

**LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION
AND SUBSIDIARY**

**INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2023

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Table of Contents

INDEPENDENT AUDITORS' REPORT 1 – 2

CONSOLIDATED FINANCIAL STATEMENTS:

 Consolidated Statement of Financial Position as of June 30, 2023..... 3

 Consolidated Statement of Activities
 for the Year Ended June 30, 2023..... 4

 Consolidated Statement of Functional Expenses
 for the Year Ended June 30, 2023 5

 Consolidated Statement of Cash Flows
 for the Year Ended June 30, 2023 6

 Notes to Consolidated Financial Statements 7 – 17



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legacy Endowment...The Community Foundation
Bonsall, California

Opinion

We have audited the accompanying consolidated financial statements of Legacy Endowment...The Community Foundation (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Legacy Endowment...The Community Foundation and subsidiary as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legacy Endowment...The Community Foundation and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Endowment...The Community Foundation and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Lavine, Lofgren, Mowir & Engelberg, LLP

La Jolla, California
September 18, 2024

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Consolidated Statement of Financial Position As of June 30, 2023

ASSETS

Cash	\$ 193,003
Investments, at fair value	<u>15,670,867</u>
Total assets	<u><u>\$ 15,863,870</u></u>

LIABILITIES AND NET ASSETS

Current liabilities — accrued expenses	<u>\$ 6,508</u>
Total current liabilities	6,508

Amounts held on behalf of others	3,168,886
Deferred gift liabilities	<u>228,834</u>
Total liabilities	<u>3,404,228</u>

Commitments

Net assets:	
Without donor restriction	113,499
With donor restriction	<u>12,346,143</u>

Total net assets	<u>12,459,642</u>
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Total liabilities and net assets	<u><u>\$ 15,863,870</u></u>
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See accompanying notes to consolidated financial statements
and independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Consolidated Statement of Activities For the Year Ended June 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenue, gains, and support:			
Investment management fees	\$ 157,905	\$ -	\$ 157,905
Gifts and bequests from donors	4,388	296,989	301,377
Investment return, net	466	1,256,805	1,257,271
Change in value of split-interest agreements	-	(100,177)	(100,177)
Net assets released from restriction	552,855	(552,855)	-
Total revenue, gains, and support	<u>715,614</u>	<u>900,762</u>	<u>1,616,376</u>
Expenses:			
Program services	563,655	-	563,655
General and administrative	184,804	-	184,804
Asset development	22,431	-	22,431
Total expenses	<u>770,890</u>	<u>-</u>	<u>770,890</u>
Increase (decrease) in net assets	<u>(55,276)</u>	<u>900,762</u>	<u>845,486</u>
Net assets, beginning of year	<u>168,775</u>	<u>11,445,381</u>	<u>11,614,156</u>
Net assets, end of year	<u>\$ 113,499</u>	<u>\$ 12,346,143</u>	<u>\$ 12,459,642</u>

See accompanying notes to consolidated financial statements
and independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Asset Development</u>	<u>Total</u>
Grants and philanthropic distributions	\$ 493,046	\$ -	\$ -	493,046
Distributions to charitable remainder trust beneficiaries	59,809	-	-	59,809
Salaries, benefits, and related costs	5,233	120,361	5,233	130,827
Donor relations	-	-	16,173	16,173
Occupancy	415	9,543	415	10,373
Office expense	610	14,026	610	15,246
Professional fees	4,542	40,874	-	45,416
	<u>\$ 563,655</u>	<u>\$ 184,804</u>	<u>\$ 22,431</u>	<u>\$ 770,890</u>

See accompanying notes to consolidated financial statements
and independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Consolidated Statement of Cash Flows For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 845,486
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(1,177,906)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	8,034
Accrued expenses	1,801
Amounts held on behalf of others	506,851
Deferred gift liabilities	<u>100,177</u>
Net cash provided by operating activities	<u>284,443</u>
Cash flows from investing activities:	
Purchases of investments	(2,586,091)
Proceeds from sales of investments	<u>2,284,046</u>
Net cash used in investing activities	<u>(302,045)</u>
Decrease in cash	(17,602)
Cash, beginning of year	<u>210,605</u>
Cash, end of year	<u>\$ 193,003</u>

See accompanying notes to consolidated financial statements
and independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 1. ORGANIZATION AND NATURE OF ACTIVITIES

Legacy Endowment...The Community Foundation ("Legacy Endowment") was incorporated on July 11, 1994 and is a public not-for-profit endowment foundation dedicated to promoting philanthropic giving through facilitating gifts, charitable remainder trusts, and endowments. Legacy Endowment is a neutral facilitator of philanthropy for individuals, families, businesses, and Foundations that want to preserve and enhance a higher quality of life, now and for generations to come. Legacy Endowment administers and manages restricted and unrestricted charitable gifts, including endowment funds and pass-through funds, whereby grants are made to charitable institutions and other nonprofit foundations.

