

**ROCHESTER AREA COMMUNITY FOUNDATION  
AND AFFILIATES**

**Consolidated Financial Statements  
as of March 31, 2023  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

December 20, 2023

To the Board of Directors of  
Rochester Area Community Foundation:

### **Opinion**

We have audited the accompanying consolidated financial statements of Rochester Area Community Foundation and affiliates (the Community Foundation) (New York non-for-profit corporations), which comprise the consolidated balance sheet as of March 31, 2023, and the related consolidated statements of activities and change in net assets, and cash flows for the year 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 Rochester Area Community Foundation and affiliates as of March 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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## **INDEPENDENT AUDITOR'S REPORT**

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### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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 Community 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 Community Foundation's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Summarized Comparative Information**

We have previously audited Rochester Area Community Foundation and affiliates' 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES**

**CONSOLIDATED BALANCE SHEET**

**MARCH 31, 2023**

(With Comparative Totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>ASSETS:</b>				
Cash and short-term investments	\$ 7,422,837	\$ -	\$ 7,422,837	\$ 10,795,649
Accrued interest and other receivables	380,234	-	380,234	5,795,328
Pledges receivable, net	-	3,127,408	3,127,408	3,700,605
Charitable Checking Account <sup>SM</sup>	5,759,563	-	5,759,563	6,109,686
Investments	521,038,906	6,904,325	527,943,231	560,852,536
Land, building and equipment, net	514,166	-	514,166	566,529
Split-interest agreements	-	9,307,339	9,307,339	10,286,397
Other assets	221,902	-	221,902	162,261
<b>Total assets</b>	<b>\$ 535,337,608</b>	<b>\$ 19,339,072</b>	<b>\$ 554,676,680</b>	<b>\$ 598,268,991</b>
<b>LIABILITIES:</b>				
Grants payable	\$ 6,017,699	\$ -	\$ 6,017,699	\$ 15,380,291
Charitable Checking Account <sup>SM</sup>	5,759,563	-	5,759,563	6,109,686
Agency funds	43,088,441	-	43,088,441	44,785,656
Split-interest agreements	-	1,457,650	1,457,650	1,551,815
Other liabilities	372,742	-	372,742	740,704
<b>Total liabilities</b>	<b>55,238,445</b>	<b>1,457,650</b>	<b>56,696,095</b>	<b>68,568,152</b>
<b>NET ASSETS:</b>				
Without donor restrictions -				
Charitable endowment funds	313,695,539	-	313,695,539	343,224,265
Charitable Investor Funds <sup>SM</sup> and related funds	132,048,534	-	132,048,534	140,138,592
Grant making	31,074,772	-	31,074,772	21,543,512
Operations/administration	3,280,318	-	3,280,318	3,875,519
<b>Total net assets without donor restrictions</b>	<b>480,099,163</b>	<b>-</b>	<b>480,099,163</b>	<b>508,781,888</b>
With donor restrictions	-	17,881,422	17,881,422	20,918,951
<b>Total net assets</b>	<b>480,099,163</b>	<b>17,881,422</b>	<b>497,980,585</b>	<b>529,700,839</b>
<b>Total liabilities and net assets</b>	<b>\$ 535,337,608</b>	<b>\$ 19,339,072</b>	<b>\$ 554,676,680</b>	<b>\$ 598,268,991</b>

The accompanying notes are an integral part of these statements.

**ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2023**

(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>				
Public support -				
Gifts, grants and donations	\$ 32,488,786	\$ 101,711	\$ 32,590,497	\$ 49,911,844
Less gifts, grants and donations related to:				
Agency funds	(3,350,547)	-	(3,350,547)	(6,517,162)
Charitable Checking Account <sup>SM</sup>	(3,069,152)	-	(3,069,152)	(4,337,791)
Interfund activity	(1,719,460)	-	(1,719,460)	(4,124,048)
Total gift, grants and donations, net	24,349,627	101,711	24,451,338	34,932,843
Investment gain (loss), net	(17,621,565)	(992,490)	(18,614,055)	9,751,543
Change in value of split-interest agreements	-	(565,241)	(565,241)	550,111
Other income	388,626	-	388,626	409,595
Net assets released from restrictions	1,581,509	(1,581,509)	-	-
Total public support and revenue	8,698,197	(3,037,529)	5,660,668	45,644,092
<b>EXPENSES:</b>				
Program services -				
Grants	39,170,499	-	39,170,499	48,408,109
Less grants originated from:				
Agency funds	(3,066,830)	-	(3,066,830)	(1,415,051)
Charitable Checking Account <sup>SM</sup>	(3,397,590)	-	(3,397,590)	(2,836,273)
Interfund activity	(1,719,460)	-	(1,719,460)	(4,124,048)
Total program services	30,986,619	-	30,986,619	40,032,737
Program support	2,038,150	-	2,038,150	2,486,987
Total program services	33,024,769	-	33,024,769	42,519,724
Management and general	2,360,609	-	2,360,609	2,077,754
Fundraising	1,995,544	-	1,995,544	1,667,855
Total expenses	37,380,922	-	37,380,922	46,265,333
CHANGE IN NET ASSETS	(28,682,725)	(3,037,529)	(31,720,254)	(621,241)
NET ASSETS - beginning of year	508,781,888	20,918,951	529,700,839	530,322,080
NET ASSETS - end of year	\$ 480,099,163	\$ 17,881,422	\$ 497,980,585	\$ 529,700,839

The accompanying notes are an integral part of these statements.

# ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2023

(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (31,720,254)	\$ (621,241)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	58,408	62,980
Change in pledge discount	(101,711)	(130,382)
Noncash contributions restricted for long-term purposes	-	(10,199,566)
Net (gain) loss on investments	23,782,638	(5,289,974)
Change in value of split-interest agreements	565,241	(550,111)
Changes in:		
Accrued interest and other receivables	5,415,094	(5,427,589)
Pledges receivable	674,908	642,617
Other assets	(59,641)	(35,988)
Grants payable	(9,362,592)	13,714,176
Agency funds	(1,697,215)	5,372,062
Other liabilities	(367,962)	110,078
Net cash flow from operating activities	<u>(12,813,086)</u>	<u>(2,352,938)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	315,046,882	157,344,523
Purchases of investments	(305,920,215)	(154,189,198)
Purchases of land, building and equipment	(6,045)	(17,089)
Distributions from split-interest agreements, net	<u>319,652</u>	<u>1,676,744</u>
Net cash flow from investing activities	<u>9,440,274</u>	<u>4,814,980</u>
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(3,372,812)	2,462,042
CASH AND SHORT-TERM INVESTMENTS - beginning of year	<u>10,795,649</u>	<u>8,333,607</u>
CASH AND SHORT-TERM INVESTMENTS - end of year	<u>\$ 7,422,837</u>	<u>\$ 10,795,649</u>

The accompanying notes are an integral part of these statements.

# ROCHESTER AREA COMMUNITY FOUNDATION AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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### 1. THE ORGANIZATION

Rochester Area Community Foundation is a not-for-profit organization building a community-based endowment that matches the philanthropic interests of donors with unmet community needs.

