

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, 2021 AND 2020



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

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The Community Foundation Holding Company, Inc., and
Pleasants Supporting Charitable Trust
June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

We audited the accompanying consolidated financial statements of The Community Foundation of Frederick County, Maryland, Inc., The Community Foundation Holding Company, Inc., and Pleasants Supporting Charitable Trust (collectively referred to as the Foundation), which comprise the Consolidated Statements of Financial Position as of June 30, 2021 and 2020, 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 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, 2021 and 2020 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 14, 2021

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, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,083,237	\$ 3,835,676
Promises to Give (Note 3)	221,508	362,103
Contributions Receivable (Note 4)	2,934,976	1,964,671
Prepaid Expenses	182,802	93,304
Investments, at Fair Value (Note 2)	162,919,609	127,172,073
Land Held for Sale (Note 5)	19,500,000	19,500,000
Present Value of Remainder Interests	4,216,918	3,547,002
Cash Surrender Value of Life Insurance	228,830	219,723
Property and Equipment, Net of Accumulated Depreciation of \$519,449 and \$494,600	140,998	140,045
Total Assets	<u>\$ 193,428,878</u>	<u>\$ 156,834,597</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 2,150,538	\$ 2,006,018
Other Liabilities	118,454	92,303
Liabilities Under Split-Interest Agreements	2,404,626	2,071,038
Funds Held for Others	9,993,601	7,845,526
Note Payable (Note 14)	198,134	198,134
Total Liabilities	<u>14,865,353</u>	<u>12,213,019</u>
COMMITMENTS (Notes 2 and 9)		
NET ASSETS		
Without Donor Restrictions	150,655,781	120,968,050
With Donor Restrictions (Note 6)	27,907,744	23,653,528
Total Net Assets	<u>178,563,525</u>	<u>144,621,578</u>
Total Liabilities and Net Assets	<u>\$ 193,428,878</u>	<u>\$ 156,834,597</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Bequests Raised	\$ 5,340,325	\$ 3,191,227	\$ 8,531,552
Less: Amounts Received on Behalf of Others	(87,524)	(293,335)	(380,859)
Net Contributions and Bequests Raised	<u>5,252,801</u>	<u>2,897,892</u>	<u>8,150,693</u>
Revenue:			
Change in Present Value of Remainder Interests	777,921	-	777,921
Investment Income, Net (Note 2)	30,885,779	5,573,332	36,459,111
Administrative Fee Income (Expense), Net	442,652	(349,568)	93,084
Increase in Cash Surrender Value of Life Insurance	9,107	-	9,107
Revenue before Allocation of Investment Income to Funds Held for Others	<u>32,115,459</u>	<u>5,223,764</u>	<u>37,339,223</u>
Less: Investment Income Allocated to Funds Held for Others, Net	(1,746,633)	(550,350)	(2,296,983)
Net Revenue	<u>30,368,826</u>	<u>4,673,414</u>	<u>35,042,240</u>
Net Assets Released from Restrictions	<u>3,307,751</u>	<u>(3,307,751)</u>	<u>-</u>
Total Support and Revenue	<u>38,929,378</u>	<u>4,263,555</u>	<u>43,192,933</u>
GRANTS AND EXPENSES			
Grants, Scholarships, and Philanthropic Distributions	7,691,440	-	7,691,440
Other Supporting Program Expenses	681,287	-	681,287
Less: Amounts Distributed on Behalf of Others	(436,244)	-	(436,244)
Total Grants, Scholarships, and Philanthropic Distributions	<u>7,936,483</u>	<u>-</u>	<u>7,936,483</u>
Fundraising	507,169	-	507,169
Administrative	807,334	-	807,334
Total Grants and Expenses	<u>9,250,986</u>	<u>-</u>	<u>9,250,986</u>
Changes in Net Assets	29,678,392	4,263,555	33,941,947
RECLASSIFICATION OF NET ASSETS (Note 11)	9,339	(9,339)	-
NET ASSETS - JULY 1, 2020	<u>120,968,050</u>	<u>23,653,528</u>	<u>144,621,578</u>
NET ASSETS - JUNE 30, 2021	<u>\$ 150,655,781</u>	<u>\$ 27,907,744</u>	<u>\$ 178,563,525</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
GRANT 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	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 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, 2021

