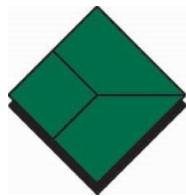


ELLIN & TUCKER

**THE COMMUNITY FOUNDATION OF FREDERICK COUNTY,
MARYLAND, INC., THE COMMUNITY FOUNDATION
HOLDING COMPANY, INC. AND PLEASANTS SUPPORTING
CHARITABLE TRUST
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**



**THE COMMUNITY FOUNDATION
of FREDERICK COUNTY**
For Good. Forever. For Frederick County.

TABLE OF CONTENTS
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
June 30, 2020 and 2019

INDEPENDENT AUDITORS' REPORT 1-2

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 3

CONSOLIDATED STATEMENTS OF ACTIVITIES 4-5

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES 6-7

CONSOLIDATED STATEMENTS OF CASH FLOWS 8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 9-24

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The Community Foundation of Frederick County, Maryland, Inc., The Community Foundation Holding Company, Inc. and Pleasants Supporting Charitable Trust (collectively referred to as the Foundation), which comprise the Consolidated Statements of Financial Position as of June 30, 2020 and 2019, the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the years then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT, CONTINUED

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the change 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.



ELLIN & TUCKER
Certified Public Accountants

Baltimore, Maryland
October 16, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,835,676	\$ 1,308,208
Promises to Give (Note 3)	362,103	303,085
Contributions Receivable (Note 4)	1,964,671	1,347,754
Prepaid Expenses	93,304	105,883
Investments, at Fair Value (Note 2)	127,172,073	123,141,645
Land Held for Sale (Note 5)	19,500,000	19,500,000
Present Value of Remainder Interests	3,547,002	2,510,481
Cash Surrender Value of Life Insurance	219,723	206,121
Property and Equipment, Net of Accumulated Depreciation of \$494,600 and \$466,768	<u>140,045</u>	<u>148,015</u>
Total Assets	<u>\$ 156,834,597</u>	<u>\$ 148,571,192</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 2,006,018	\$ 1,222,575
Other Liabilities	92,303	79,027
Liabilities Under Split-Interest Agreements	2,071,038	2,198,614
Funds Held for Others	7,845,526	7,420,673
Note Payable (Note 14)	<u>198,134</u>	<u>-</u>
Total Liabilities	<u>12,213,019</u>	<u>10,920,889</u>
COMMITMENTS (Notes 2 and 9)		
NET ASSETS		
Without Donor Restrictions	120,968,050	115,556,393
With Donor Restrictions (Note 6)	<u>23,653,528</u>	<u>22,093,910</u>
Total Net Assets	<u>144,621,578</u>	<u>137,650,303</u>
Total Liabilities and Net Assets	<u>\$ 156,834,597</u>	<u>\$ 148,571,192</u>

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF ACTIVITIES
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Bequests Raised	\$ 4,070,821	\$ 5,578,076	\$ 9,648,897
Less: Amounts Received on Behalf of Others	(21,809)	(540,126)	(561,935)
Net Contributions and Bequests Raised	4,049,012	5,037,950	9,086,962
Revenue:			
Change in Present Value of Remainder Interests	1,075,860	-	1,075,860
Investment Income, Net (Note 2)	5,211,956	932,201	6,144,157
Administrative Fee Income (Expense), Net	389,442	(310,412)	79,030
Increase in Cash Surrender Value of Life Insurance	13,602	-	13,602
Revenue before Allocation of Investment Income to Funds Held for Others	6,690,860	621,789	7,312,649
Less: Investment Income Allocated to Funds Held for Others, Net	(277,902)	(95,651)	(373,553)
Net Revenue	6,412,958	526,138	6,939,096
Net Assets Released from Restrictions	3,835,955	(3,835,955)	-
Total Support and Revenue	14,297,925	1,728,133	16,026,058
GRANTS AND EXPENSES			
Grants, Scholarships and Philanthropic Distributions	7,622,606	-	7,622,606
Other Supporting Program Expenses	639,996	-	639,996
Less: Amounts Distributed on Behalf of Others	(430,917)	-	(430,917)
Total Grants, Scholarships and Philanthropic Distributions	7,831,685	-	7,831,685
Fundraising	475,522	-	475,522
Administrative Expenses	747,576	-	747,576
Total Grants and Expenses	9,054,783	-	9,054,783
Changes in Net Assets	5,243,142	1,728,133	6,971,275
RECLASSIFICATION OF NET ASSETS (Note 11)	168,515	(168,515)	-
NET ASSETS - JULY 1, 2019	115,556,393	22,093,910	137,650,303
NET ASSETS - JUNE 30, 2020	\$ 120,968,050	\$ 23,653,528	\$ 144,621,578