Rochester Area Community Foundation effectively controls all operational aspects of the affiliate organizations described below. The financial activity of the affiliates has been consolidated in the accompanying financial statements. All significant interaffiliate transactions and balances have been eliminated. Rochester Area Community Foundation and affiliates are collectively referred to as the “Community Foundation” in these consolidated notes.

- Joan and Harold Feinbloom Supporting Foundation, Inc. was established under Section 509(a)(3) of the Internal Revenue Code (IRC) to operate solely for supporting the activities of the Community Foundation. In consultation with the Feinbloom Family, the Board approved a resolution to formally dissolve the Joan and Harold Feinbloom Supporting Foundation in January 2023. In conjunction therewith, the assets of the Joan and Harold Feinbloom Supporting Foundation were transferred out of the supporting foundation to the Joan and Harold Feinbloom Fund which is a field of interest endowment fund, maintained by the Community Foundation.
- Sands Family Supporting Foundation, Inc. was established under Section 509(a)(3) of the IRC to operate exclusively for benefiting and supporting the activities of the Community Foundation.
- Rochester Area Community Foundation Depository, Inc. (Charitable Checking Account<sup>SM</sup>) was established under Section 509(a)(1) of the IRC to provide donors the ability to direct monies to specific tax-exempt entities.
- Rochester Area Foundation was established under Section 509(a)(3) of the IRC to operate solely for supporting the activities of the Community Foundation, including taking title to real property that otherwise would have been acquired by the Community Foundation.
- Rochester Area Community Foundation Initiatives, Inc. (RACF Initiatives) was established under Section 509(a)(3) of the IRC to operate exclusively for the purpose of benefiting and supporting the Community Foundation. RACF Initiatives sponsors programs and projects that address identified needs of the community.
- Rochester Area Community Foundation, LLC (RACF, LLC) was established for the purpose of providing means for interested donors to participate in certain national charitable giving programs. RACF, LLC’s sole member is Rochester Area Community Foundation.
- Rochester Area Community Foundation Family LLC (RACF Family LLC) was established for the purpose of providing means for interested donors to make contributions of interests in real estate entities. RACF Family LLC’s sole member is Rochester Area Community Foundation.

## 1. THE ORGANIZATION (Continued)

- Rochester Area Community Foundation Health LLC (RACF Health LLC) was established for the purpose of acquiring, owning, developing, managing, encumbering, and disposing of interest in other property, real and personal, whether owned directly or indirectly. RACF Health LLC's sole member is Rochester Area Community Foundation.

Rochester Area Community Foundation, Joan and Harold Feinbloom Supporting Foundation, Inc., Sands Family Supporting Foundation, Inc., Rochester Area Community Foundation Depository, Inc., Rochester Area Foundation, and Rochester Area Community Foundation Initiatives, Inc. are exempt from income taxes as organizations qualified under Section 501(c)(3) of the IRC. RACF, LLC, RACF Family LLC, and RACF Health LLC are limited liability companies under the New York Limited Liability Company Law and are considered disregarded entities under the IRC. Accordingly, RACF, LLC, RACF Family LLC, and RACF Health LLC are categorized as tax-exempt organizations based on the tax status of their sole member.

None of the above affiliates have been classified as private foundations under the IRC.

The Helen L. Morris Foundation, Inc. also operates in connection with the Community Foundation as a supporting organization under Section 509(a)(3) of the IRC. As a type (iii) supporting organization, the Helen L. Morris Foundation, Inc. carries out the work of Rochester Area Community Foundation, but is not controlled by it. Therefore, the financial activity of this organization is not included in the accompanying consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The Community Foundation reports its consolidated net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions are net assets whose use by the Community Foundation is limited by donor-imposed stipulations. This includes stipulations that can be fulfilled through the passage of time or removed by the donor, in part or in their entirety, in a subsequent period.

### Recently Adopted Accounting Guidance

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Community Foundation adopted the standard effective April 1, 2022 using the modified retrospective approach. The Community Foundation's most significant lease arrangement was executed between two of the related organizations described in Note 1. Interaffiliate ROU asset and related lease liability interaffiliate transactions and balances have been eliminated.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Endowment Funds

Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contribution should be classified as support without donor restrictions. However, under New York State law and the Community Foundation's governing documents, its assets are held as endowment funds until such time, if ever, as the governing body deems it prudent and appropriate under its variance power to redirect some part of the principal or appreciation. Accordingly, the consolidated financial statements classify most net assets as net assets without donor restrictions but segregate the portion that is held as endowment from the funds that are currently available for grants and administration.

The Community Foundation maintains a spending policy in connection with endowment earnings. Under this policy, 5.0% of a rolling 20-quarter average of the fair value of endowment investments is designated as available to meet current grant making requirements, plus an additional amount to cover fund administrative fees. However, the Community Foundation has adopted policies that limit amounts available for these purposes so as not to invade the historic value of its gifts on a component fund basis, even for gifts where the donor has allowed such invasion. At March 31, 2023 and 2022 the percentage of endowment funds with no donor designation was 12.6% and 11.7%, respectively.

### Fair Value Measurement

Generally accepted accounting principles establish a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs, as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Community Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.
- Level 2 - Valuations based on the net asset value of interests in limited partnerships, trusts, and limited liability corporations (collectively referred to as alternative investments); or based on significant inputs that are observable, directly or indirectly; or based on quoted prices in markets that are not active.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments in common stocks, fixed income and equity mutual funds with readily determinable fair values are measured at fair market value based on quoted market prices.

Certain alternative funds are reported at fair value utilizing Level 2 inputs. The Community Foundation evaluates the fair value of its alternative funds based on the net asset value reported by the fund managers and the fair value of the securities held by each fund. The Community Foundation estimates fair value of these investments based on information received from the investment custodian, including inputs used by the custodian's pricing service (benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications). The valuations that result from these inputs do not necessarily reflect net results obtainable in the event of actual liquidation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Fair Value Measurement (Continued)**

For alternative funds not measured at fair value on a recurring basis, the Community Foundation utilizes the net asset value reported by each of the funds as a practical expedient for determining the fair value of these investments. The Community Foundation values its interest in the fund, utilizing the net asset valuations provided by the fund managers, without any further adjustments, which reflect the Community Foundation's share of the net assets of the funds. These investments are redeemable at net asset value under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements.

Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Community Foundation's interests in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the Foundation's interest in the funds.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The preceding methods described may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Community Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### **Cash and Short-Term Investments**

Cash and short-term investments include bank accounts and money market funds. The Community Foundation actively manages cash balances to minimize the extent to which balances exceed federally insured limits. However, balances may, at times, exceed federally insured limits. The Community Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and short-term investments.

