



Financial Statements

December 31, 2022 and 2021

The Community Foundation for the Capital Region, Inc.

Financial Statements

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
The Community Foundation for the
Greater Capital Region, Inc.
Albany, New York

Opinion

We have audited the financial statements of The Community Foundation for the Greater Capital Region, Inc. (a New York not-for-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Community Foundation for the Greater Capital Region, Inc. as of December 31, 2022 and 2021, and the changes in its net assets 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 (GAAS). 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 for the Greater Capital Region, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 for the Greater Capital Region, Inc.'s ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 for the Greater Capital Region, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Community Foundation for the Greater Capital Region, Inc.'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.

BST+Co.CPAs, LLP

Latham, New York
September 13, 2023



The Community Foundation for the Greater Capital Region, Inc.

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,850,425	\$ 1,950,291
Investments	96,668,092	115,633,864
Receivables, net	1,055,844	1,380,485
Assets held under split interest agreements	700,386	890,573
Right of use asset for operating lease, net	167,961	-
Other assets	357,181	371,862
	<u>357,181</u>	<u>371,862</u>
Total assets	<u>\$ 100,799,889</u>	<u>\$ 120,227,075</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 61,623	\$ 42,524
Grants payable	141,126	296,327
Lease liability for operating lease	167,961	-
Liabilities held under split interest agreements	255,759	269,302
Agency funds	3,106,828	3,826,390
	<u>3,106,828</u>	<u>3,826,390</u>
	<u>3,733,297</u>	<u>4,434,543</u>
COMMITMENTS		
NET ASSETS		
Without donor restrictions		
Available for grants	31,300,595	41,303,955
Available for administration	883,132	972,285
Endowed for administration	6,606,626	8,175,079
	<u>38,790,353</u>	<u>50,451,319</u>
With donor restrictions	58,276,239	65,341,213
	<u>58,276,239</u>	<u>65,341,213</u>
	<u>97,066,592</u>	<u>115,792,532</u>
Total liabilities and net assets	<u>\$ 100,799,889</u>	<u>\$ 120,227,075</u>

The Community Foundation for the Greater Capital Region, Inc.

Statements of Activities

	Years Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, LOSSES, AND OTHER SUPPORT						
Investment return						
Interest and dividends	\$ 751,881	\$ 1,007,304	\$ 1,759,185	\$ 659,211	\$ 746,865	\$ 1,406,076
Net appreciation/(depreciation) of investments	(9,393,253)	(12,315,372)	(21,708,625)	6,795,523	7,535,917	14,331,440
Less investment expense	(512,257)	-	(512,257)	(701,559)	-	(701,559)
Investment return (loss), net	(9,153,629)	(11,308,068)	(20,461,697)	6,753,175	8,282,782	15,035,957
Contributions	3,890,778	5,740,507	9,631,285	4,524,111	13,610,562	18,134,673
Fees for service	137,601	-	137,601	160,070	-	160,070
Net assets released from restrictions, satisfaction of restrictions	1,497,413	(1,497,413)	-	2,682,360	(2,682,360)	-
Total revenues, gains, losses, and other support	<u>(3,627,837)</u>	<u>(7,064,974)</u>	<u>(10,692,811)</u>	<u>14,119,716</u>	<u>19,210,984</u>	<u>33,330,700</u>
EXPENSES						
Programs and grants	7,166,210	-	7,166,210	7,748,053	-	7,748,053
Administration	667,206	-	667,206	631,490	-	631,490
Fundraising	199,713	-	199,713	201,302	-	201,302
Total expenses	<u>8,033,129</u>	<u>-</u>	<u>8,033,129</u>	<u>8,580,845</u>	<u>-</u>	<u>8,580,845</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(11,660,966)	(7,064,974)	(18,725,940)	5,538,871	19,210,984	24,749,855
OTHER INCOME						
Gain on extinguishment of debt	-	-	-	137,500	-	137,500
CHANGE IN NET ASSETS	(11,660,966)	(7,064,974)	(18,725,940)	5,676,371	19,210,984	24,887,355
NET ASSETS, beginning of year	<u>50,451,319</u>	<u>65,341,213</u>	<u>115,792,532</u>	<u>44,774,948</u>	<u>46,130,229</u>	<u>90,905,177</u>
NET ASSETS, end of year	<u>\$ 38,790,353</u>	<u>\$ 58,276,239</u>	<u>\$ 97,066,592</u>	<u>\$ 50,451,319</u>	<u>\$ 65,341,213</u>	<u>\$ 115,792,532</u>

The Community Foundation for the Greater Capital Region, Inc.