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF ACTIVITIES
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Bequests Raised	\$ 3,407,640	\$ 1,712,672	\$ 5,120,312
Less: Amounts Received on Behalf of Others	(22,518)	(674,864)	(697,382)
Net Contributions and Bequests Raised	3,385,122	1,037,808	4,422,930
Revenue:			
Change in Present Value of Remainder Interests	1,046,842	-	1,046,842
Investment Income, Net (Note 2)	7,002,027	1,566,732	8,568,759
Administrative Fee Income (Expense), Net	373,548	(300,416)	73,132
Gain on Sale of Property and Equipment	10,000	-	10,000
Increase in Cash Surrender Value of Life Insurance	13,075	-	13,075
Revenue before Allocation of Investment Income to Funds Held for Others	8,445,492	1,266,316	9,711,808
Less: Investment Income Allocated to Funds Held for Others, Net	(384,056)	(118,915)	(502,971)
Net Revenue	8,061,436	1,147,401	9,208,837
Net Assets Released from Restrictions	2,142,035	(2,142,035)	-
Total Support and Revenue	13,588,593	43,174	13,631,767
GRANT AND EXPENSES			
Grants, Scholarships and Philanthropic Distributions	6,431,210	-	6,431,210
Other Supporting Program Expenses	663,710	-	663,710
Less: Amounts Distributed on Behalf of Others	(742,566)	-	(742,566)
Total Grants, Scholarships and Philanthropic Distributions	6,352,354	-	6,352,354
Fundraising	466,775	-	466,775
Administrative Expenses	669,268	-	669,268
Total Grants and Expenses	7,488,397	-	7,488,397
Changes in Net Assets	6,100,196	43,174	6,143,370
RECLASSIFICATION OF NET ASSETS (Note 11)	(2,166)	2,166	-
NET ASSETS - JULY 1, 2018	109,458,363	22,048,570	131,506,933
NET ASSETS - JUNE 30, 2019	\$ 115,556,393	\$ 22,093,910	\$ 137,650,303

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2020

	Grants, Scholarships and Philanthropic Distributions			Fundraising	General and Administrative	
	Scholarships	Grants	Total		Total	
Grants, Scholarships and Philanthropic Distributions	\$ 2,006,958	\$ 5,615,648	\$ 7,622,606	\$ -	\$ -	\$ 7,622,606
Less: Amounts Distributed on Behalf of Others	-	(430,917)	(430,917)	-	-	(430,917)
Salaries	191,195	191,194	382,389	338,713	338,553	1,059,655
Payroll Taxes	12,896	12,896	25,792	23,992	21,230	71,014
Advertising	4,903	4,904	9,807	437	18,436	28,680
Annual Report	1,812	1,812	3,624	1,006	5,435	10,065
Bad Debts	-	-	-	2,732	-	2,732
Contract Labor	255	254	509	6,236	132	6,877
Depreciation	5,091	5,092	10,183	2,829	15,274	28,286
Employee Health Insurance	20,995	20,996	41,991	26,572	30,675	99,238
Events	7,499	7,498	14,997	11,024	8,940	34,961
Facility Lease	14,779	14,778	29,557	11,712	40,089	81,358
General Insurance	2,402	2,402	4,804	1,276	8,323	14,403
Graphics, Printing and Brochures	3,019	3,020	6,039	9,085	598	15,722
Legal and Accounting	1,451	2,902	4,353	-	26,788	31,141
Meetings	252	252	504	1,079	716	2,299
Memberships, Dues and Subscriptions	2,686	2,686	5,372	2,794	4,448	12,614
Newsletter	276	276	552	552	4,414	5,518
Office	30,739	30,738	61,477	11,844	48,077	121,398
Other	1,201	1,202	2,403	99	18,522	21,024
Photography and Website	1,965	1,966	3,931	786	3,144	7,861
Postage	1,006	1,006	2,012	7,337	2,694	12,043
Real Estate Taxes	-	-	-	-	126,663	126,663
Repairs and Maintenance	1,431	1,430	2,861	1,474	4,335	8,670
Retirement Contributions	6,687	6,688	13,375	9,029	12,057	34,461
Strategic Initiatives	-	10,000	10,000	1,319	-	11,319
Telephone	455	456	911	809	809	2,529
Travel	76	76	152	1,894	3,719	5,765
Utilities	1,090	1,090	2,180	848	3,328	6,356
Volunteer and Donor Recognition	111	110	221	44	177	442
Total Expenses	\$ 2,321,230	\$ 5,510,455	\$ 7,831,685	\$ 475,522	\$ 747,576	\$ 9,054,783