On April 9, 2013, Legacy Endowment formed a wholly owned subsidiary, Legacy Community Foundation Properties, LLC, for the purpose of receiving and holding real estate. The subsidiary has had no activity since inception.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Legacy Endowment and its subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation. Legacy Endowment and its subsidiary are herein referred to as the "Foundation" or the "Organization".

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Foundation follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities: Presentation of Financial Statements*, which requires that information regarding an entity's financial position and activities be classified as net assets without donor restriction and net assets with donor restriction as follows:

- *Net assets without donor restriction:* represent expendable funds available for operations, which are not otherwise limited by donor restrictions. These amounts are available for various activities including the Foundation's support of community activities and charitable endeavors at the discretion of the Foundation's Board of Directors.
- *Net assets with donor restriction:* consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds. Other donor-imposed restrictions are perpetual in nature, requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Contributions unconditionally promised to the Foundation, including deferred gifts in the form of trusts and annuities, which are scheduled to be received more than one year in the future are recorded at fair value, and are classified as net assets with donor restriction until the funds are received and are discounted at a rate commensurate with the risks involved. Assets contributed to the Foundation where the original dollar value is to remain in perpetuity subject to stipulations of donor agreements are also classified as net assets with donor restriction.

The Foundation has recorded donor-restricted endowment funds as a component of net assets with donor restriction. The accumulation of assets above historical gift value in donor-restricted endowment funds is classified as net assets with donor restriction until appropriated for use based on the Foundation's spending policy. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market accounts, and short-term investments purchased with initial maturities of three months or less. There were no cash equivalents as of June 30, 2023.

Investments

Investments of the Foundation are recorded at fair value with gains and losses included in the statement of activities. In accordance with donor elections, proceeds are commingled in pooled investment funds or invested in separately managed accounts.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the impact on the market price.

Investments are made according to the Investment Policy Statement adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities, including investments classified as alternative investments with performance measured against appropriate indices. The Foundation contracts with external investment consultants for the purpose of providing investment management and consulting services.

Property and Equipment

Acquisitions of property and equipment with a cost in excess of \$2,500 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Payable

The Foundation records a liability for grants payable when approved by the Executive Officers of the Board of Directors. Grants which are conditional are recorded as liabilities when the conditions to the grants have been substantially met. There was no grants payable liability as of June 30, 2023.

Revenue and Support

Unconditional contributions of cash or other assets and unconditional promises to give are recorded as revenue in the period received and are classified as without donor restriction or with donor restriction based on donor stipulations. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on estimated future cash flows. Conditional contributions are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Custodian, Investment, and Management Fees

The Foundation's primary source of revenue is investment management fees earned for administering charitable gifts and trusts held in the Foundation's pooled investment accounts. Such fees are recognized in the fiscal year in which they are earned and are deducted from the investment accounts quarterly. Investment management fees earned during year ended June 30, 2023 were \$157,905. The Foundation also works with third-party investment advisors to manage these investments. Third-party investment, custodian fees, and investment management expenses are netted with investment return on the accompanying consolidated statement of activities.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its program and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly according to their natural expenditure. Costs that are common to more than one function are allocated among the program and supporting services on the basis of time records and estimates made by the Foundation's management. Salaries and benefits are allocated based on estimates of time and effort. Occupancy and office expenses are allocated based on management estimates.

Income and Excise Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) and is classified as a public foundation under Section 509(a) of the Internal Revenue Code and Section 23701d of the California Tax Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2023, the Foundation believes it has no such taxable unrelated business income. In addition, management believes that it has not taken any significant uncertain tax positions and that its tax positions would be sustained in the event of examination by federal or state taxing authorities. Accordingly, no provision for income taxes has been included in the consolidated statement of activities.

All tax-exempt entities are subject to examination by federal, state, and other applicable agencies. There are currently no audits of the Foundation's tax returns in process and the Foundation believes it is no longer subject to such examinations for fiscal years ending prior to 2020 (Federal) and 2019 (California).

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Foundation leases administrative office space in Bonsall, California pursuant to a month-to-month lease. The Foundation determines if an arrangement is a lease at inception, and when applicable includes operating lease right-of-use ("ROU") assets as well as lease liabilities on the consolidated statement of financial position. This lease qualifies for an available exemption related to the recording of the ROU asset and related liability due to the lease's expiration being fewer than twelve months from the date of the consolidated statement of financial position. The Foundation has elected to apply this short-term lease exemption to its office lease.

The Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and support and expenses during the reporting period. Accordingly, actual results could differ from those assumptions and estimates.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted the standard effective July 1, 2022. The Foundation's sole lease during the year ended June 30, 2023 qualified for an exemption due to its short-term nature. The adoption of ASC 842 did not have a material impact on the Foundation's consolidated financial statements.

Subsequent Events

Subsequent events were evaluated through the date of the independent auditor's report, which is the date these consolidated financial statements were available to be issued.

NOTE 3. INVESTMENTS

Investments are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Foundation applies fair value measurements to assets and liabilities that are required to be recorded at fair value under U.S. GAAP. FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 3. INVESTMENTS (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in valuation methodologies used at June 30, 2023 and 2022. The following is a description of the valuation methodologies used for investments measured at fair value at June 30, 2023:

Publicly-traded equities (common stocks, preferred stocks) – Valued at the closing prices reported on the active market on which the individual securities are traded.

Mutual and exchange-traded funds – Valued at the daily closing price as reported by the fund. Mutual and exchange-traded funds held by the Foundation are open-end funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual and exchange-traded funds held by the Foundation are deemed to be actively traded.

Private equity funds and real estate investment trusts – Values are based on due diligence and financial analysis prepared by the sponsoring portfolio manager and are recorded at the price determined by portfolio managers or management companies of a portfolio asset.

The following table presents the Foundation's financial instruments reported at fair value in accordance with the fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Investments:				
Publicly-traded equities	\$ 7,202,957	\$ -	\$ -	\$ 7,202,957
Mutual and exchange-traded funds	5,606,287	-	-	5,606,287
Real estate investment trusts	-	828,763	-	828,763
Private equity funds	-	1,133,100	899,760	2,032,860
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investments at fair value	<u>\$ 12,809,244</u>	<u>\$ 1,961,863</u>	<u>\$ 899,760</u>	<u>\$ 15,670,867</u>

In addition, there were no transfers in or out of Level 3 during the fiscal year ended June 30, 2023.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 3. INVESTMENTS (Continued)

The following schedule summarizes the Foundation's net investment loss and classification in the consolidated statement of activities for the year ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 101	\$ 274,873	\$ 274,974
Net realized and unrealized gain	487	1,177,419	1,177,906
Investment fees	(25)	(70,950)	(70,975)
Management fees	(97)	(124,537)	(124,634)
Investment return, net	<u>\$ 466</u>	<u>\$ 1,256,805</u>	<u>\$ 1,257,271</u>

Investment Commitment and Level 3 Investment

During the year ended June 30, 2018, the Foundation entered into a subscription agreement to invest \$1,000,000 in Blackstone Total Alternatives Solution V-A, L.P. fund, which is considered a Level 3 investment in the fair value hierarchy. Level 3 investments are measured at fair value on a recurring basis using significant unobservable inputs. Through June 30, 2023, the Foundation has invested \$734,667 in this fund and has recorded an unrealized gain of \$314,565. During the year ended June 30, 2023, the Foundation recognized an unrealized loss in the amount of \$52,991, which is reflected in the consolidated statement of activities for the year ended June 30, 2023. During the fiscal year ended June 30, 2023, the Foundation contributed \$31,582 and received \$132,867 in distributions, which can be subject to future capital calls by the fund. As of June 30, 2023, the investment's fair value of \$899,760 is included in investments on the accompanying consolidated statement of financial position. The Foundation's remaining commitment toward future capital calls of the fund totals \$265,333 as of June 30, 2023. There is no maturity date specified in the subscription agreement.

NOTE 4. SPLIT-INTEREST AGREEMENTS

The Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values, records a deferred gift liability for the respective agreements at the estimated present value of the amount due to the income beneficiaries, and records contribution revenue for the difference between the two values. The present value of the payments to beneficiaries under these arrangements is calculated using discount rates, as selected at the date of gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as changes in value of split-interest agreements in the accompanying consolidated statement of activities.

Investments held under these split-interest agreements totaled \$1,217,136 at June 30, 2023. Deferred gift liabilities totaled \$228,834 at June 30, 2023.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 5. DUE TO OTHER AGENCIES

Amounts due to other agencies at June 30, 2023 represent both endowed and non-endowed funds established by unaffiliated nonprofit organizations for their own benefit, or for the benefit of an affiliate, with the Foundation as custodian. Such assets are included in the Foundation's investment pool. Contributions received and grants made within these funds are not included in the consolidated statement of activities.