### **Pledges Receivable**

The Community Foundation records pledges receivable in the year the pledge is received. Pledges are recorded at their estimated net present value based on anticipated future cash flow using 3.65% discount rate and are reported as net assets with donor restrictions. The difference between the outstanding pledge balances and their net present value is recorded as a reduction to pledges receivable and is recognized as contribution revenue over the term of the related pledges. The Community Foundation records an allowance for uncollectible pledges based on a review of specific outstanding pledges. Pledges receivable are written off after all collection efforts are exhausted.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Investments**

Investments in cash and equivalents and certificates of deposit are stated at cost. All other investments are stated at fair value as described previously. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities, the uncertainty related to changes in the fair value of investment securities, and changes to liquidity positions, it is at least reasonably possible that changes in fair value could occur in the near term and that such changes could materially affect the net assets of the Community Foundation. Amounts associated with trade date investment receivables, which have not been received as of year-end, are included in accrued interest and other receivables on the accompanying consolidated balance sheet.

### **Split-Interest Agreements**

The Community Foundation is a beneficiary of various trust and other split-interest agreements. The Community Foundation's beneficial interest is measured at the discounted value of its expected future cash flows and is reported as net assets with donor restrictions. Liabilities are recorded equal to the estimated present value of payments that the Community Foundation is required to make to specified beneficiaries under the terms of these arrangements. Amounts associated with the settlement of split-interest agreements, which have not been received as of year-end, are included in accrued interest and other receivables on the accompanying consolidated balance sheet.

### **Donated Life Insurance Policies - Cash Surrender Value**

Various donors have contributed to the Community Foundation the ownership of certain life insurance policies. The cash surrender value of those policies has been included with split-interest agreements as an asset of the Community Foundation. Annual premiums on the policies, paid by the donors to the Community Foundation, are recorded as donations with corresponding premium expense included in management and general expense on the accompanying consolidated statement of activities and change in net assets.

### **Land, Building and Equipment**

Land, building and equipment are stated at cost if purchased, or the fair value at the date of donation. The Community Foundation capitalizes assets with an initial cost greater than or equal to \$5,000 and a useful life greater than three years. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets which range from three (3) to forty (40) years.

### **Contributions**

Contributions, including unconditional promises to give, are recognized at their fair value in the period received. Contributions to be received in the future are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. The Community Foundation's policy is to liquidate non-cash contributions as soon as practicable after receipt. The proceeds of such sales are included in the cash flow from operating activities on the accompanying consolidated statement of cash flows. In limited instances, pursuant to the donor's request, the Community Foundation may choose to retain non-cash contributions and manage them in accordance with its established investment policies.

### **Gifts-In-Kind**

Gifts of real property and donations other than cash are recognized at their fair value in the period received.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Contributed Services**

A substantial number of volunteers have made significant contributions of their time to the Community Foundation. The value of this contributed time is not reflected in these consolidated financial statements as it does not meet the criteria for recognition.

### **Investment Gain (Loss), Net**

Investment gain or loss is reported net of related investment expenses.

### **Allocation of Certain Expenses**

The Community Foundation's expenses by function can be found in Note 15, which presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include salaries and employee benefits, occupancy, and office expenses. Salaries and benefits are allocated based on the time spent on program and supporting functions by specific employees, as estimated by management. Occupancy and office expenses are allocated based on the square footage of the Community Foundation's facilities utilized by each functional area or based on full-time equivalent employee headcount in each functional area.

### **Grants**

Grants are recorded as an expense of the Community Foundation when approved by the Board of Directors and, as applicable, after satisfaction by the recipients of any conditions associated with the grant.

### **Wills, Trusts and Estates**

The Community Foundation is the beneficiary under various wills and trust agreements, the total realizable value of which is not presently determinable; therefore, these amounts are not recorded until they are received.

### **Estimates**

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

### **Comparative Information**

The consolidated financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Community Foundation's consolidated financial statements for the year ended March 31, 2022, from which the summarized information was derived.

### **Reclassification**

Certain 2022 amounts have been reclassified to conform to the 2023 presentation.

### 3. LIQUIDITY

The Community Foundation is substantially supported by donor contributions and the performance of its investment portfolio. As part of the Community Foundation's liquidity management, the Community Foundation structures its financial assets to be available as its general expenditures and liabilities come due. In addition, the Community Foundation invests cash in excess of daily requirements.

Income from endowment funds is designated for grantmaking and other operating activities in accordance with the Community Foundation's spending policy (Note 10). A significant portion of the Community Foundation's grantmaking and operating expense is supported by the income derived from its endowment balances. The Community Foundation's policy and long-standing practice calls for the management of grants and operating expenditures to remain within amounts available under the terms of its spending policy. The Community Foundation's policy limits grant distributions to a reasonable amount such that the earnings and appreciation of the related endowed investment funds will exceed expenditures over the long term.

Generally, the Community Foundation's Program/Distributions Committee meets quarterly to review and approve grant requests. Expected grant cash needs are funded through investment draws on a monthly basis. To address unanticipated liquidity needs, funds without donor restrictions from the Community Foundation's investment account could be made available if necessary.

A portion of the Community Foundation's investments are restricted, pursuant to donor-imposed stipulations, or are maintained in alternative funds, which limits the Community Foundation's ability to redeem those balances as further described in Note 8. Thus, the investment balance included in financial assets at March 31, 2023 and 2022 may not all be available for general expenditure within one year.

All assets of the Community Foundation that are without time restrictions are classified as without donor restriction because they are subject to variance power, as described in Note 2. In times of great community need, this could allow for spending above the Community Foundation's spending policy limits, at the discretion of the Community Foundation's Governing Board.

### 3. LIQUIDITY (Continued)

The Community Foundation's financial assets at March 31, 2023 and 2022 consisted of cash and short-term investments, accrued interest and other receivables, pledges receivable, Charitable Checking Account<sup>SM</sup>, and investments. Financial assets available to meet cash needs for general expenditures within one year are:

	<u>2023</u>	<u>2022</u>
Financial assets at March 31:	\$ 544,520,301	\$ 587,253,804
Less: Financial assets unavailable for general expenditures within one year, due to:		
Amounts expendable pending Board action:		
Charitable endowment funds subject to variance power	(313,695,539)	(343,224,265)
Charitable Investor Funds subject to variance power	(132,048,534)	(140,138,592)
Board-designated for grantmaking	(31,074,772)	(21,543,512)
Board-designated operating reserve	(2,437,150)	(2,629,993)
Pledges receivable to be received after one year	(2,816,888)	(2,918,452)
Investments with donor-imposed restrictions	<u>(6,904,325)</u>	<u>(8,483,764)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 55,543,093</u>	<u>\$ 68,315,226</u>

### 4. NET ASSETS

The Community Foundation's Governing Board has designated a reserve of \$2,437,150 and \$2,629,993 at March 31, 2023 and 2022, respectively. The Board-designated reserve balance is included in net assets without donor restrictions - operations/administration on the accompanying consolidated balance sheet. The purpose of the reserve is to fund capital needs and special projects.