Statement of Functional Expenses

	Year Ended December 31, 2022			
	Programs and Grants	Administration	Fundraising	Total
Salaries and wages	\$ 380,255	\$ 374,548	\$ 125,963	\$ 880,766
Payroll related costs	76,204	72,679	19,460	168,343
Contracted services	16,083	2,823	784	19,690
Depreciation	9,742	8,954	2,488	21,184
Equipment rental and maintenance	23,803	21,877	6,079	51,759
Events	-	-	23,040	23,040
Grants	6,570,455	-	-	6,570,455
Insurance	1,120	16,598	286	18,004
Marketing and promotion	-	36,797	-	36,797
Meeting expense	7,202	3,020	839	11,061
Office supplies and expense	8,985	8,258	2,295	19,538
Postage	-	7,013	-	7,013
Professional services	1,008	49,059	257	50,324
Professional development	12,896	11,852	3,293	28,041
Rent	49,143	45,167	12,550	106,860
Telephone and utilities	8,185	7,523	2,090	17,798
Travel	1,129	1,038	289	2,456
	\$ 7,166,210	\$ 667,206	\$ 199,713	\$ 8,033,129

The Community Foundation for the Greater Capital Region, Inc.

Statement of Functional Expenses

	Year Ended December 31, 2021			
	Programs and Grants	Administration	Fundraising	Total
Salaries and wages	\$ 284,891	\$ 358,612	\$ 118,733	\$ 762,236
Payroll related costs	51,729	60,477	16,877	129,083
Contracted services	26,052	3,479	1,017	30,548
Depreciation	9,914	11,070	3,235	24,219
Equipment rental and maintenance	22,541	25,168	7,354	55,063
Events	-	-	28,183	28,183
Grants	7,270,527	-	-	7,270,527
Insurance	711	18,796	232	19,739
Marketing and promotion	-	16,971	-	16,971
Meeting expense	6,521	1,977	1,146	9,644
Office supplies and expense	3,833	4,280	1,251	9,364
Postage	-	6,746	-	6,746
Professional services	834	45,197	272	46,303
Professional development	21,840	24,385	7,126	53,351
Rent	41,922	46,809	13,678	102,409
Telephone and utilities	6,249	6,977	2,039	15,265
Travel	489	546	159	1,194
	\$ 7,748,053	\$ 631,490	\$ 201,302	\$ 8,580,845

The Community Foundation for the Greater Capital Region, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (18,725,940)	\$ 24,887,355
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	21,184	24,219
Net (appreciation) depreciation of investments	21,708,625	(14,331,440)
Change in value of split-interest agreements	121,832	(54,430)
Provision for uncollectible promises to give	(8,000)	(8,296)
Reinvested interest and dividends	(1,867,877)	(1,555,639)
Gain on extinguishment of debt	-	(137,500)
Adjustment to right of use asset, operating	104,841	-
Accretion of lease liability, operating	1,965	-
Decrease (increase) in		
Receivables	216,206	(789,404)
Other assets	1,478	(14,756)
Increase (decrease) in		
Accounts payable and accrued expenses	19,099	(10,139)
Grants payable	(155,201)	(771,834)
Agency funds	(9,892)	182,977
Operating lease liability for cash paid	(106,806)	-
	1,321,514	7,421,113
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of investments	12,228,510	33,822,783
Purchases of investments	(13,622,969)	(42,385,055)
Purchases of property and equipment	(5,330)	(4,019)
	(1,399,789)	(8,566,291)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Distributions from split-interest agreements	(62,722)	(112,559)
Cash collections on contributions receivable for endowment	41,131	346,297
	(21,591)	233,738
Net decrease in cash and cash equivalents	(99,866)	(911,440)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,950,291	2,861,731
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 1,850,425	\$ 1,950,291

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

The Community Foundation for the Greater Capital Region, Inc. (Community Foundation) is a New York not-for-profit corporation organized under the Membership Corporation Laws of the State of New York, now known as New York State Not-For-Profit Corporation Law.

