

FOOTHILLS COMMUNITY FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

FOOTHILLS COMMUNITY FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foothills Community Foundation
Anderson, South Carolina

Opinion

We have audited the accompanying financial statements of the Foothills Community Foundation (a not-for-profit organization)(the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The rental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
November 10, 2022

FOOTHILLS COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 182,711 | \$ 114,562 |
| Prepaid expenses | 12,586 | 10,331 |
| Total current assets | 195,297 | 124,893 |
| Noncurrent Assets | | |
| Restricted Cash | 1,210,174 | 1,409,388 |
| Long-term investments | 27,967,993 | 30,200,349 |
| Property, land and equipment, net | 2,133,314 | 2,234,505 |
| Total noncurrent assets | 31,311,481 | 33,844,242 |
| Total assets | \$ 31,506,778 | \$ 33,969,135 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 35,073 | \$ 41,746 |
| PPP loan payable | - | 38,125 |
| Notes payable, current | 17,962 | 17,162 |
| Funds held for others | 1,021,048 | 1,067,051 |
| Liability under unitrust agreements, current | - | 3,466 |
| Annuity obligations, current | 81,038 | 81,038 |
| Total current liabilities | 1,155,121 | 1,248,588 |
| Noncurrent Liabilities | | |
| Notes payable, less current portion | 9,282 | 27,254 |
| Liability under unitrust agreements, less current portion | - | 19,052 |
| Annuity obligations, less current portion | 616,158 | 650,164 |
| Total noncurrent liabilities | 625,440 | 696,470 |
| Total liabilities | 1,780,561 | 1,945,058 |
| NET ASSETS | | |
| Without donor restrictions | 4,031,500 | 4,049,558 |
| With donor restrictions | 25,694,717 | 27,974,519 |
| Total net assets | 29,726,217 | 32,024,077 |
| Total liabilities and net assets | \$ 31,506,778 | \$ 33,969,135 |

The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY FOUNDATION

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

| | 2022 | | | 2021 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues and other support | | | | | | |
| Contributions | \$ 177,064 | \$ 3,266,533 | \$ 3,443,597 | \$ 51,510 | \$ 3,626,608 | \$ 3,678,118 |
| Management fee income | 253,503 | - | 253,503 | 209,080 | - | 209,080 |
| Rental loss, net | (19,063) | - | (19,063) | (76,721) | - | (76,721) |
| Pooled investment income | (234,445) | (2,363,342) | (2,597,787) | 273,548 | 4,808,911 | 5,082,459 |
| Interest Income | 40 | 127 | 167 | 61 | 131 | 192 |
| Dividend income | 4,075 | - | 4,075 | 4,125 | - | 4,125 |
| Miscellaneous | 146,494 | - | 146,494 | 90,959 | - | 90,959 |
| PPP forgivable loan | 38,125 | - | 38,125 | 35,000 | - | 35,000 |
| Change in value of split-interest agreements | 34,007 | 22,518 | 56,525 | 20,838 | 1,040 | 21,878 |
| Net realized gain (loss) on investments | 44 | - | 44 | 557 | - | 557 |
| Net unrealized gain (loss) on investments | (34,918) | - | (34,918) | 35,296 | - | 35,296 |
| Net assets released from restrictions | 364,926 | 925,836 | 1,290,762 | 644,253 | 8,436,690 | 9,080,943 |
| | 3,205,638 | (3,205,638) | - | 2,523,857 | (2,523,857) | - |
| Total revenues and other support | 3,570,564 | (2,279,802) | 1,290,762 | 3,168,110 | 5,912,833 | 9,080,943 |
| Expenses | | | | | | |
| Programs | 3,290,513 | - | 3,290,513 | 2,611,914 | - | 2,611,914 |
| Management and general | 218,799 | - | 218,799 | 173,888 | - | 173,888 |
| Fundraising | 79,310 | - | 79,310 | 76,119 | - | 76,119 |
| Total expenses | 3,588,622 | - | 3,588,622 | 2,861,921 | - | 2,861,921 |
| Change in net assets | (18,058) | (2,279,802) | (2,297,860) | 306,189 | 5,912,833 | 6,219,022 |
| Net assets, beginning of year | 4,049,558 | 27,974,519 | 32,024,077 | 3,743,369 | 22,061,686 | 25,805,055 |
| Net assets, end of year | \$ 4,031,500 | \$ 25,694,717 | \$ 29,726,217 | \$ 4,049,558 | \$ 27,974,519 | \$ 32,024,077 |