Net assets with donor restrictions consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Pledges receivable, net	\$ 3,127,408	\$ 3,700,605
Split-interest agreements	7,849,689	8,734,582
Investments with donor-imposed restrictions	<u>6,904,325</u>	<u>8,483,764</u>
	<u>\$ 17,881,422</u>	<u>\$ 20,918,951</u>

#### 4. NET ASSETS (Continued)

Releases from restrictions consisted of the following for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Collection of pledges receivable	\$ 674,908	\$ 642,617
Distributions and settlements of split-interest agreements, net	319,652	1,705,340
Fulfillment of donor-imposed restriction on investments	<u>586,949</u>	<u>-</u>
	<u>\$ 1,581,509</u>	<u>\$ 2,347,957</u>

The Community Foundation's net assets with donor restrictions are all subject to time restrictions and, in limited circumstances, donor-imposed stipulations. Upon lapse of these restrictions, the net assets will be reclassified to net assets without donor restrictions.

#### 5. PLEDGES RECEIVABLE

Pledges receivable are expected to be collected, as follows, in the years ending March 31:

2024	\$ 310,520
2025	1,103,200
2026	200,000
2027	1,100,000
2028	<u>660,000</u>
Gross pledges receivable	3,373,720
Less: Unamortized pledge discount	(236,312)
Allowance for uncollectible pledges	<u>(10,000)</u>
Pledges receivable, net	<u>\$ 3,127,408</u>

#### 6. CHARITABLE CHECKING ACCOUNT<sup>SM</sup>

The Community Foundation acts as an agent for certain contributions made by donors to its Charitable Checking Account<sup>SM</sup>, whereby the Community Foundation receives the monies and disburses those monies to specific tax-exempt entities. The Community Foundation's review of these disbursements is limited to confirmation of the charitable nature of the distribution. Therefore, the activity related to these assets is not included in the Community Foundation's change in net assets.

Charitable Checking Account<sup>SM</sup> assets consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 746,045	\$ 2,635,705
Investments	<u>5,013,518</u>	<u>3,473,981</u>
	<u>\$ 5,759,563</u>	<u>\$ 6,109,686</u>

## 6. CHARITABLE CHECKING ACCOUNT<sup>SM</sup> (Continued)

Charitable Checking Account<sup>SM</sup> activity consisted of the following for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 3,069,152	\$ 4,337,791
Investment activity and other	(21,685)	(22,427)
Distributions	<u>(3,397,590)</u>	<u>(2,836,273)</u>
Net change in Charitable Checking Account <sup>SM</sup>	(350,123)	1,479,091
Charitable Checking Account <sup>SM</sup> - beginning of year	<u>6,109,686</u>	<u>4,630,595</u>
Charitable Checking Account <sup>SM</sup> - end of year	<u>\$ 5,759,563</u>	<u>\$ 6,109,686</u>

Investments held in the Charitable Checking Account<sup>SM</sup> include certificates of deposit and money market accounts stated at cost that had maturities of less than three years at March 31, 2023 and 2022. These investments had a cost basis of \$5,013,518 and \$3,473,981 at March 31, 2023 and 2022, respectively.

## 7. AGENCY FUNDS

The Community Foundation accepts funds from, and holds funds for the benefit of, other not-for-profit organizations. These funds are assets of the Community Foundation, but the Community Foundation is obligated, if certain conditions are met, to repay these amounts to the not-for-profit organization from whom the assets were received. These funds are shown as "Agency funds" in the accompanying consolidated balance sheet.

Total agency funds activity consisted of the following for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 3,350,547	\$ 6,517,162
Investment activity and other	(1,980,932)	269,951
Grants	<u>(3,066,830)</u>	<u>(1,415,051)</u>
Net change in agency funds	(1,697,215)	5,372,062
Agency funds - beginning of year	<u>44,785,656</u>	<u>39,413,594</u>
Agency funds - end of year	<u>\$ 43,088,441</u>	<u>\$ 44,785,656</u>



## 8. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2023</u>		<u>2022</u>	
	<u>Fair/Net Asset Value</u>	<u>Cost</u>	<u>Fair/Net Asset Value</u>	<u>Cost</u>
Cash and equivalents	\$ 20,911,265	\$ 20,911,265	\$ 42,203,541	\$ 42,203,541
Certificates of deposit	22,522,952	22,522,952	17,165,588	17,165,588
Common stocks	84,913,351	63,347,004	91,369,111	67,270,366
Alternative funds:				
Equity-focused	105,242,188	94,373,834	114,181,473	84,276,486
Debt-focused	34,762,850	28,948,221	35,841,224	29,092,357
Hedge funds	44,706,860	36,737,209	47,495,403	40,170,887
Private equity	25,684,142	19,690,676	21,017,337	15,498,837
Fixed income mutual funds	50,097,608	55,087,092	62,173,372	64,445,779
Equity mutual funds	<u>139,102,015</u>	<u>117,007,514</u>	<u>129,405,487</u>	<u>88,234,909</u>
	<u>\$527,943,231</u>	<u>\$458,625,767</u>	<u>\$560,852,536</u>	<u>\$448,358,750</u>

### Alternative Funds

Alternative funds consisted of the Community Foundation's investments in limited liability companies and limited partnerships for the purpose of long-term growth as follows:

#### **Equity-focused alternative funds**

##### **Rochester Area Community Foundation**

*Silchester International Value Equity Fund:* The Fund's investment objective is to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. The fund allows redemptions with a 10-business day written notice. The Community Foundation's investment in this fund was purchased in fiscal 2023 and had a net asset value of \$25,086,269 at March 31, 2023.

*Wellington Trust Company, NA CTF International Contrarian Value Portfolio:* The fund is a non-benchmark-oriented investment approach which seeks to maximize long-term capital appreciation and generate long term returns in excess of the MSCI EAFE Index. The fund allows monthly redemptions with a 10-business day written notice. The Community Foundation's investment in this fund had a net asset value of \$16,555,509 and \$15,732,821 at March 31, 2023 and 2022, respectively.

*Teleios Global Opportunities Fund, Ltd.:* The fund's investment objective is to generate superior returns by investing across the globe (but principally in Europe), opportunistically and highly systemically in deeply undervalued assets, the value of which the manager believes can be increased significantly through active management and inducement of transformational change, while also serving to protect capital from permanent loss. The assets of the fund are invested primarily in long positions in publicly-traded equities and equity-related securities, but from time to time may also be invested in short positions, fixed-income products, hybrid securities, derivatives, private securities and other financial instruments. The fund has a two-year lock-up period which expires in March 2024. After the two-year lock-up period, the fund allows for quarterly redemptions that can be made on every 24-month anniversary of the original subscription date, with 90 business-day advance written notice. Payments for amounts redeemed are subject to 25% limitation of the interest in the fund. The Community Foundation's investment in this fund had a net asset value of \$14,356,540 and \$14,307,795 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### ***Equity-focused alternative funds (Continued)***

#### **Rochester Area Community Foundation (Continued)**

*WGI Emerging Markets Fund, LLC:* The fund's overall investment objective is to provide long-term returns in excess of the Morgan Stanley Capital International Emerging Index by investing in equity securities of companies operating within one or more global developing markets. The fund allows monthly redemptions with 30-business day written notice. The Community Foundation's investment in this fund had a net asset value of \$11,911,023 and \$12,975,530 at March 31, 2023 and 2022, respectively.