CFCR Real Property Transactions, LLC is a subsidiary of the Community Foundation with no activity in 2022 or 2021.

The Community Foundation's mission is to strengthen the community through philanthropy. The Foundation does this in collaboration with donors and community partners who share its vision for community transformation through stewardship of charitable endowments, superior donor services, effective grant making, and leadership to address community needs.

In achieving its mission, the Community Foundation:

- Serves nearly 480 separate charitable funds, working with donors to achieve their philanthropic goals.
- Provides grant administration, investment management, and leadership to address community needs and provide for the long-term operations of the Community Foundation. The resources available to support operations are presented in the statements of financial position as net assets without donor restrictions, available for administration.

b. Basis of Accounting

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Fair Value Measurements

The Community Foundation reports certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (See Note 11).

e. Cash and Cash Equivalents

The Community Foundation's cash and cash equivalents are defined as short-term, highly liquid investments with an initial maturity of three months or less.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Receivables

Unconditional promises to give that are expected to be collected within one year are recorded as receivables at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management establishes a general reserve against long-term promises to give based on past collection history. The allowance for uncollectible receivables was \$64,000 and \$72,000 as of December 31, 2022 and 2021, respectively, of which \$54,000 and \$62,000 relates to an agency fund, respectively.

g. Paycheck Protection Program

The Community Foundation accounts for Paycheck Protection Program ("PPP") loans as debt. Upon legal release, amounts forgiven are recorded as a gain on extinguishment of debt.

h. Agency Funds

The Community Foundation has endowed funds held for other not-for-profit organizations that are specified to be released to those not-for-profit organizations. Accordingly, the value of those funds is reported as a liability in the statements of financial position.

i. Net Assets

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

- Net Assets Without Donor Restrictions are not subject to donor restrictions and are segregated by the portion that is held as endowment from the funds that are currently available for grants and administration.
- Net Assets With Donor Restrictions are subject to donor-imposed restrictions. Some of the donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions to be maintained in perpetuity are held in the endowment.

The Community Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

j. Donated Goods and Services

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or evaluation.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Revenue Recognition

The Community Foundation recognizes contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Fees for service represents income from several organizations to facilitate and administer their grant programs. Revenue is recognized as services are performed by the Community Foundation.

l. Functional Allocation of Expenses

Expenses are allocated after all attempts have been made to charge expenses directly to programs. Methodologies used for allocation include estimated time per job description.

m. Tax Status

The Community Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (Code) and related New York State law and is exempt from income taxes. The Community Foundation has been classified as a publicly-supported organization that is not a private foundation under Section 509(a)(1) of the Code.

The Community Foundation files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Community Foundation's tax positions and concluded that the Community Foundation has taken no tax positions that required adjustment in their financial statements as of December 31, 2022 or 2021.

The Community Foundation has taxable unrelated business income related to investment holdings.

n. Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Community Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Community Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Community Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Adoption of New Accounting Standard - Continued

The Community Foundation elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Community Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Community Foundation has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Community Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Community Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Community Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Community Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Community Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Community Foundation’s operating leases of approximately \$272,802 at January 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

o. Subsequent Events

The Community Foundation has evaluated subsequent events for potential recognition or disclosure through September 13, 2023 the date the financial statements were available to be issued.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 2 - Liquidity

A summary of the Community Foundation's financial assets available for grants and general expenditures within one year of the statement of financial position date is as follows:

	December 31,	
	2022	2021
Total assets	\$ 100,799,889	\$ 120,227,075
Less assets not available for general expenditures		
Long-term portion of receivables, net	(336,000)	(530,000)
Investments, held in endowment	(56,525,688)	(63,109,771)
Investments, held for grants	(31,300,595)	(41,303,955)
Assets held under split interest agreements	(1,125,730)	(1,391,221)
Prepaid expense	(34,634)	(36,112)
Cash surrender value of life insurance	(274,993)	(272,342)
Property and equipment, net	(47,554)	(63,408)
	<u>(89,645,194)</u>	<u>(106,706,809)</u>
<i>Financial assets available for general expenditures, before investments in grants</i>	<u>\$ 11,154,695</u>	<u>\$ 13,520,266</u>
Investments held for grants, that could be made available	<u>31,300,595</u>	<u>41,303,955</u>
Financial assets available for grants and general expenditures within one year of the statement of financial position date	<u>\$ 42,455,290</u>	<u>\$ 54,824,221</u>

The Community Foundation has \$42,455,290 of financial assets available for grants and general expenditures within one year of the statement of financial position date. None of the financial assets available for general expenditures are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. As part of its liquidity management, the Community Foundation invests cash in excess of daily requirements in various short-term investments, primarily short-term treasury instruments. The Community Foundation has a goal to maintain financial assets on hand to meet two months of normal operating expenses. Investments held for grant making, related to non-endowed funds, can be made available for spending in accordance with the Fund Agreement.