FOOTHILLS COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services | Supporting Services | | Total |
|-----------------------------|---------------------|------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Donations and grants | \$ 2,910,199 | \$ 65,337 | \$ - | \$ 2,975,536 |
| Accounting and professional | - | 29,904 | - | 29,904 |
| Advertising and marketing | - | 3,161 | - | 3,161 |
| Annuity payments | 81,038 | - | - | 81,038 |
| Computer expense | - | 12,595 | - | 12,595 |
| Dues and subscriptions | - | 2,159 | - | 2,159 |
| Depreciation | - | 1,448 | - | 1,448 |
| Development | 657 | 8,301 | - | 8,958 |
| Employee benefits | 2,603 | 3,905 | 3,904 | 10,412 |
| Conferences and education | - | 60 | - | 60 |
| Fees and licenses | 244 | 348 | - | 592 |
| Management fee | 245,501 | - | - | 245,501 |
| Miscellaneous | - | 1,502 | - | 1,502 |
| Office supplies and expense | - | 2,564 | - | 2,564 |
| Payroll taxes | 3,831 | 5,745 | 5,746 | 15,322 |
| Postage | - | 1,612 | - | 1,612 |
| Printed material | - | 6,999 | - | 6,999 |
| Salaries | 46,440 | 73,159 | 69,660 | 189,259 |
| Total | \$ 3,290,513 | \$ 218,799 | \$ 79,310 | \$ 3,588,622 |

The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

| | Program Services | Supporting Services | | Total |
|-----------------------------|---------------------|------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Donations and grants | \$ 2,272,946 | \$ 57,652 | \$ - | \$ 2,330,598 |
| Accounting and professional | - | 18,187 | - | 18,187 |
| Advertising and marketing | - | 250 | - | 250 |
| Annuity payments | 84,479 | - | - | 84,479 |
| Computer expense | - | 3,032 | - | 3,032 |
| Dues and subscriptions | - | 2,004 | - | 2,004 |
| Depreciation | - | 1,449 | - | 1,449 |
| Development | - | 3,765 | - | 3,765 |
| Employee benefits | 3,079 | 4,618 | 4,618 | 12,315 |
| Conferences and education | - | 424 | - | 424 |
| Fees and licenses | 844 | 459 | - | 1,303 |
| Management fee | 202,899 | - | - | 202,899 |
| Miscellaneous | - | 1,250 | - | 1,250 |
| Office supplies and expense | - | 2,451 | - | 2,451 |
| Payroll taxes | 3,622 | 5,433 | 5,433 | 14,488 |
| Postage | - | 1,261 | - | 1,261 |
| Printed material | - | 5,585 | - | 5,585 |
| Salaries | 44,045 | 66,068 | 66,068 | 176,181 |
| Total | \$ 2,611,914 | \$ 173,888 | \$ 76,119 | \$ 2,861,921 |

The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY FOUNDATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

| | 2022 | 2021 |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (2,297,860) | \$ 6,219,022 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Net realized (gain) loss on investments | 44 | (557) |
| Net unrealized (gain) loss on investments | (34,918) | (35,296) |
| Depreciation | 101,191 | 101,409 |
| Change in | | |
| Prepaid expenses | (2,255) | (8,907) |
| Payables | (101,322) | (31,101) |
| Net cash provided by operating activities | (2,335,120) | 6,244,570 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of investments, net | 2,221,227 | (6,269,352) |
| Reclassify restricted cash | 199,214 | 29,920 |
| Purchase of plant, property and equipment | - | (9,385) |
| Net cash (used for) investing activities | 2,420,441 | (6,248,817) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of debt | - | 38,125 |
| Payments on long-term debt | (17,172) | (16,399) |
| Net cash provided by financing activities | (17,172) | 21,726 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 68,149 | 17,479 |
| CASH AND CASH EQUIVALENTS, beginning of year | 114,562 | 97,083 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 182,711 | \$ 114,562 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 1,671 | \$ 2,435 |

The accompanying notes are an integral part of these financial statements.