*FPR Partners, LP:* The fund's overall purpose and investment objective is to pursue superior long-term returns while seeking to minimize the risk of permanent capital loss primarily by investing in a concentrated portfolio of public companies. Redemptions may be made as of the last day of any fiscal quarter by providing 60-day notice to the general partner with up to a thirty-three percent investor gate, thereby requiring three years for full redemption of shares. The fund's next liquidity date is June 30, 2023. The Community Foundation's investment in this fund had a net asset value of \$7,249,438 and \$9,372,937 at March 31, 2023 and 2022, respectively.

*Himalaya Capital Investors (Offshore), L.P.:* The fund seeks to achieve capital appreciation while minimizing the risk of permanent capital impairment by identifying and acquiring global securities, usually at a deep discount to intrinsic value. The fund focuses on securities in, or related to, Greater China and South Korea, but may also invest in other markets as deemed appropriate. Redemptions can be made annually, pursuant to a 60-day written notice. The Community Foundation's investment in this fund had a net asset value of \$6,946,406 and \$8,124,111 at March 31, 2023 and 2022, respectively.

*Sanderson International Value Fund:* The fund's investment objective is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located outside of the United States of America and Canada. The fund allows monthly redemptions with a 10-business day written notice. Minimum redemption amount is \$250,000 unless otherwise waived by the custodian. The Community Foundation's investment in this fund had a net asset value of \$24,702,328 at March 31, 2022. The Community Foundation's investment in this fund was redeemed in full during fiscal 2023. The Sands Family Supporting Foundation's interest in the fund is described later in this note.

#### **Sands Family Supporting Foundation, Inc.**

*Fiera Global Equity Fund:* The fund seeks to achieve growth by investing in a long-only portfolio of global equities. The fund allows for partial redemptions in the amount of \$250,000 or more with a 3-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$5,749,016 and \$5,882,307 at March 31, 2023 and 2022, respectively.

*Independent Franchise Partners Global Equity, L.P.:* The fund seeks to achieve an attractive long-term rate of return and to outperform the MSCI World (Net) Index over a full market cycle. The fund will seek to achieve its investment objective by investing primarily in equity securities listed on global stock exchanges. The fund allows for partial redemptions on the 15<sup>th</sup> day and last business day of each calendar month, with a 3-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$5,067,875 and \$5,380,005 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### ***Equity-focused alternative funds (Continued)***

#### **Sands Family Supporting Foundation, Inc. (Continued)**

*ABS Emerging Markets Strategic Portfolio, LP:* The fund's objective is to generate positive returns relative to the MSCI Emerging Markets Investable Market Index (USD) over a full market cycle while maintaining a high level of exposure to emerging markets through investment managers. The fund invests in domestic private investment funds, offshore funds and other entities that invest and trade in securities in emerging markets. The fund had a one year lock-up period, which expired in October 2022. After the initial lock-up period, the fund allows for redemptions as of the last day of each calendar month, on a first-in, first-out basis, with a 60-day advance notice. The Community Foundation's investment in this fund had a net asset value of \$3,959,580 and \$4,446,609 at March 31, 2023 and 2022, respectively.

*Grandeur Peak International Fund:* The fund seeks to achieve compound capital growth through attractive rates over the long-term by investing primarily in equities and equity equivalent instruments of issuers that are domiciled outside of the United States of America. The fund allows for monthly redemptions with a 30-business day advance written notice. Certain redemptions, including accelerated withdrawals of capital, are subject to withdrawal fees as defined in the partnership agreement. The Community Foundation's investment in this fund had a net asset value of \$3,374,348 and \$4,206,517 at March 31, 2023 and 2022, respectively.

*Baxter Street Offshore Fund, LTD.:* The fund was formed for the purpose of investing primarily in equity securities to achieve maximum total return. The fund allows for monthly redemptions with a 30-day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$3,294,156 and \$3,447,145 at March 31, 2023 and 2022, respectively.

*Polunin Emerging Markets Small Cap Fund:* The fund seeks to achieve capital growth through investment in equities and equity equivalent instruments in emerging markets. The fund allows for monthly redemptions with a 30-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$1,692,029 and \$1,783,216 at March 31, 2023 and 2022, respectively.

*Sanderson International Value Fund:* The fund's investment objective is to achieve long-term growth principally by investing in a diversified portfolio of equity securities of companies ordinarily located outside of the United States of America and Canada. The fund allows monthly redemptions with a 10-business day written notice. Minimum redemption amount is \$250,000 unless otherwise waived by the custodian. The Community Foundation's investment in this fund had a net asset value of \$3,820,152 at March 31, 2022. The Community Foundation's investment in this fund was redeemed in full during fiscal 2023. The Rochester Area Community Foundation's interest in the fund is described previously.

### ***Debt-focused alternative funds***

#### **Rochester Area Community Foundation**

*Colchester Global Bond Fund:* The fund's investment objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily debt and debt-like securities and to preserve and enhance principal. The fund allows redemptions twice monthly with a 5-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$13,491,783 and \$14,632,926 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### ***Debt-focused alternative funds (Continued)***

#### **Rochester Area Community Foundation (Continued)**

*Colchester Local Markets Debt Fund:* This fund's investment objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily developing market debt or debt-like securities and to preserve and enhance principal. The fund allows redemptions on the first business day of each month with a 10-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$10,783,358 and \$10,370,480 at March 31, 2023 and 2022, respectively.

*Post Traditional High Yield Fund, LP:* The fund's investment objective is to maximize current income by primarily investing in a diversified portfolio of public and private issue debt securities that are generally rated below investment grade, as well as issues whose value is expected to increase over time. The fund allows redemptions on the last business day of each month with a 30-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$10,487,709 and \$10,837,818 at March 31, 2023 and 2022, respectively.

### ***Alternative hedge funds***

#### **Rochester Area Community Foundation**

*Naya Fund:* This fund's investment objective is to generate returns by employing a global long/short strategy, through investment in listed equity and credit-based investment opportunities. The fund allows redemption of shares on the day preceding each third anniversary of the date the shares were issued, upon 65 days prior written notice. The fund's next liquidity date is February 28, 2025. Certain redemptions are also permitted during each 12-month period preceding each anniversary of the date on which the shares were issued, subject to restrictions defined in the partnership agreement. The Community Foundation's investment in this fund had a net asset value of \$9,549,184 and \$8,744,858 at March 31, 2023 and 2022, respectively.

*Pertento Fund:* The fund's investment objective is to seek to provide absolute returns for investors by investing predominantly long and short in equities, indices, and related securities and derivatives. Following an initial three-year lock-up period, redemptions can be made quarterly, pursuant to a 30-day written notice. The Community Foundation's investment in this fund was purchased in fiscal 2023 and had a net asset value of \$8,679,046 at March 31, 2023.

*Archipelago Holdings, Ltd.:* The fund engages in a "fund of funds" approach, allocating its assets among private investment funds associated with Wellington Global Holdings, Ltd. These funds may include investments in a wide variety of global financial instruments. The fund allows quarterly redemptions pursuant to a 45-business day written notice. The Community Foundation's investment in this fund had a net asset value of \$7,156,164 and \$16,953,698 at March 31, 2023 and 2022, respectively.