Note 3 - Receivables, Net

Receivables, net consist of the following:

	December 31,	
	2022	2021
Promises to give, net	\$ 617,500	\$ 876,337
Remainder beneficiary of charitable remainder trusts and pooled income funds	425,344	500,648
Other	13,000	3,500
	<u>\$ 1,055,844</u>	<u>\$ 1,380,485</u>

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 3 - Receivables, Net - Continued

A summary of the timing of amounts due for the Community Foundation's promises to give, net is as follows:

	December 31,	
	2022	2021
Amounts due in		
Less than one year	\$ 281,500	\$ 346,337
One to five years	400,000	602,000
	<u>681,500</u>	<u>948,337</u>
Less:		
Allowance for uncollectible receivables	<u>(64,000)</u>	<u>(72,000)</u>
	<u>\$ 617,500</u>	<u>\$ 876,337</u>

The Community Foundation is a remainder beneficiary of certain charitable remainder trusts and pooled income funds. The Community Foundation records a receivable reflected as beneficial interest in the trusts and funds. The assumptions used in computing these receivables include discount rates that range from 0.39% to 0.73% and life expectancies based on published mortality tables.

Note 4 - Split Interest Agreements

Split interest agreements are trusts or other arrangements under which the Community Foundation receives benefits that are shared with other beneficiaries. The Community Foundation's split interest agreements include charitable remainder trusts and charitable gift annuities.

A summary of assets held, at fair value, under split interest agreements is as follows:

	December 31,	
	2022	2021
Charitable remainder trusts	\$ 369,767	\$ 455,788
Charitable gift annuities	330,619	434,785
	<u>\$ 700,386</u>	<u>\$ 890,573</u>

Liability Under Charitable Remainder Trust Agreements

The obligation, as Trustee for each trust, is reported herein as liabilities held under split interest agreements. The obligation is estimated at the time of the agreements (unitrust or annuity trust) based on the average life expectancies of the beneficiaries or specific trust terms, and the expected rate of return on invested assets. Any excess amount of the gift over the estimated liability is recorded as net assets with donor restrictions. The obligation is subject to adjustments and reflects amortization of any discount, reevaluation of the present value of estimated future payments, and any change in actuarial assumptions. These adjustments are included within contributions on the statement of activities. The assumptions used in computing the liabilities under charitable remainder trust agreements include a discount rate of 9.4% and life expectancies based on published single and multiple life expectancy tables.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 4 - Split Interest Agreements - Continued

Liability Under Charitable Gift Annuity Agreements

Under New York State Insurance Law, the Community Foundation is required to maintain qualified reserves, reported herein as assets held under split interest agreements, for its charitable gift annuities. As of December 31, 2022, the Community Foundation maintained a segregated reserve of \$330,619, which is in excess of the minimum required reserve of \$271,982. As of December 31, 2021, the Community Foundation maintained a segregated reserve of \$434,785, which is in excess of the minimum required reserve of \$286,628.

The obligations under the agreements are reported herein as liabilities held under split interest agreements. The obligations are estimated at the time of the agreement based on the present value of future cash flows expected to be paid to the donors. The obligations are subject to adjustments to reflect amortization of any discount and changes in the life expectancies of the donors. The assumptions used in computing the liabilities under charitable gift annuity agreements include discount rates ranging from 1.4% to 6.2% and life expectancies based on published single and multiple life expectancy tables.

Note 5 - Paycheck Protection Program Loan

In April 2021, the Community Foundation obtained a \$137,500 loan pursuant to the PPP under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2021. Loans under the PPP, including accrued interest, are forgivable after twenty-four weeks if, in general, employee and compensation levels are maintained, and the proceeds are used for eligible expenses including payroll, benefits, rent and utilities.