	Grants, Scholarships, and Philanthropic Distributions			Fundraising	General and Administrative	
	Scholarships	Grants	Total		Total	
Grants, Scholarships, and Philanthropic Distributions	\$ 1,973,679	\$ 5,717,761	\$ 7,691,440	\$ -	\$ -	\$ 7,691,440
Less: Amounts Distributed on Behalf of Others	-	(436,244)	(436,244)	-	-	(436,244)
Salaries	212,840	212,841	425,681	357,203	374,513	1,157,397
Payroll Taxes	14,461	14,461	28,922	25,415	25,900	80,237
Advertising	3,327	3,327	6,654	285	18,070	25,009
Annual Report	3,712	3,712	7,424	2,063	11,138	20,625
Bad Debts	-	-	-	1,074	-	1,074
Contract Labor	3,782	3,783	7,565	7,264	1,829	16,658
Depreciation	5,313	5,313	10,626	2,953	15,940	29,519
Employee Health Insurance	20,221	20,221	40,442	22,747	34,871	98,060
Events	6,016	6,015	12,031	9,252	7,219	28,502
Facility Lease	14,331	14,332	28,663	14,331	38,846	81,840
General Insurance	3,230	3,229	6,459	1,578	10,285	18,322
Graphics, Printing, and Brochures	862	862	1,724	14,037	-	15,761
Legal and Accounting	1,727	3,454	5,181	-	34,066	39,247
Meetings	4,000	4,000	8,000	208	7,501	15,709
Memberships, Dues, and Subscriptions	670	670	1,340	3,211	9,085	13,636
Newsletter	713	713	1,426	1,426	11,408	14,260
Office	27,584	27,584	55,168	15,264	44,366	114,798
Other	3,466	3,466	6,932	5,122	12,012	24,066
Photography and Website	2,363	2,363	4,726	945	3,780	9,451
Postage	408	407	815	9,313	1,515	11,643
Real Estate Taxes	-	-	-	-	124,478	124,478
Repairs and Maintenance	1,387	1,387	2,774	1,429	4,203	8,406
Retirement Contributions	7,608	7,608	15,216	9,205	12,842	37,263
Telephone	425	424	849	756	756	2,361
Travel	-	-	-	47	201	248
Utilities	1,094	1,094	2,188	1,945	2,125	6,258
Volunteer and Donor Recognition	240	241	481	96	385	962
Total Expenses	\$ 2,313,459	\$ 5,623,024	\$ 7,936,483	\$ 507,169	\$ 807,334	\$ 9,250,986

(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			Fundraising	General and	
	Distributions				Administrative	Total
	Scholarships	Grants	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 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, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Change in Net Assets	\$ 33,941,947	\$ 6,971,275
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	29,519	28,286
Change in Cash Surrender Value of Life Insurance	(9,107)	(13,602)
Net Unrealized (Appreciation) Depreciation of Investments	(18,320,273)	204,866
Realized Gain on Sale of Investments	(15,639,477)	(2,713,628)
Contributions to Permanent Endowments	(10,902)	(600,478)
Net Changes in:		
Promises to Give	140,595	(59,018)
Contributions Receivable	(970,305)	(616,917)
Prepaid Expenses	(89,498)	12,579
Present Value of Remainder Interests	(669,916)	(1,036,521)
Accounts Payable	144,520	783,443
Other Liabilities	26,151	13,276
Liabilities Under Split-Interest Agreements	333,588	(127,576)
Funds Held for Others	2,148,075	424,853
	<u>1,054,917</u>	<u>3,270,838</u>
Net Cash Provided by Operating Activities		
INVESTING ACTIVITIES		
Purchases of Property and Equipment	(30,472)	(20,316)
Proceeds from Sale of Investments	49,016,347	12,725,339
Purchases of Investments	(50,804,133)	(14,247,005)
	<u>(1,818,258)</u>	<u>(1,541,982)</u>
Net Cash Used in Investing Activities		
FINANCING ACTIVITIES		
Proceeds from Note Payable	-	198,134
Contributions to Permanent Endowments	10,902	600,478
	<u>10,902</u>	<u>798,612</u>
Net Cash Provided by Financing Activities		
Net Change in Cash and Cash Equivalents	<u>(752,439)</u>	<u>2,527,468</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,835,676</u>	<u>1,308,208</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,083,237</u></u>	<u><u>\$ 3,835,676</u></u>