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
For the Year Ended June 30, 2019

	Grants, Scholarships and Philanthropic			Fundraising	General and	
	Distributions				Administrative	Total
	Scholarships	Grants	Total			
Grants, Scholarships and Philanthropic Distributions	\$ 1,309,970	\$ 5,121,240	\$ 6,431,210	\$ -	\$ -	\$ 6,431,210
Less: Amounts Distributed on Behalf of Others	-	(742,566)	(742,566)	-	-	(742,566)
Salaries	170,502	170,502	341,004	280,437	313,827	935,268
Payroll Taxes	12,854	12,854	25,708	21,881	21,858	69,447
Advertising	4,543	4,543	9,086	540	21,112	30,738
Annual Report	2,776	2,776	5,552	1,542	8,328	15,422
Bad Debts	-	-	-	558	-	558
Contract Labor	105	96,720	96,825	6,065	132	103,022
Depreciation	4,992	4,992	9,984	2,773	14,976	27,733
Employee Health Insurance	16,917	16,917	33,834	25,090	29,994	88,918
Events	8,487	8,487	16,974	17,351	10,185	44,510
Facility Lease	14,884	14,884	29,768	11,792	40,391	81,951
General Insurance	2,230	2,230	4,460	1,198	7,764	13,422
Graphics, Printing and Brochures	358	358	716	15,624	448	16,788
Legal and Accounting	898	1,796	2,694	-	15,133	17,827
Meetings	4,766	4,766	9,532	3,164	656	13,352
Memberships, Dues and Subscriptions	2,798	2,798	5,596	2,913	4,867	13,376
Newsletter	709	709	1,418	1,418	11,345	14,181
Office	16,393	16,393	32,786	11,828	18,117	62,731
Other	2,322	2,322	4,644	4,942	5,498	15,084
Photography and Website	3,365	3,365	6,730	1,346	5,383	13,459
Postage	726	726	1,452	9,090	1,750	12,292
Real Estate Taxes	-	-	-	-	113,429	113,429
Repairs and Maintenance	1,911	1,911	3,822	1,969	5,790	11,581
Retirement Contributions	6,124	6,124	12,248	4,293	11,035	27,576
Strategic Initiatives	-	1,485	1,485	34,887	-	36,372
Telephone	395	395	790	703	703	2,196
Travel	1,997	1,997	3,994	3,241	3,798	11,033
Utilities	1,168	1,168	2,336	2,076	2,532	6,944
Volunteer and Donor Recognition	136	136	272	54	217	543
Total Expenses	\$ 1,592,326	\$ 4,760,028	\$ 6,352,354	\$ 466,775	\$ 669,268	\$ 7,488,397

(See Independent Auditors' Report and Accompanying Notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust
For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,971,275	\$ 6,143,370
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	28,286	27,733
Gain on Sale of Property and Equipment	-	(10,000)
Cash Surrender Value of Life Insurance	(13,602)	(13,075)
Net Unrealized Depreciation (Appreciation) of Investments	204,866	(293,532)
Realized Gain on Sale of Investments	(2,713,628)	(4,859,511)
Contributions to Permanent Endowments	(600,478)	(25,446)
Net Changes in:		
Promises to Give	(59,018)	(10,595)
Contributions Receivable	(616,917)	(199,120)
Prepaid Expenses	12,579	(90,134)
Present Value of Remainder Interests	(1,036,521)	(882,224)
Accounts Payable	783,443	(32,822)
Other Liabilities	13,276	49,508
Liabilities Under Split-Interest Agreements	(127,576)	169,686
Funds Held for Others	424,853	383,932
Net Cash Provided by Operating Activities	3,270,838	357,770
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(20,316)	(10,712)
Proceeds from Sale of Property and Equipment	-	20,000
Proceeds from Sale of Investments	12,725,339	17,037,421
Purchases of Investments	(14,247,005)	(17,165,021)
Net Cash Used in Investing Activities	(1,541,982)	(118,312)
FINANCING ACTIVITIES		
Proceeds from Note Payable	198,134	-
Contributions to Permanent Endowments	600,478	25,446
Net Cash Provided by Financing Activities	798,612	25,446
Net Change in Cash and Cash Equivalents	2,527,468	264,904
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,308,208	1,043,304
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,835,676	\$ 1,308,208