Management applied for forgiveness-in-full and, in March 2021, received notification from the lender that the application for forgiveness-in-full was approved by the Small Business Administration ("SBA"), and that the SBA repaid the loan to the lender. The forgiveness was recorded as a gain on the extinguishment of debt during the year ended December 31, 2021.

Note 6 - Agency Funds Held

A summary of the Community Foundation's agency funds is as follows:

	December 31,	
	2022	2021
Agency Funds, beginning of year	\$ 3,826,390	\$ 3,145,883
Amounts raised	118,879	364,216
Interest and dividends	57,677	49,292
Realized investment gains, net	13,876	175,235
Net appreciation/(depreciation) of investments	(728,732)	322,295
Fees	(42,231)	(58,098)
Grants to the Agencies	(139,031)	(172,433)
Agency Funds, end of year	<u>\$ 3,106,828</u>	<u>\$ 3,826,390</u>

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2022	2021
Pooled income funds		
Subject to expiration of income beneficiaries' interest	\$ 41,660	\$ 50,651
Charitable remainder trusts		
Subject to expiration of trust terms	712,699	863,068
Charitable gift annuities		
Subject to expiration of trust terms	384,942	476,429
Subject to the passage of time		
For periods after December 31,	611,250	841,294
Subject to the spending policy and appropriations		
Earnings on endowed gifts which are expendable to support donor restrictions	4,941,481	17,360,225
Gifts to be held in perpetuity to support donor restrictions	51,584,207	45,749,546
Total net assets with donor restrictions	<u>\$ 58,276,239</u>	<u>\$ 65,341,213</u>

Note 8 - Endowment

The Community Foundation holds charitable gifts in funds that may be created by the donor as endowed or non-endowed. An endowment fund generally stipulates that the gift will be invested in perpetuity while the investment earnings may be distributed to support the donor's charitable purposes. A non-endowed fund may also be invested with a long-term horizon, without restricting distribution of fund principal.

The Community Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board to be endowed for operations. As required by U.S. GAAP, net assets associated with endowment funds, including funds endowed for administration, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Board of Directors of the Community Foundation has interpreted the New York State Not-For-Profit Corporation Law (NPCL). The interpretation views NPCL as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 8 - Endowment - Continued

Relevant Law - Continued

The Community Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Community Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the organization;
7. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization; and
8. The investment policies of the organization.

Endowment net asset composition by type of fund is as follows:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 56,525,688	\$ 56,525,688
Endowed for administration	6,606,626	-	6,606,626
Total funds	\$ 6,606,626	\$ 56,525,688	\$ 63,132,314

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	\$ 8,175,079	\$ 63,109,771	\$ 71,284,850
Investment return			
Interest and dividends	135,868	1,007,304	1,143,172
Net depreciation of investments	(1,556,695)	(12,172,127)	(13,728,822)
Investment expense	(66,283)	(293,304)	(359,587)
Total investment return	(1,487,110)	(11,458,127)	(12,945,237)
Contributions	127,857	5,842,423	5,970,280
Withdrawals	(209,200)	(968,379)	(1,177,579)
Endowment net assets, <i>end of year</i>	\$ 6,606,626	56,525,688	\$ 63,132,314

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 8 - Endowment - Continued

Relevant Law - Continued

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 63,109,771	\$ 63,109,771
Endowed for administration	8,175,079	-	8,175,079
Total funds	<u>\$ 8,175,079</u>	<u>\$ 63,109,771</u>	<u>\$ 71,284,850</u>

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	<u>\$ 6,949,683</u>	<u>\$ 44,272,655</u>	<u>\$ 51,222,338</u>
Investment return			
Interest and dividends	114,265	746,865	861,130
Net appreciation of investments	1,096,190	7,402,862	8,499,052
Investment expense	(88,979)	(359,382)	(448,361)
Total investment return	<u>1,121,476</u>	<u>7,790,345</u>	<u>8,911,821</u>
Contributions	<u>347,113</u>	<u>12,715,508</u>	<u>13,062,621</u>
Withdrawals	<u>(243,193)</u>	<u>(1,668,737)</u>	<u>(1,911,930)</u>
Endowment net assets, <i>end of year</i>	<u>\$ 8,175,079</u>	<u>\$ 63,109,771</u>	<u>\$ 71,284,850</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Community Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported in net assets without donor restrictions. There were no funds with deficiencies at December 31, 2021. At December 31, 2022 one fund with historic gift value of \$24,468,351, fair value of \$23,189,874 and a deficiency of \$1,278,476 was reported in net assets without donor restrictions. This deficiency is expected to be fully recovered with favorable market fluctuations.