(See Independent Auditors' Report and Accompanying Notes)

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF OPERATIONS

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

BASIS OF CONSOLIDATION

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

ACCOUNTING STANDARDS CODIFICATION

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

BASIS OF ACCOUNTING AND PRESENTATION

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

(See Independent Auditors' Report)

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

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

PROMISES TO GIVE

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

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

INVESTMENTS

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

REMAINDER INTERESTS – CHARITABLE REMAINDER TRUSTS

The Foundation was named beneficiary of various charitable remainder trusts. A qualifying charitable remainder trust provides lifetime income to the donor and/or donor's family members, with the remaining trust assets passing to the Foundation when the trust ends.

(See Independent Auditors' Report)

These trusts are created by donors independently of the Foundation and are neither in the possession nor under the control of the Foundation. However, Holding Company is the trustee of a number of the trusts. The trusts are administered by outside fiscal agents as designated by the donor. The Foundation recorded the present value of the remainder interest discounted at the rate of 1.2% for the years ended June 30, 2021 and 2020.

RISKS AND UNCERTAINTIES

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

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 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 five to 10 years.

FUNDS HELD FOR OTHERS

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

REVENUE RECOGNITION

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

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

(See Independent Auditors' Report)

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

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

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

INCOME TAXES

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

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

FUNCTIONAL ALLOCATION OF EXPENSES

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

SUBSEQUENT EVENTS

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through October 14, 2021, the date the consolidated financial statements were available to be issued.

(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 2 INVESTMENTS

The Foundation utilizes professional investment services to manage all assets held for investment purposes. At June 30, 2021, the distribution of invested assets was as follows:

	Equities	Cash Equivalents	Bonds	Investment Funds	Mutual Funds	Total
PNC Bank, N.A.	\$ 150,760	\$ 27,512	\$ -	\$ -	\$ 369,735	\$ 548,007
Wilmington Trust	18,909,775	1,631,082	3,527	-	78,383,363	98,927,747
Morgan Stanley	-	1,633,428	-	-	-	1,633,428
Maryland Financial Planners	-	-	-	-	8,031,750	8,031,750
Merrill Lynch	1,565,361	115,114	326,158	-	2,833,649	4,840,282
First United	-	1,283	-	-	37,741	39,024
Morgan Stanley PWM	1,738,533	130,900	51,712	-	1,124,471	3,045,616
Family Heritage Trust	-	7,072	-	-	3,649,532	3,656,604
Wells Fargo	2,318,421	64,268	-	-	-	2,382,689
Sandy Spring Bank	-	646,881	-	-	-	646,881
Primis Bank	-	250,000	-	-	-	250,000
Frederick County Bank	-	250,000	-	-	-	250,000
Middletown Valley Bank	-	256,970	-	-	-	256,970
Other PVRT	593,803	16,285	52,988	-	-	663,076
Truist	26,985	43,249	-	-	2,342,097	2,412,331
RBC Wealth Management	635,690	70,252	176,676	-	7,715	890,333
Constitution Capital Partners	-	-	-	3,899,978	-	3,899,978
Crestline Management LP	-	-	-	1,365,721	-	1,365,721
Golub Capital	-	-	-	2,443,514	-	2,443,514
MacKay Shields	-	-	-	8,545,687	-	8,545,687
Prudential	-	-	-	8,492,120	-	8,492,120
Glouston Capital Partners	-	-	-	160,880	-	160,880
Intrinsic Edge Capital Management	-	-	-	2,375,223	-	2,375,223
ValStone Asset Management	-	-	-	1,292,269	-	1,292,269
Greenspring Associates	-	-	-	4,177,423	-	4,177,423
Accolade Partners	-	-	-	1,692,056	-	1,692,056
June 30, 2021 Totals	<u>\$ 25,939,328</u>	<u>\$ 5,144,296</u>	<u>\$ 611,061</u>	<u>\$ 34,444,871</u>	<u>\$ 96,780,053</u>	<u>\$ 162,919,609</u>
Percentage of Total	15.9%	3.2%	0.4%	21.1%	59.4%	100.0%
June 30, 2020 Totals	\$ 34,946,035	\$ 6,626,145	\$ 418,648	\$ 29,380,710	\$ 55,800,535	\$ 127,172,073
Percentage of Total	27.5%	5.2%	0.3%	23.1%	43.9%	100.0%