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

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

BASIS OF CONSOLIDATION

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

ACCOUNTING STANDARDS CODIFICATION

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

NEW ACCOUNTING STANDARDS ADOPTED

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended by subsequent ASUs (collectively, ASC 606) which amends the existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods or services. The Foundation adopted ASU 2014-09 effective July 1, 2019 using the modified retrospective transition method. The adoption of ASU 2014-09 did not materially impact the timing and measurement of revenue recognition. As a result, the Foundation did not recognize a cumulative effect adjustment to the opening balance of net assets.

(See Independent Auditors' Report)

In June 2019, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a grant should be accounted for as a contribution or an exchange transaction. The Foundation adopted ASU 2018-08 as of July 1, 2019 under the modified prospective approach. The adoption of ASU 2018-08 did not materially impact the consolidated financial statements.

BASIS OF ACCOUNTING AND PRESENTATION

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

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

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

PROMISES TO GIVE

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

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

(See Independent Auditors' Report)

INVESTMENTS

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

REMAINDER INTERESTS – CHARITABLE REMAINDER TRUSTS

The Foundation has been named beneficiary of various charitable remainder trusts. A qualifying charitable remainder trust provides lifetime income to the donor and/or donor's family members, with the remaining trust assets passing to the Foundation when the trust ends. These trusts are created by donors independently of the Foundation and are neither in the possession nor under the control of the Foundation. However, the Holding Company is the trustee of a number of the trusts. The trusts are administered by outside fiscal agents as designated by the donor. The Foundation recorded the present value of the remainder interest discounted at the rate of 1.2% and 3.4% for the years ended June 30, 2020 and 2019, respectively.

RISK AND UNCERTAINTIES

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

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak has adversely affected workforces, economies, and global financial markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global economy. Therefore, the Foundation is currently unable to determine the extent of the impact to its future financial condition, level of contributions or results of operations.

PROPERTY AND EQUIPMENT

Property and equipment in excess of \$1,000 are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of 5 to 10 years.

(See Independent Auditors' Report)

FUNDS HELD FOR OTHERS

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

REVENUE RECOGNITION

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

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

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

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

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

INCOME TAXES

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

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

(See Independent Auditors’ Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

FUNCTIONAL ALLOCATION OF EXPENSES

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

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 16, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

The Foundation utilizes professional investment services to manage all assets held for investment purposes. At June 30, 2020, the distribution of invested assets was as follows:

	Equities	Cash Equivalents	Bonds	Investment Funds	Mutual Funds	Total
PNC Bank, N.A.	\$ 183,194	\$ 80,793	\$ -	\$ -	\$ 3,667,560	\$ 3,931,547
Wilmington Trust	28,001,495	3,599,876	-	-	41,089,571	72,690,942
Morgan Stanley	-	893,811	-	-	132,965	1,026,776
Maryland Financial Planners	-	-	-	-	6,126,072	6,126,072
Merrill Lynch	602,809	116,272	161,986	-	2,092,442	2,973,509
First United	-	259,119	-	-	30,204	289,323
Morgan Stanley PWM	1,489,261	49,809	27,094	-	874,271	2,440,435
Family Heritage Trust	-	11,377	-	-	1,631,474	1,642,851
Wells Fargo	1,998,998	42,477	-	-	-	2,041,475
Sandy Spring Bank	-	645,691	-	-	-	645,691
Sona Bank	-	250,000	-	-	-	250,000
Frederick County Bank	-	262,385	-	-	-	262,385
Middletown Valley Bank	-	251,616	-	-	-	251,616
Fidelity Investments	425,687	26,659	75,945	-	-	528,291
BB&T	1,716,374	73,689	-	-	155,976	1,946,039
RBC WM	528,217	62,571	153,623	-	-	744,411
WMS Partners	-	-	-	2,075	-	2,075
Constitution Capital Partners	-	-	-	3,723,779	-	3,723,779
Crestline Management LP	-	-	-	1,595,125	-	1,595,125
Golub Capital	-	-	-	2,355,509	-	2,355,509