*Canyon Value Realization Fund (Cayman), Ltd.:* This fund's investment objective is to seek capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties. The fund may invest in publicly traded equity and debt securities, as well as derivatives thereof. It is the intention of the fund to be incorporated for limited duration ending on June 30, 2044 unless approved sooner. The fund allows quarterly redemptions subject to 70 days written notice (or 85 days if more than 10% of the outstanding shares) with a 25% investor gate, thereby requiring four quarters for full redemption of shares. The Community Foundation's investment in this fund had a net asset value of \$6,936,374 and \$7,162,282 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### *Alternative hedge funds (Continued)*

#### **Rochester Area Community Foundation (Continued)**

*Hengistbury Fund Limited:* This fund's investment objective is to achieve absolute returns by investment in both long and short equities and equity-related securities, which are listed or traded on an exchange or regulated market. Fund redemptions can be requested quarterly and require 91 days written notice. The Community Foundation's investment in this fund had a net asset value of \$6,210,440 and \$5,548,115 at March 31, 2023 and 2022, respectively.

*Tybourne Equity (Offshore) Fund:* The fund seeks to achieve attractive absolute compound annual returns across market cycles by implementing a predominantly equity long/short strategy. Following an initial three-year lock-up period, redemptions can be made pursuant to a 60-day written notice. The fund had a compulsory redemption provision as of March 31, 2022 in the amount of \$3,957,652, with the remaining retained value required to be distributed by June 30, 2022. The Community Foundation had no investment in this fund at March 31, 2023. The Community Foundation's investment in this fund had a net asset value of \$208,298 at March 31, 2022.

#### **Sands Family Supporting Foundation, Inc.**

*Renaissance Institutional Equities Fund LLC:* The fund's objective is to achieve over the long-term a risk-adjusted return that, on a gross basis, exceeds that of the Standard & Poor's 500 Index. The fund uses algorithms to attempt to build a portfolio of large-cap, mid-cap, and small-cap, stocks that the fund's models predict will generate attractive risk-adjusted profits over time. The fund allows for redemptions with 45-business day advance written notice, as of the last business day of each calendar month. The Community Foundation's investment in this fund had a net asset value of \$2,367,326 and \$3,173,682 at March 31, 2023 and 2022, respectively.

*HG Vora Special Opportunities Fund, Ltd.:* The fund objective is to generate attractive risk adjusted absolute returns while limiting overall portfolio volatility and preserving capital in times of adverse market conditions by investing in actively traded equity and debt instruments on a long and short term basis. The fund allows quarterly redemptions subject to 90 days written notice with up to a twenty-five percent investor gate through 2024, thereby requiring four years for full redemption. The Community Foundation's investment in this fund had a net asset value of \$2,099,493 and \$2,992,127 at March 31, 2023 and 2022, respectively.

*SoMa Offshore Ltd.:* The fund seeks to generate returns by investing in publicly traded equities and financial instruments of companies primarily in the technology, media, and telecommunications sector. The fund had a one-year lock-up period which expired during fiscal 2022. After the one-year lock-up period, the fund allows for quarterly redemptions with 60-business day advance written notice subject to 3% redemption fee. The Community Foundation's investment in this fund had a net asset value of \$871,952 and \$988,971 at March 31, 2023 and 2022, respectively.

*Pharo Gaia Fund, Ltd.:* The objective of the fund is to consistently generate attractive risk-adjusted returns over a market cycle (typically three to five years) by investing primarily in emerging markets across a range of asset classes, including but not limited to foreign exchange, credit, interest rates, commodities and equities. The fund allows for quarterly redemptions with 90-business day advance written notice. The Community Foundation's investment in this fund had a fair value of \$740,702 and \$1,574,139 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### *Private equity alternative funds*

#### **Rochester Area Community Foundation**

*Genoa Ventures Fund II, LP:* The fund's objective is to invest in equity, equity-related, and debt securities, including securities convertible into or exercisable or exchangeable for equity securities, of private and public companies, generally through venture capital investments in companies at the intersection of biology and technology. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$1,020,000 and \$1,400,000 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$866,808 and \$536,190 at March 31, 2023 and 2022, respectively.

#### **Sands Family Community Foundation, Inc.**

*KLCP Offshore Fund LP:* The fund's objective is to achieve long-term growth of capital by investing in a focused portfolio of debt and equity securities. Withdrawals from the partnership are not permitted; however, capital distributions to investors are made on a periodic basis, in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$455,462 and \$480,462 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$2,613,186 and \$2,430,149 at March 31, 2023 and 2022, respectively.

*Orchard Landmark Limited:* The fund seeks to achieve an attractive rate of return, relative to level of risk assumed, by employing an investment approach that heavily incorporates the general partner's capabilities to invest and risk manage privately negotiated credit-intensive investments. The fund allows for quarterly redemptions with 90 day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$1,988,165 and \$2,024,918 at March 31, 2023 and 2022, respectively.

*Ocean Avenue Fund IV, LP:* The fund is organized for the principal purpose of providing its investors with long-term compounded annual returns in excess of those generally available in the public equity market by investing only in inefficient segments of the special situations and small-cap private equity markets. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$90,000 and \$345,000 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,720,389 and \$1,567,901 at March 31, 2023 and 2022, respectively.

*Apollo Investment Fund IX:* The fund's investment objective is to achieve long-term capital appreciation through equity and equity-equivalent investments providing common or influential minority equity positions and through investments in debt or other rights, interests or securities (including royalty or lease income, or mineral production payments) that have an expected return comparable to that of equity or equity-related securities or are made in connection with investments in equity or equity-related securities, including distressed debt investments. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$553,709 and \$796,040 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,669,398 and \$1,309,480 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### *Private equity alternative funds (Continued)*

#### **Sands Family Supporting Foundation, Inc. (Continued)**

*Oaktree Power Opportunities Fund V, LP:* The primary objective of the fund is to achieve a substantial total return, primarily through investments in corporations, partnerships, limited liability companies and other similar entities, that focus primarily on providing the equipment, software, and services used in the generation, transmission, distribution, marketing, consumption of energy, with a focus on electric power, natural gas, and other utility-related businesses. Most often, the fund will invest so as to acquire control of, or significant influence in such companies. Non-control investments in private companies and non-control purchases of public securities are not the primary focus of the funds, although such investments may be made as elements of the funds' portfolio. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$382,366 and \$334,686 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,590,864 and \$1,437,732 at March 31, 2023 and 2022, respectively.

*Axiom Asia V, L.P.:* The purpose of the fund is to invest in private equity funds, with a focus on mid-market, country/specific funds that make buyout, growth capital and venture capital investments that are located in, or have a significant focus on, the Asia Pacific region including: Japan, Korea, China, Hong Kong, India, Taiwan, Australia, New Zealand, and the ASEAN countries. The partnership will also selectively consider secondary fund investments and direct co-investments. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$382,500 and \$517,500 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,546,194 and \$1,458,278 at March 31, 2023 and 2022, respectively.