(See Independent Auditors' Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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Investment income (loss) for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Net Investment Income - Realized	\$ 19,138,283	\$ 6,978,074
Net Unrealized Appreciation (Depreciation) on Investments	18,320,273	(204,866)
	37,458,556	6,773,208
Less: Investment Expenses	(999,445)	(629,051)
	\$ 36,459,111	\$ 6,144,157

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

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments in Level 1 include listed equities and listed derivatives. As required by the Codification, the Foundation does not adjust the quoted price for these investments, even in situations where it holds a large position, and a sale could reasonably impact the quoted price.

- Level 2 Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Generally, investments in this category include corporate bonds and loans, less liquid and restricted equity securities, and certain over-the-counter derivatives.

- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Generally, investments in this category include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt, and non-investment grade residual interests in securitizations and collateralized debt obligations.

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

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2021 and 2020:

	2021		Total
	Level 1	Level 2	
Cash Equivalents	\$ 5,144,296	\$ -	\$ 5,144,296
Bonds:			
Agency	-	180,747	180,747
Corporate	-	159,807	159,807
Treasury	-	176,676	176,676
Mortgages	-	40,843	40,843
Municipal	-	52,988	52,988
Total Bonds	-	611,061	611,061
Mutual Funds:			
Fixed Income	7,013,492	-	7,013,492
Foreign	20,687,568	-	20,687,568
Large Cap	27,569,012	-	27,569,012
Mid Cap	12,091,225	-	12,091,225
Equity	3,201,191	-	3,201,191
Real Estate	309,646	-	309,646
Small Cap	10,308,662	-	10,308,662
High Yield	922,999	-	922,999
Long Term	2,357,355	-	2,357,355
Commodity	78,659	-	78,659

(See Independent Auditors' Report)

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	2021		
	Level 1	Level 2	Total
Emerging Markets	8,531,799	-	8,531,799
Intermediate	68,161	-	68,161
Balanced	3,363,613	-	3,363,613
Other	276,671	-	276,671
Total Mutual Funds	96,780,053	-	96,780,053
Equities:			
Consumer Discretionary	3,233,407	-	3,233,407
Consumer Staples	935,564	-	935,564
Energy	276,899	-	276,899
Financial	5,623,269	-	5,623,269
Health Care	3,058,035	-	3,058,035
Industrials	2,449,883	-	2,449,883
Information Technology	4,421,229	-	4,421,229
Materials	691,055	-	691,055
Real Estate	393,845	-	393,845
Equity Cap	138,928	-	138,928
Telecommunications	4,691,081	-	4,691,081
Utilities	26,133	-	26,133
Total Equities	25,939,328	-	25,939,328
	\$ 127,863,677	\$ 611,061	128,474,738
Investment Funds			34,444,871
Total			\$ 162,919,609
2020			
	Level 1	Level 2	Total
Cash Equivalents	\$ 6,626,145	\$ -	\$ 6,626,145
Bonds:			
Corporate	-	101,402	101,402
Treasury	-	108,692	108,692
Mortgages	-	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.,
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	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
Total Mutual Funds	<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
Total Equities	<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>