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

	Equities	Cash Equivalents	Bonds	Investment Funds	Mutual Funds	Total
Mackay Shields	-	-	-	8,115,312	-	8,115,312
Prudential	-	-	-	8,240,552	-	8,240,552
Glouston Capital Partners	-	-	-	188,975	-	188,975
Intrinsic Edge Capital Management	-	-	-	1,874,256	-	1,874,256
ValStone Asset Management	-	-	-	1,129,739	-	1,129,739
Greenspring Associates	-	-	-	1,623,018	-	1,623,018
Accolade Partners	-	-	-	532,370	-	532,370
June 30, 2020 Totals	<u>\$ 34,946,035</u>	<u>\$ 6,626,145</u>	<u>\$ 418,648</u>	<u>\$ 29,380,710</u>	<u>\$ 55,800,535</u>	<u>\$ 127,172,073</u>
Percentage of Total	<u>27.5%</u>	<u>5.2%</u>	<u>0.3%</u>	<u>23.1%</u>	<u>43.9%</u>	<u>100.0%</u>
June 30, 2019 Totals	<u>\$ 32,600,515</u>	<u>\$ 5,110,020</u>	<u>\$ 382,204</u>	<u>\$ 27,196,509</u>	<u>\$ 57,852,397</u>	<u>\$ 123,141,645</u>
Percentage of Total	<u>26.5%</u>	<u>4.1%</u>	<u>0.3%</u>	<u>22.1%</u>	<u>47.0%</u>	<u>100.0%</u>

Investment income (loss) for the years ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Net Investment Income - Realized	\$ 6,978,074	\$ 8,898,555
Net Unrealized (Depreciation) Appreciation on Investments	<u>(204,866)</u>	<u>293,532</u>
	6,773,208	9,192,087
Less: Investment Expenses	<u>(629,051)</u>	<u>(623,328)</u>
	<u>\$ 6,144,157</u>	<u>\$ 8,568,759</u>

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

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities and listed derivatives. As required by the Codification, the Foundation does not adjust

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

the quoted price for these investments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

- Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Generally, investments in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Generally, investments in this category include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

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

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020 and 2019:

	2020		Total
	Level 1	Level 2	
Cash Equivalents	\$ 6,626,145	\$ -	\$ 6,626,145
Bonds:			
Agency	-	101,402	101,402
Corporate	-	108,692	108,692
Treasury	-	153,625	153,625
Municipal	-	54,929	54,929
Total Bonds	-	418,648	418,648

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

	2020		
	Level 1	Level 2	Total
Mutual Funds:			
Fixed Income	9,231,296	-	9,231,296
Foreign	22,420,694	-	22,420,694
Large Cap	5,667,375	-	5,667,375
Mid Cap	7,106,138	-	7,106,138
Equity	872,492	-	872,492
Other	114,557	-	114,557
Real Estate	125,976	-	125,976
Small Cap	6,948,000	-	6,948,000
Intermediate	52,249	-	52,249
Balanced	3,261,758	-	3,261,758
	<u>55,800,535</u>	<u>-</u>	<u>55,800,535</u>
Equities:			
Consumer Discretionary	3,627,326	-	3,627,326
Consumer Staples	1,940,823	-	1,940,823
Energy	329,405	-	329,405
Financial	6,566,460	-	6,566,460
Health Care	5,412,788	-	5,412,788
Industrials	4,060,343	-	4,060,343
Information Technology	6,618,814	-	6,618,814
Materials	630,726	-	630,726
Other	1,346,307	-	1,346,307
Telecommunications	4,165,475	-	4,165,475
Utilities	247,568	-	247,568
	<u>34,946,035</u>	<u>-</u>	<u>34,946,035</u>
	<u>\$97,372,715</u>	<u>\$418,648</u>	97,791,363
Investment Funds			<u>29,380,710</u>
Total			<u>\$ 127,172,073</u>