Return Objectives and Risk Parameters

The Community Foundation's endowment consists of various investments overseen by the Finance Committee of the Board of Directors. The Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to attain an average total return (net of investment management fees) of the Consumer Price Index plus 5%.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 8 - Endowment - Continued

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

Subject to the intent of donors expressed in fund agreements, the Community Foundation appropriates for expenditure or accumulates so much of endowed funds as the Community Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established.

Due to the Community Foundation's federal tax classification, governing documents and its fund agreements, net assets to be held in perpetuity are subject to variance power. Thereunder, the Community Foundation's Board of Directors has the power to modify any restriction or condition on distribution from the fund for any specified purpose or to any specified organization, if, in the sole judgment of the Board, compliance with such restriction becomes unnecessary, impractical, impossible, or inconsistent with the purposes of the Community Foundation. The net assets are in perpetuity until such time, if ever, as the Board deems prudent and appropriate to expend some part of the principal.

The Community Foundation has approved a spending policy which calculates a percentage (currently 4%) of the average value of the fund, including income, appreciation and principal over the past 20 quarters.

Note 9 - Defined Contribution Plan

The Community Foundation offers a 403(b) tax deferred annuity plan to its employees. The Community Foundation matches employee contributions in the amount of 100% of every dollar contributed by the employee up to the first 6% and 5% of the employee's salary for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Community Foundation's employer contributions were \$49,589 and \$31,193, respectively.

Note 10 - Commitments, Risks and Uncertainties

a. Lease

The Community Foundation leases office space under an operating lease agreement that has a term of six years which will expire in July 2024. Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$	106,806
Variable lease cost		54
Total lease cost	\$	<u>106,860</u>

The discount rate used for the operating lease is 0.91%.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 10 - Commitments, Risks and Uncertainties

a. Lease - Continued

Future undiscounted cash flows for the next two years and a reconciliation to the lease liability recognized on the statement of financial position are as follows as of December 31, 2022:

Years ending December 31,		
2023	\$	106,806
2024		62,303
Total lease payments		<u>169,109</u>
Less: imputed interest		<u>(1,148)</u>
Total present value of lease liability	\$	<u><u>167,961</u></u>

b. Fair Value of Investments

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

c. Concentrations of Credit Risk

The Community Foundation maintains operating cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, the Community Foundation has bank deposits in excess of the amounts insured by the FDIC.

The Community Foundation maintains many of its securities with a brokerage firm that is a member of the Securities Investor Protection Corporation (SIPC). Securities held at a member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash.

Note 11 - Fair Value of Financial Instruments

The framework for measuring fair value includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three levels of inputs may be used to measure fair value:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3 Unobservable inputs that are supported by little or no market activity.

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 11 - Fair Value of Financial Instruments - Continued

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the Community Foundation's investments are in publicly traded securities or in commingled funds, including limited partnerships that are invested in publicly traded securities. The fair value of publicly traded securities is based on quoted market prices and observable net asset values (NAV). As a practical expedient, commingled funds that do not have a readily determinable fair value are valued at NAV provided by fund managers utilizing quoted market prices, market value of comparable companies, an income-based approach, or discounted cash flow projections. These valuations are reviewed for reasonableness by management of the Community Foundation.

Assets reserved under split interest agreements are valued on quoted market prices.

The methods described above may produce a fair value/net asset value calculation that may not be indicative of net realizable value or reflective of future fair or net asset 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 or net asset value of certain financial instruments could result in a different fair or net asset value measurement at the reporting date.