The following schedule summarizes the activities within the fund liability for the year ended June 30, 2023:

Due to other agencies, beginning of year	\$ 2,340,937
Contributions	628,764
Interest and dividends	66,396
Net realized and unrealized gain	333,691
Grants	(151,727)
Investment and management fees	<u>(49,175)</u>
Due to other agencies, end of year	<u>\$ 3,168,886</u>

NOTE 6. ENDOWMENT FUNDS

As required by US GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. As of June 30, 2023, the Foundation's endowment funds consist of donor-restricted endowment funds classified as net assets with donor restriction.

The Board of Directors of the Foundation utilizes guidance on the net asset classification of donor-restricted endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as with donor restriction (a) the original fair value of gifts donated to the permanent endowment, (b) the original fair value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The value of assets in excess of original gifts in donor restricted endowment funds is classified as net assets with donor restriction until appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA.

From time to time, the fair value of the assets associated with the individual donor restricted endowment funds may fall below historical gift value. At June 30, 2023, the Foundation had no endowment funds with deficiencies.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 6. ENDOWMENT FUNDS (Continued)

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

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

The Foundation's endowment investment policy and strategy is to emphasize total return; that is the aggregate return from capital appreciation and dividend and interest income in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to produce, after investment expenses a minimum annual compound total rate of return of 4%. Actual returns in any given year may vary from this amount.

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

Endowment funds are maintained in pooled investment portfolios, interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the endowment funds in proportion to each fund's share in the investment pools. The Foundation's spending policy is to allocate between 2-4% per annum of the preceding thirty-six-month average fair value invested in the pool to each fund's distributable balance available for program grants. If the fair value of the endowment principal of any fund, at the end of each month, is less than the corpus which includes the initial and all subsequent gifts from the donors, the distribution is limited to interest and dividends received. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment assets to grow at a rate above the average rate of inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment asset as well as to provide additional real growth through new gifts and investment returns.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 6. ENDOWMENT FUNDS (Continued)

The changes in endowment net assets with donor restrictions for the year ended June 30, 2023 are as follows:

Endowment net assets, beginning of year	\$ 11,311,538
Contributions	286,489
Investment return:	
Interest and dividends	271,665
Net realized and unrealized gains	1,162,569
Investment and management fees	<u>(192,247)</u>
Total investment return, net	<u>1,241,987</u>
Change in value of split interest agreements	(100,177)
Amounts appropriated for expenditure	<u>(535,555)</u>
Endowment net assets, end of year	<u><u>\$ 12,204,282</u></u>

NOTE 7. NET ASSETS

Net assets with donor restrictions as of June 30, 2023 are as follows:

Donor-advised funds	\$ 125,460
Scholarship funds	16,401
Endowment funds:	
Charitable remainder trusts	988,302
Donor-advised funds	10,928,354
Scholarship funds	<u>287,626</u>
Total endowment funds	<u>12,204,282</u>
Net assets with donor restrictions	<u><u>\$ 12,346,143</u></u>

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 7. NET ASSETS (Continued)

Net assets released from donor restrictions upon satisfaction of donor specifications during the year ended June 30, 2023 are as follows:

Donor-advised funds	\$	17,300
Endowment funds:		
Charitable remainder trusts		59,809
Donor-advised funds		465,746
Scholarship funds		10,000
		<hr/>
Total endowment funds		535,555
		<hr/>
Total restrictions released	\$	<u>552,855</u>

NOTE 8. LEASE

The Foundation leases office space for administrative and processing services. The lease is month-to-month and may be terminated by either party with 60 days' written notice. Total lease expense related to this lease was \$9,000 for the year ended June 30, 2023.

NOTE 9. FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following:

Cash	\$	193,003
Investments, at fair value		<u>15,670,867</u>
		<hr/>
Total financial assets at fiscal year-end		15,863,870
		<hr/>
Less: Investment pool not available within one year due to:		
Investments and cash held for others (agency funds)		(3,168,886)
Investments and cash held for donor-imposed restrictions		(12,346,143)
Liabilities under split-interest agreements		<u>(228,834)</u>
		<hr/>
Financial assets available within one year	\$	<u>120,007</u>

The Foundation intends for its financial assets to be otherwise available as its general expenditures, liabilities, and other obligations become due. The Foundation expects that these sources will provide adequate funding for its near-term operating needs.

See independent auditors' report.

LEGACY ENDOWMENT...THE COMMUNITY FOUNDATION AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023

NOTE 10. CONCENTRATIONS AND RISKS

Cash and Cash Equivalents

The Foundation has deposits in financial institutions that may at times exceed federally insured or other protected limits. The Foundation manages the risk by using institutions management believes to be of high quality. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Investment Risk

The Foundation is invested in a variety of investments. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to the change in value of investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and such changes could materially affect amounts reported in the consolidated statement of financial position.

See independent auditors' report.