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

	2019		Total
	Level 1	Level 2	
Cash Equivalents	\$ 5,110,020	\$ -	\$ 5,110,020
Bonds:			
Corporate	-	94,855	94,855
Treasury	-	52,909	52,909
Mortgages	-	153,513	153,513
Municipal	-	80,927	80,927
Total Bonds	-	382,204	382,204
Mutual Funds:			
Fixed Income	10,141,728	-	10,141,728
Foreign	21,983,216	-	21,983,216
Large Cap	6,642,730	-	6,642,730
Mid Cap	7,102,336	-	7,102,336
Equity	906,197	-	906,197
Other	272,810	-	272,810
Real Estate	142,697	-	142,697
Small Cap	7,100,731	-	7,100,731
Intermediate	87,624	-	87,624
Balanced	3,472,328	-	3,472,328
Total Mutual Funds	57,852,397	-	57,852,397
Equities:			
Consumer Discretionary	3,566,783	-	3,566,783
Consumer Staples	1,793,209	-	1,793,209
Energy	695,489	-	695,489
Financial	6,722,278	-	6,722,278
Health Care	4,344,439	-	4,344,439
Industrials	3,782,781	-	3,782,781
Information Technology	5,845,097	-	5,845,097
Materials	775,172	-	775,172
Other	1,643,665	-	1,643,665
Telecommunications	3,256,306	-	3,256,306
Utilities	175,296	-	175,296
Total Equities	32,600,515	-	32,600,515
	<u>\$ 95,562,932</u>	<u>\$ 382,204</u>	95,945,136
Investment Funds			<u>27,196,509</u>
Total			<u>\$ 123,141,645</u>

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

As of June 30, 2020, the fair value of the investments within the scope of the Fair Value Measurements and Disclosures Topic of the Codification and for which the Foundation has estimated fair value using net asset value or partners' capital aggregated \$29,380,710. The table below summarizes such investments and certain attributes as of June 30, 2020:

	<u>Fair Value</u>	<u>Future Commitments</u>	<u>Redemption Provision</u>
WMS Fairmount Fund	\$ 2,075	\$ -	None *
Ironsides Partnership Fund II, LP	3,791	82,505	None *
Ironsides Partnership Fund III, LP	586,084	173,978	None *
Ironsides Co-Investment Fund III, LP	828,815	-	None *
Ironsides Offshore Direct Investment Fund IV	1,617,534	247,221	None *
Ironsides Offshore Opportunities Fund, LP	687,555	387,477	None *
Glouston Private Equity Opportunities IV, LP	188,975	218,000	None *
Crestline Offshore Recovery Fund II, LP	133,218	-	None *
Crestline Associates Fund III	1,461,907	274,925	None *
MacKay Shields Core Plus Opportunities Fund LP	8,115,312	-	30 Days
Prudential Inst. Core Plus Bond-NQ	8,240,552	-	Monthly **
Golub Capital Partners International 10, LP	1,293,866	187,500	With consent ***
Golub Capital Partners International 11, LP	1,061,643	150,000	With consent ***
Intrinsic Edge Plus Offshore LTD	1,874,256	-	Monthly
ValStone Opportunity Fund VI	1,129,739	251,866	Quarterly
Greenspring Opportunities V, LP	833,763	112,000	Quarterly
Greenspring Early Stage I, LP	409,555	442,500	Quarterly
Greenspring Secondaries Fund IV, LP	379,700	1,024,177	Quarterly
Accolade Partners VI-C, LP	397,001	223,593	None *
Accolade Partners Growth I, LP	135,369	611,250	None *
	<u>\$ 29,380,710</u>	<u>\$ 4,386,992</u>	

* There is no redemption provision for these investments prior to funds liquidating the underlying investments.

** Requires five-days notice

*** Requires general partner consent

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

NOTE 3 PROMISES TO GIVE

Promises to give at June 30, 2020 and 2019 are as follows:

	2020	2019
Promises to Give Expected to be Collected in:		
Less than One Year	\$ 189,795	\$ 140,567
One to Five Years	198,916	191,335
Greater than Five Years	5,000	8,159
	393,711	340,061
Less: Allowance for Uncollectible Promises to Give	(10,584)	(15,952)
Less: Discount on Promises to Give	(21,024)	(21,024)
Net Promises to Give	\$ 362,103	\$ 303,085

NOTE 4 CONTRIBUTIONS RECEIVABLE

As of June 30, 2020, the Foundation is the beneficiary of estates with an estimated value of approximately \$1,964,000. The Foundation expects to receive this amount during the year ended June 30, 2021.