The following tables present the Community Foundation's investments at December 31, 2022 and 2021:

	December 31, 2022				Commingled Investments Measured at NAV
	Total	Level 1	Level 2	Level 3	
Assets					
Investments					
Large Cap Equity	\$ 28,978,712	\$ 26,536,021	\$ -	\$ -	\$ 2,442,691
Mid Cap Equity	4,729,467	-	-	-	4,729,467
Small Cap Equity	2,710,428	-	-	-	2,710,428
International Equity	14,781,784	14,781,784	-	-	-
Emerging Markets	6,125,878	-	-	-	6,125,878
Environmental, Social and Governance	636,244	636,244	-	-	-
Multi Strategy Hedge Funds	7,061,935	-	-	-	7,061,935
Long/Short Equity Hedge Funds	4,361,704	-	-	-	4,361,704
Private Equity	7,077,934	-	-	-	7,077,934
Real Estate	4,733,304	2,594,567	-	-	2,138,737
Fixed income	12,497,616	10,029,829	-	-	2,467,787
Real assets	2,973,086	2,973,086	-	-	-
	<u>\$ 96,668,092</u>	<u>\$ 57,551,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,116,561</u>
Assets reserved under split interest agreements	<u>\$ 700,386</u>	<u>\$ 700,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Community Foundation for the Greater Capital Region, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 11 - Fair Value of Financial Instruments - Continued

	December 31, 2021				Commingled Investments Measured at NAV
	Total	Level 1	Level 2	Level 3	
Assets					
Investments					
Large Cap Equity	\$ 31,379,349	\$ 27,990,154	\$ -	\$ -	\$ 3,389,195
Mid Cap Equity	6,418,966	-	-	-	6,418,966
Small Cap Equity	4,168,627	4,168,627	-	-	-
International Equity	21,044,309	17,279,819	-	-	3,764,490
Emerging Markets	8,077,644	-	-	-	8,077,644
Environmental, Social and Governance	766,222	766,222	-	-	-
Multi Strategy Hedge Funds	6,553,430	-	-	-	6,553,430
Long/Short Equity Hedge Funds	6,238,953	-	-	-	6,238,953
Private Equity	8,192,422	-	-	-	8,192,422
Real Estate	6,241,874	4,295,973	-	-	1,945,901
Fixed income	13,690,737	10,979,104	-	-	2,711,633
Real assets	2,861,331	2,861,331	-	-	-
	<u>\$ 115,633,864</u>	<u>\$ 68,341,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,292,634</u>
Assets reserved under split interest agreements	\$ 890,573	\$ 890,573	\$ -	\$ -	\$ -

The following table summarizes investments measured at fair value based on NAV:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Available	Notice Period
Large Cap Equity	\$ 2,442,690	\$ -	Quarterly	n/a	30 days
Mid Cap Equity	4,729,467	-	Monthly	n/a	15 days
Small Cap Equity	2,710,428	-	Daily	n/a	n/a
Emerging Markets	3,025,033	-	Quarterly	n/a	7 days
Emerging Markets	3,100,845	-	Daily	n/a	n/a
Multi Strategy Hedge Fund	2,382,464	-	Monthly	June 30, 2022	61 days
Multi Strategy Hedge Fund	3,941,669	-	Quarterly	June 30, 2022	65 days
Multi Strategy Hedge Fund	737,802	-	Monthly	December 31, 2023	75 days
Long/Short Equity Hedge Funds	2,797,728	-	Semi- annually	June 30, 2022	46 days
Long/Short Equity Hedge Funds	1,563,977	-	Quarterly	June 30, 2022	60 days
Private Equity	736,206	99,000	No liquidity	n/a	n/a
Private Equity	1,741,005	280,000	No liquidity	n/a	n/a
Private Equity	2,061,634	-	No liquidity	n/a	n/a
Private Equity	1,418,914	-	No liquidity	n/a	n/a
Private Equity	639,676	395,000	No liquidity	n/a	n/a
Private Equity	440,965	540,000	No liquidity	n/a	n/a
Private Equity	39,534	960,000	No liquidity	n/a	n/a
Real Estate	375,188	79,695	No liquidity	n/a	n/a
Real Estate	466,448	314,060	No liquidity	n/a	n/a
Real Estate	917,727	87,142	No liquidity	n/a	n/a
Real Estate	223,761	800,000	No liquidity	n/a	n/a
Real Estate	155,613	822,775	No liquidity	n/a	n/a
Fixed income	2,467,787	-	Monthly	n/a	10 days
	<u>\$ 39,116,561</u>	<u>\$ 4,377,672</u>			