As of June 30, 2021, the fair value of the investments within the scope of the Fair Value Measurements and Disclosures Topic of the Codification and for which the Foundation estimated fair value using net asset value or partners' capital aggregated \$34,444,871. The table below summarizes such investments and certain attributes as of June 30, 2021:

(See Independent Auditors' Report)

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	<u>Fair Value</u>	<u>Future Commitments</u>	<u>Redemption Provision</u>
Ironsides Partnership Fund II, LP	\$ 4,023	\$ 82,505	None *
Ironsides Partnership Fund III, LP	587,864	185,324	None *
Ironsides Co-Investment Fund III, LP	598,765	50,000	None *
Ironsides Offshore Direct Investment Fund IV	1,316,105	247,221	None *
Ironsides Offshore Opportunities Fund, LP	778,828	384,520	None *
Ironsides Co-Investment Fund VI, LP	614,393	401,967	None *
Glouston Private Equity Opportunities IV, LP	160,880	218,000	None *
Crestline Offshore Recovery Fund II, LP	117,528	-	None *
Crestline Associates Fund III	1,248,193	186,331	None *
Mackay Shields Core Plus Opportunities Fund LP	8,545,687	-	30 Days
Prudential Inst. Core Plus Bond-NQ	8,492,120	-	Monthly **
Golub Capital Partners International 10, LP	1,357,425	187,500	With consent **
Golub Capital Partners International 11, LP	1,086,089	150,000	With consent **
Intrinsic Edge Plus Offshore LTD	2,375,223	-	Monthly
ValStone Opportunity Fund VI	1,292,269	73,172	Quarterly
Greenspring Opportunities V, LP	1,327,894	56,000	Quarterly
Greenspring Early Stage I, LP	1,035,945	240,000	Quarterly
Greenspring Secondaries Fund IV, LP	1,813,584	292,622	Quarterly
Accolade Partners VI-C, LP	748,474	112,499	None *
Accolade Partners Growth I, LP	471,088	502,500	None *
Bedrock Capital III, LP	147,494	840,000	None *
Base 10 Advancement Initiative I, LP	325,000	675,000	None *
	<u>\$ 34,444,871</u>	<u>\$ 4,885,161</u>	

* 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
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NOTE 3 PROMISES TO GIVE

Promises to give at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Promises to Give Expected to Be Collected in:		
Less Than One Year	\$ 140,772	\$ 189,795
One to Five Years	104,531	198,916
Greater Than Five Years	-	5,000
	<u>245,303</u>	<u>393,711</u>
Less: Allowance for Uncollectible Promises to Give	(11,658)	(10,584)
Less: Discount on Promises to Give	<u>(12,137)</u>	<u>(21,024)</u>
	<u>\$ 221,508</u>	<u>\$ 362,103</u>
Net Promises to Give	<u>\$ 221,508</u>	<u>\$ 362,103</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

As of June 30, 2021, the Foundation was the beneficiary of estates with an estimated value of approximately \$2,934,976. The Foundation expects to receive this amount during the year ended June 30, 2022.