*Orion Mine Finance Fund II LP:* The fund's objective is to seek capital appreciation by investing in securities, royalty or revenue interests, investment instruments and other assets of exploration and mining companies and ancillary service providers, including smelting, refining, and warehouse service providers, in the mining industry globally. Withdrawals from the partnership are not permitted; however, capital distributions to investors are made on a periodic basis, in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$44,011 and \$76,530 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,509,286 and \$1,455,953 at March 31, 2023 and 2022, respectively.

*Thoma Bravo Fund XIII, L.P.:* The fund's objective is to use a consolidation or buy and build investment strategy with an emphasis on software and technology enabled service sectors. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$83,166 and \$206,176 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$1,504,404 and \$1,447,492 at March 31, 2023 and 2022, respectively.

## 8. INVESTMENTS (Continued)

### *Private equity alternative funds (Continued)*

#### **Sands Family Supporting Foundation, Inc. (Continued)**

*Aviator Capital Mid-Life Offshore Feeder Fund, LP:* The fund's objective is to generate high yielding returns from a portfolio of mid-life (used, generally 8 to 15 years old at the time of acquisition) commercial aircraft and aircraft engines to be owned by the master funds or special purpose companies owned by one of the master funds. The fund is targeting a net return of 12-15% per year, while striving for limited principal risk. Fund income is expected to be generated from a combination of lease rental income, re-lease rental income, sales income and other asset disposition income. The fund allows for redemptions at the sole discretion of the general partner with 10-business day advance written notice. The Community Foundation's investment in this fund had a net asset value of \$1,407,749 and \$1,567,575 at March 31, 2023 and 2022, respectively.

*Thoma Bravo Fund XVA, L.P.* The fund's objective is to generate long-term capital appreciation, generally by pursuing investments in businesses in the upper market that provide application, infrastructure or security software products and/or technology enabled services. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to this fund of \$1,265,614 at March 31, 2023. The Community Foundation's investment in this fund was purchased in fiscal 2023 and had a net asset value of \$1,208,624 at March 31, 2023.

*CenterSquare Value-Added Fund V, L.P.:* The fund's objective is to generate profits and gains by investing in a diversified portfolio of income producing real estate related investments primarily in office, multifamily, retail, industrial and hospitality properties. Withdrawals from the partnership are not permitted; however, capital distributions to investors can be made in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to the fund of \$1,775,485 and \$1,470,808 at March 31, 2023 and 2022, respectively. The Community Foundation's investment in this fund had a net asset value of \$824,432 and \$1,078,884 at March 31, 2023 and 2022, respectively.

*CenterSquare Value-Added Fund IV, LP:* The fund's objective is to invest in value-added real estate investments located in the United States by targeting a diversified pool of income producing real estate investments primarily in office, multifamily, retail, industrial and hospitality properties. Withdrawals from the partnership are not permitted; however, capital distributions to investors are made on a periodic basis, in accordance with the terms outlined in the limited partnership agreement. The Community Foundation had an unfunded capital commitment to the fund of \$241,935 at both March 31, 2023 and 2022. The Community Foundation's investment in this fund had a net asset value of \$668,131 and \$1,074,602 at March 31, 2023 and 2022, respectively.

At March 31, 2023 and 2022, the Community Foundation had investments in nineteen and eleven additional alternative funds, respectively, for a total interest valued at \$6,662,691 and \$3,193,260, respectively. Total unfunded commitments related to these funds were \$21,923,520 and \$10,619,848 at March 31, 2023 and 2022, respectively.



## 8. INVESTMENTS (Continued)

### General

In certain circumstances, the agreements between the alternative funds and the Community Foundation allow the alternative funds to suspend redemptions based solely on the funds' evaluation of their own liquidity needs, difficulties the funds might be experiencing valuing some of their holdings, or other similar reasons. The timing and extent of redemption restrictions under these terms is determined unilaterally at the discretion of each individual alternative fund and its general partners. These agreements also allow the funds to unilaterally redeem the Community Foundation's interest in the funds with as little as five days advance notice under certain circumstances.

At March 31, 2023 and 2022, the Community Foundation also had approximately \$6,900,000 and \$8,500,000, respectively, of equity common stock investments which are available to be sold/redeemed only at the discretion of the donor.

## 9. FAIR VALUE INFORMATION

Investments consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Cash, at cost	\$ 20,911,265	\$ 42,203,541
Certificates of deposit, at cost	22,522,952	17,165,588
Investments, at fair value	<u>484,509,014</u>	<u>501,483,407</u>
	<u>\$ 527,943,231</u>	<u>\$ 560,852,536</u>

The Community Foundation reports the following items at fair value on a recurring basis utilizing the following valuation input levels as of March 31:

<u>2023</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Common stocks	\$ 84,913,351	\$ -	\$ -	\$ 84,913,351
Alternative funds:				
Hedge funds	-	740,702	-	740,702
Fixed income mutual funds	50,097,608	-	-	50,097,608
Equity mutual funds	<u>139,102,015</u>	<u>-</u>	<u>-</u>	<u>139,102,015</u>
	<u>\$ 274,112,974</u>	<u>\$ 740,702</u>	<u>\$ -</u>	274,853,676
Investments, at net asset value as a practical expedient				<u>209,655,338</u>
Total investments, at fair value				<u>\$ 484,509,014</u>

## 9. FAIR VALUE INFORMATION (Continued)

<u>2022</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Common stocks	\$ 91,369,111	\$ -	\$ -	\$ 91,369,111
Alternative funds:				
Hedge funds	-	1,574,139	-	1,574,139
Fixed income mutual funds	62,173,372	-	-	62,173,372
Equity mutual funds	<u>129,405,487</u>	<u>-</u>	<u>-</u>	<u>129,405,487</u>
	<u>\$ 282,947,970</u>	<u>\$ 1,574,139</u>	<u>\$ -</u>	284,522,109
Investments, at net asset value as a practical expedient				<u>216,961,298</u>
Total investments, at fair value				<u>\$ 501,483,407</u>

## 10. ENDOWMENT FUNDS

The Community Foundation's charitable endowment net assets are all classified as without donor restrictions in the accompanying consolidated balance sheet. These net assets experienced the following changes for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Endowment net assets - beginning of year	\$ 343,224,265	\$ 351,100,341
Investment return:		
Investment income	3,183,651	2,737,111
Net investment loss	<u>(16,910,236)</u>	<u>(5,885,678)</u>
Total investment return	<u>(13,726,585)</u>	<u>(3,148,567)</u>
Contributions	<u>2,810,015</u>	<u>14,705,025</u>
Expenses	<u>(4,400,842)</u>	<u>(5,026,877)</u>
Transfers	<u>(1,117,325)</u>	<u>1,515,053</u>
Grants:		
Spending policy distributions	(12,801,500)	(15,649,818)
Feinbloom Foundation	<u>(292,489)</u>	<u>(270,892)</u>
Total grants	<u>(13,093,989)</u>	<u>(15,920,710)</u>
Endowment net assets - end of year	<u>\$ 313,695,539</u>	<u>\$ 343,224,265</u>

## 10. ENDOWMENT FUNDS (Continued)

### **Interpretation of Relevant Law**

In accordance with its accounting policies as set forth in Note 2, the Community Foundation's charitable endowment funds are classified as without donor restrictions in the accompanying consolidated balance sheet. However, the Community Foundation's Board of Directors has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income.