NOTE 5 LAND HELD FOR SALE

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

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 are restricted for the following purposes:

	2020	2019
Grants, Scholarships and Philanthropic Purposes:		
Subject to Expenditure for Specified Purpose	\$ 11,789,399	\$ 10,487,937
Subject to Foundation's Spending Policy and Appropriation	1,566,274	1,816,022
Amounts Invested in Perpetuity	10,297,855	9,789,951
	\$ 23,653,528	\$ 22,093,910

(See Independent Auditors' Report)

NOTE 7 **ENDOWMENT FUNDS**

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

INTERPRETATION OF RELEVANT LAW

The Foundation is subject to the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

ENDOWMENT FUND COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2020 AND 2019:

	2020	2019
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ 10,297,855	\$ 9,789,951
Accumulated Investment Gains	1,566,274	1,816,022
	\$ 11,864,129	\$ 11,605,973

(See Independent Auditors’ Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019:

Endowment Funds, July 1, 2018	\$ 11,336,475
Investment Return:	
Investment Income - Realized	429,633
Net Unrealized Appreciation	264,504
Total Investment Return	694,137
Contributions	25,446
Net Assets Reclassified	32,595
Appropriation of Endowment Assets for Expenditure	(482,680)
Endowment Funds, June 30, 2019	11,605,973
Investment Return:	
Investment Income - Realized	436,405
Net Unrealized Depreciation	(181,450)
Total Investment Return	254,955
Contributions	600,478
Net Assets Reclassified	(97,392)
Appropriation of Endowment Assets for Expenditure	(499,885)
Endowment Funds, June 20, 2020	\$ 11,864,129

UNDERWATER ENDOWMENT FUNDS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2020 and 2019, there were no underwater endowment funds.

RETURN OBJECTIVES AND RISK PARAMETERS

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

(See Independent Auditors' Report)

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

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

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

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

NOTE 8 **EMPLOYEE RETIREMENT PLAN**

The Foundation has a 401k plan for eligible employees. The 401k plan requires the Foundation to contribute up to 3% of employee's compensation plus 50% of each employees' contributions that exceed 3% of employee's compensation up to 5% of employee's compensation. For the years ended June 30, 2020 and 2019, contributions were \$34,388 and \$27,576, respectively.

NOTE 9 **COMMITMENTS**

The Foundation rents office space under an agreement through April 2021. Rent expense was \$76,679 and \$77,294 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30, 2021	\$ 64,544
---------------------------	-----------

The Foundation has agreed to make additional investments in investment funds. At June 30, 2020, the Foundation has commitments of \$4,386,992 (Note 2).

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
The Community Foundation of Frederick County, Maryland, Inc.,
The Community Foundation Holding Company, Inc. and
Pleasants Supporting Charitable Trust

NOTE 10 **DONATED SERVICES**

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

NOTE 11 **RECLASSIFICATION OF NET ASSETS**

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

NOTE 12 **ADMINISTRATIVE FEES**

Gross administrative fees earned by the Foundation for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Administrative Fees, Gross	\$ 1,455,492	\$ 1,379,374

NOTE 13 **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	2020	2019
Cash and Cash Equivalents	\$ 3,835,676	\$ 1,308,208
Promises to Give	362,103	303,085
Investments, at Fair Value	127,172,073	123,141,645
Contributions Receivable	1,964,671	1,347,754
Total Financial Assets	133,334,523	126,100,692
Financial Assets to be Collected in More Than One Year:		
Promises to Give	(182,892)	(178,470)
Investment Funds	(29,380,710)	(27,196,509)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(11,864,129)	(11,605,973)
Donor Contributions Restricted to Specific Purpose	(11,789,399)	(10,487,937)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 80,117,393	\$ 76,631,803

(See Independent Auditors' Report)

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

NOTE 14 **NOTE PAYABLE**

In May 2020, the Foundation received a loan of \$198,134 under the Small Business Administration's (SBA) Paycheck Protection Program. Either a portion or all of the loan may be forgiven provided the funds are used for the specific purposes outlined by the Paycheck Protection Program. Any amounts not forgiven will be repaid in monthly installments including interest at 1% beginning November 2020 through May 2022. Management anticipates that all requirements of the program will be met and the full loan amount will be forgiven, at which time the loan forgiveness income will be recognized.

The lender has notified the Foundation that repayment of the loan will not commence until the earlier of 10 months after the end of the Covered Period, as defined, or the date that the SBA remits the forgiven amount to the lender.

(See Independent Auditors' Report)