Utilities	91,388	-	91,388
Total Equities	16,825,978	-	16,825,978
	$ 103,497,307	$ 522,744	104,020,051
Investment Funds			36,217,887
Total			$ 140,237,938

As of June 30, 2023, 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 $35,488,390. The table below summarizes such investments and certain attributes as of June 30, 2023:

	Fair Value	Future Commitments	Redemption Provision
Ironsides Partnership Fund III, LP	$ 584,840	$ 174,467	None *
Ironsides Co-Investment Fund III, LP	443,821	24,538	None *
Ironsides Offshore Direct Investment Fund IV	769,921	142,346	None *
Ironsides Offshore Opportunities Fund, LP	537,013	461,434	None *
Ironsides Co-Investment Fund VI, LP	1,587,063	180,584	None *
Glouston Private Equity Opportunities IV, LP	76,229	218,000	None *
Crestline Offshore Recovery Fund II, LP	8,112	-	None *
Crestline Associates Fund III	915,185	152,182	None *
MacKay Shields Core Plus Opportunities Fund LP	7,517,994	-	30 Days

(See Independent Auditors' Report)

	Fair Value	Future Commitments	Redemption Provision
Prudential Institutional Core Plus Bond-NQ	7,518,613	-	Monthly **
Golub Capital Partners International 10, LP	1,356,674	187,500	With consent ***
Golub Capital Partners International 11, LP	1,083,675	150,000	With consent ***
Intrinsic Edge Plus Offshore LTD	2,389,593	-	Monthly
ValStone Opportunity Fund VI	1,310,021	73,172	Quarterly
StepStone Opportunities V, LP	988,225	40,000	Quarterly
StepStone Early Stage I, LP	1,040,783	37,500	Quarterly
StepStone Secondaries Fund IV, LP	1,832,610	26,602	Quarterly
StepStone Secondaries Fund V, LP	1,046,179	980,000	Quarterly
Accolade Partners VI-C, LP	779,800	112,499	None *
Accolade Partners Growth I, LP	870,644	225,000	None *
Bedrock Capital III, LP	755,928	257,000	None *
Base 10 Advancement Initiative I, LP	719,756	145,991	None *
Auldbrass Secondary Opportunity Fund III, LLC	358,243	1,078,177	None *
JLL Income Property Trust Class MI	997,468	-	Daily ****
	$ 35,488,390	$ 4,666,992	

* 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

NOTE 3 PROMISES TO GIVE

Promises to give at June 30, 2023 and 2022 were as follows:

	2023	2022
Promises to Give Expected to Be Collected in:		
Less Than One Year	$ 92,952	$ 112,097
One to Five Years	77,223	88,748
	170,175	200,845
Less: Allowance for Uncollectible Promises to Give	(8,101)	(9,533)
Less: Discount on Promises to Give	(8,160)	(10,185)
Net Promises to Give	$ 153,914	$ 181,127

(See Independent Auditors' Report)

NOTE 4 CONTRIBUTIONS RECEIVABLE

As of June 30, 2023, the Foundation was the beneficiary of estates with an estimated value of $15,759,106. The Foundation expects to receive this amount during the year ending June 30, 2024.

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, 2023 and 2022 were restricted for the following purposes:

	2023	2022
Grants, Scholarships, and Philanthropic Purposes:		
Subject to Expenditure for Specified Purpose	$ 13,469,557	$ 12,783,590
Subject to Foundation's Spending Policy and Appropriation	1,036,669	784,607
Amounts Invested in Perpetuity	10,452,508	10,328,459
	$ 24,958,734	$ 23,896,656

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

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2023 AND 2022:

	2023	2022
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	$ 10,452,508	$ 10,328,459
Accumulated Investment Gains	1,036,669	784,607
	$ 11,489,177	$ 11,113,066

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022:

Endowment Funds, July 1, 2021	$ 13,142,164
Investment Return:	
Investment Income – Realized	429,704
Net Unrealized Depreciation	(1,933,353)
Total Investment Return	(1,503,649)

(See Independent Auditors' Report)

Contributions	33,191
Net Assets Reclassified	(28,966)
Appropriation of Endowment Assets for Expenditure	(529,674)
Endowment Funds, June 30, 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

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, 2023, there were underwater endowment funds totaling approximately $3,363,000 with an original gift balance of approximately $3,472,000. As of June 30, 2022, there were underwater endowment funds totaling approximately $3,455,000 with an original gift balance of approximately $3,795,000.

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.

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, 2023 and 2022, contributions were $44,562 and $40,083, 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 respective life of the lease. The weighted-average remaining lease term was 1.83 years as of June 30, 2023. The weighted-average discount rate was 2.85% as of June 30, 2023. Operating lease expense was $83,679 and $83,256 for the years ended June 30, 2023 and 2022, respectively.

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

Year Ending June 30,	2024	$ 79,934
	2025	67,170
		147,104
Less: Amount Representing Interest		(2,336)
Present Value of Minimum Lease Payments		$ 144,768

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, 2023 and 2022 were as follows:

	2023	2022
Administrative Fees, Gross	$ 1,662,301	$ 1,915,816

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:

	2023	2022
Cash and Cash Equivalents	$ 1,932,032	$ 994,876
Promises to Give	153,914	181,127
Investments, at Fair Value	153,129,395	140,237,938
Contributions Receivable	15,759,106	11,912,399
Total Financial Assets	170,974,447	153,326,340

(See Independent Auditors' Report)

	2023	2022
Financial Assets to Be Collected in More Than One Year:		
Promises to Give	(69,063)	(78,563)
Investment Funds	(35,488,390)	(36,217,887)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(11,489,177)	(11,113,066)
Donor Contributions Restricted to Specific Purpose	(13,469,557)	(12,783,590)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 110,458,260	$ 93,133,234

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.

NOTE 14 NOTE PAYABLE

In May 2020, the Foundation received a loan in the amount of $198,134 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Foundation used the funds primarily for payroll costs during the 24-week period beginning in May 2020 in accordance with the terms of the PPP. The Company applied for forgiveness of the loan under the terms of the program and received notification from the SBA that the loan was forgiven. Forgiveness income of $198,134 is included on the Consolidated Statements of Activities for the year ended June 30, 2022. PPP loans are subject to audit by the U.S. Department of Treasury, SBA, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.