### **Return Objectives and Risk Parameters**

The Community Foundation's Board of Directors has adopted investment and spending policies for endowment assets that seek to preserve the purchasing power of its assets against inflation and provide a predictable stream of funding to programs supported by its endowment. In accordance with the concept of the Prudent Investor, the Community Foundation's investment policy applies a flexible, balanced and diversified approach to yield an appropriate return while controlling the risk that is inherent in any investment program.

### **Strategies Employed for Achieving Objectives**

The Community Foundation's charitable endowment funds are managed with a long-term horizon under the guidance of its Board of Directors, Investment Committee and external consultants. Endowment assets are invested in the equity, fixed and alternative pools of the Community Foundation and rebalanced regularly to an allocation of 70% equities, 20% fixed income and 10% alternative funds. Using managers selected and closely monitored by the Community Foundation, the equity pool invests in domestic and international companies broadly diversified by size, sector, industry and other characteristics.

The fixed-income portfolio incorporates both active and passive investments, principally in government and investment-grade corporate bonds and notes. Alternative investments, made with the intention of raising the Community Foundation's returns and lowering total volatility, could include, but are not limited to, multi-strategy hedge funds, long/short equity hedge funds, private equity, real estate and real estate investment trusts (REITS).

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Community Foundation's spending policy uses a total return approach to maximize its benefit from long-term market growth while leveling out short-term volatility in its portfolio. Under total return, interest, dividends and capital appreciation are defined as income eligible for grant making. The Community Foundation's current spending policy for grant making is set at 5% of the rolling 20-quarter average market value of each charitable endowment fund. Income above this spending policy is returned to the endowment fund for inflation protection and long-term preservation of purchasing power.

In periods of poor market performance, newer funds may not have enough accumulated capital appreciation to make full spending-policy distributions without invading the original amount of the gift. In these circumstances, the Community Foundation's policy allows for only interest and dividends to be made available for distributions, even in cases where donors have allowed for the invasion of principal in accordance with NYPMIFA. Under the terms of the Community Foundation's policy, market conditions did not allow for approximately 12% and 0.1% of the Community Foundation's charitable endowment funds to make full spending-policy distributions during the last quarter of the fiscal years ended March 31, 2023 and 2022, respectively.

## 11. SPLIT-INTEREST AGREEMENTS

Split-interest agreements consisted of the following at March 31:

	<u>2023</u>		<u>2022</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Charitable remainder trusts	\$ 4,790,851	\$ -	\$ 5,081,126	\$ -
Pooled life income fund	715,509	265,295	1,042,276	302,464
Donated life insurance policies				
cash surrender value	252,450	-	319,852	-
Life estates	1,950,000	729,463	1,950,000	729,463
Charitable gift annuities	<u>1,598,529</u>	<u>462,892</u>	<u>1,893,143</u>	<u>519,888</u>
	<u>\$ 9,307,339</u>	<u>\$ 1,457,650</u>	<u>\$ 10,286,397</u>	<u>\$ 1,551,815</u>

The fair value of split-interest agreements approximates carrying value at March 31, 2023 and 2022. Charitable remainder trusts are recorded at the present value of expected future net cash flows. Pooled life income funds and charitable gift annuities are recorded at fair value of the underlying investments held. Donated life insurance policies are recorded at the cash surrender value reported by the respective insurance carriers. The Community Foundation's interest in the life estates is recorded at the discounted present value of the properties, after consideration of primary beneficiaries' interest.

The face value of the donated permanent life insurance policies was approximately \$4,500,000 and \$4,560,000 at March 31, 2023 and 2022, respectively.

Split-interest agreements measured at fair value on a recurring basis, utilizing Level 1 inputs, include pooled life income funds and charitable gift annuities, and consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 58,093	\$ 55,464
Equity mutual funds	1,326,936	1,715,534
Fixed income mutual funds	<u>929,009</u>	<u>1,164,421</u>
	<u>\$ 2,314,038</u>	<u>\$ 2,935,419</u>

## 12. LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following at March 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 160,000	\$ 160,000
Building and improvements	1,113,955	1,107,910
Equipment	<u>798,206</u>	<u>798,206</u>
	2,072,161	2,066,116
Less: Accumulated depreciation	<u>(1,557,995)</u>	<u>(1,499,587)</u>
	<u>\$ 514,166</u>	<u>\$ 566,529</u>

**13. GRANTS PAYABLE**

Grants payable consisted of unconditional promises to give to other organizations, which had not been paid as of March 31, 2023. Amounts payable are as follows for the years ending March 31:

2024	\$ 4,636,270
2025	889,286
2026	<u>492,143</u>
	<u>\$ 6,017,699</u>

**14. RETIREMENT PLAN**

The Community Foundation sponsors a 401(k) retirement plan covering all employees meeting eligibility requirements. Accrued retirement costs are funded currently and are calculated as a percentage of eligible participants' payroll. Retirement expense for the years ended March 31, 2023 and 2022 was approximately \$143,000 and \$159,000, respectively.

**15. FUNCTIONAL EXPENSES**

The Community Foundation's expenses on both a natural and functional basis for the years ended March 31, were as follows:

<u>2023</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 30,986,619	\$ -	\$ -	\$ 30,986,619
Salaries and benefits	1,497,178	1,534,686	1,187,729	4,219,593
Professional services	249,118	359,900	243,581	852,599
Occupancy and office	218,170	267,578	167,653	653,401
Other	<u>73,684</u>	<u>198,445</u>	<u>396,581</u>	<u>668,710</u>
	<u>\$ 33,024,769</u>	<u>\$ 2,360,609</u>	<u>\$ 1,995,544</u>	<u>\$ 37,380,922</u>

<u>2022</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 40,032,737	\$ -	\$ -	\$ 40,032,737
Salaries and benefits	1,733,254	1,436,901	1,152,406	4,322,561
Professional services	500,636	282,545	197,890	981,071
Occupancy and office	232,117	247,212	143,624	622,953
Other	<u>20,980</u>	<u>111,096</u>	<u>173,935</u>	<u>306,011</u>
	<u>\$ 42,519,724</u>	<u>\$ 2,077,754</u>	<u>\$ 1,667,855</u>	<u>\$ 46,265,333</u>

**16. SUBSEQUENT EVENTS**

Subsequent to year-end, the Sands Family Supporting Foundation, acting in a grantor capacity, entered into an unconditional grant agreement with an unrelated tax-exempt organization in the amount of \$25,000,000.

Subsequent to year-end, the Community Foundation executed a sales contract in the amount of \$3,100,000 for the life estate it previously maintained.

Subsequent events have been evaluated through December 20, 2023, which is the date the consolidated financial statements were available to be issued.