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, 2021 and 2020 were restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Grants, Scholarships, and Philanthropic Purposes:		
Subject to Expenditure for Specified Purpose	\$ 14,765,580	\$ 11,789,399
Subject to Foundation's Spending Policy and Appropriation	2,824,345	1,566,274
Amounts Invested in Perpetuity	<u>10,317,819</u>	<u>10,297,855</u>
	<u>\$ 27,907,744</u>	<u>\$ 23,653,528</u>

(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 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 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, 2021 AND 2020:

	2021	2020
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	\$ 10,317,819	\$ 10,297,855
Accumulated Investment Gains	2,824,345	1,566,274
	\$ 13,142,164	\$ 11,864,129

(See Independent Auditors’ Report)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
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CHANGES IN ENDOWMENT FUNDS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020:

Endowment Funds, July 1, 2019	<u>\$ 11,605,973</u>
Investment Return:	
Investment Income - Realized	436,405
Net Unrealized Depreciation	<u>(181,450)</u>
Total Investment Return	<u>254,955</u>
Contributions	<u>600,478</u>
Net Assets Reclassified	<u>(97,392)</u>
Appropriation of Endowment Assets for Expenditure	<u>(499,885)</u>
Endowment Funds, June 30, 2020	<u>11,864,129</u>
Investment Return:	
Investment Income - Realized	1,072,458
Net Unrealized Appreciation	<u>641,513</u>
Total Investment Return	<u>1,713,971</u>
Contributions	<u>10,902</u>
Appropriation of Endowment Assets for Expenditure	<u>(446,838)</u>
Endowment Funds, June 20, 2021	<u><u>\$ 13,142,164</u></u>

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, 2021 and 2020, there were no underwater endowment funds.

RETURN OBJECTIVES AND RISK PARAMETERS

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

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

NOTE 8 EMPLOYEE RETIREMENT PLAN

The Foundation has a 401k plan for eligible employees. The 401k plan requires the Foundation to contribute up to 3% of a participant’s compensation plus 50% of each participant’s contribution that exceeds 3% of a participant’s compensation up to 5% of a participant’s compensation. For the years ended June 30, 2021 and 2020, contributions were \$37,263 and \$34,388, respectively.

NOTE 9 COMMITMENTS

The Foundation rents office space under an agreement through April 2025. Rent expense was \$73,698 and \$76,679 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	2022		\$ 78,358
	2023		79,140
	2024		79,934
	2025		67,170
			\$ 304,602

The Foundation agreed to make additional investments in investment funds. At June 30, 2021, the Foundation had commitments of \$4,885,161 (Note 2).

(See Independent Auditors’ Report)

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NOTE 10 **DONATED SERVICES**

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

NOTE 11 **RECLASSIFICATION OF NET ASSETS**

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

NOTE 12 **ADMINISTRATIVE FEES**

Gross administrative fees earned by the Foundation for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Administrative Fees, Gross	\$ 1,667,589	\$ 1,455,492

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

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

	2021	2020
Cash and Cash Equivalents	\$ 3,083,237	\$ 3,835,676
Promises to Give	221,508	362,103
Investments, at Fair Value	162,919,609	127,172,073
Contributions Receivable	2,934,976	1,964,671
Total Financial Assets	169,159,330	133,334,523
Financial Assets to Be Collected in More Than One Year:		
Promises to Give	(92,394)	(182,892)
Investment Funds	(34,444,871)	(29,380,710)
Contractual or Donor-Imposed Restrictions:		
Endowment Funds	(13,142,164)	(11,864,129)
Donor Contributions Restricted to Specific Purpose	(14,765,580)	(11,789,399)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 106,714,321	\$ 80,117,393

(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 in the amount of \$198,134 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Foundation used the funds primarily for payroll costs during the 24-week period beginning in May 2020 in accordance with the terms of the PPP. The Foundation submitted the SBA loan forgiveness application and, subsequent to June 30, 2021, received notification from the SBA that the loan was forgiven. Forgiveness income for the entire loan amount will be recognized during the year ending June 30, 2022. PPP loans are subject to audit for six years by the U.S. Department of Treasury, SBA, or lender; as a result of such audit, adjustments to the recognition of revenue could be required.

(See Independent Auditors' Report)