FOOTHILLS COMMUNITY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foothills Community Foundation (the “Foundation”) is presented to assist in the understanding of the financial statements. The financial statements and notes are representations of the Foundation’s management, who are responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from management’s estimates.

Organization and Nature of Activities

The Foundation is a nonprofit organization formed in 1999 to retain and nurture charitable wealth in the three South Carolina counties of Anderson, Oconee, and Pickens for the perpetual benefit of the people in those communities. The Foundation will channel gifts from private and corporate donors to a variety of charitable and nonprofit organizations in the surrounding area. The Foundation is primarily supported by contributions from various donors, which include individuals, families, corporations and other nonprofit organizations.

Basis of Accounting

The accounts of the Foundation are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* and Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958)*. In accordance with ASU 2016-14, the Foundation reports information regarding its financial position and activities depending on the existence of any donor restrictions. The classifications are as follows:

- Net assets without donor restrictions, and
- Net assets with donor restrictions.

ASU 2016-14 also requires not-for-profit entities to provide qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the statement of financial position date.

Contributions and Recognition of Donor Restrictions

Contributions received are recorded as unrestricted or restricted depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for mutual funds.

Restricted Cash

Cash that is designated for specific purposes is not included with cash that is available for operations and is included in noncurrent assets.

Income Tax Status

The Foundation has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization which is not a private foundation as well as eleemosynary corporation recognized in South Carolina. Therefore, no provision for income taxes has been included in the financial statements.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Foundation has taken or expects to take on a tax return. In accordance with FASB ASC 740-10, the Foundation recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Foundation's income tax filings are subject to audit by various taxing authorities. Management believes the adoption of ASC 740-10 resulted in no significant impact to the Foundation's financial statements.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, and money-market accounts. The Foundation accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Property and Equipment

Purchased assets are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the

donor. The foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Foundation capitalizes property and equipment in excess of \$300. Property and equipment are depreciated using the straight-line method over estimated useful lives.

Public Support and Revenue

Annual contributions are generally available for use unless specifically restricted by the donor. Contributions restricted as to purpose by the donor are counted for as revenue in the year received. They are included in restricted net assets until such time as the donor restrictions are met or the specified purpose. Unconditional promises to give are recorded as revenue. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at the net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. No allowance for uncollected promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of the following financial instruments:

Cash and cash equivalents: The carrying amounts approximate fair value due to the short maturity of those instruments.

Prepaid expenses, accounts payable and funds held for others: The carrying amounts of these items approximate fair value due to their short-term nature.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are as follows:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 182,711 |
| | <u>\$ 182,711</u> |

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due.

NOTE 3 – INVESTMENTS

Investments comprise the following at June 30, 2022 and 2021. Investments are stated at fair value.

Pooled Funds

Approximately 95.7% of the Foundation's investments are held in a pooled fund allocated into an investment strategy as directed by the Foundation's Board. The allocated assets of each individual fund share in the overall earnings each month.

The timing of the donations and charitable withdrawals into or out of each individual fund are taken into account when earnings are calculated. The current investment strategy agreed upon by the Foundation's Board is a 60/40 split between equity investments and fixed income investments.

The investments held in the pooled funds are summarized as follows at June 30:

| | 2022 | | 2021 |
|----------------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Fair Value</u> |
| Short-term investments | | | |
| Money market funds | \$ 1,333,235 | \$ 1,333,235 | \$ 1,306,708 |
| Fixed income investments | | | |
| Corporate bonds - domestic | 6,446,163 | 6,166,590 | 5,805,300 |
| Equity investments | | | |
| Exchange traded funds | 1,193,591 | 1,481,277 | 1,552,957 |
| Publicly traded equities | 8,856,963 | 16,122,451 | 18,181,881 |
| Alternative investments | | | |
| Private equity funds | 992,678 | 1,213,008 | 1,134,433 |
| Mutual funds | 442,695 | 442,695 | 958,689 |
| | <u>\$ 19,265,325</u> | <u>\$ 26,759,256</u> | <u>\$ 28,939,968</u> |

Individual Funds

Approximately 0.7% of the Foundation's investments are held in individual funds at one investment house and are tracked individually for income and charitable withdrawals.

The investments held in the individual funds are summarized as follows at June 30:

| | 2022 | | 2021 |
|--------------------------|-------------------|-------------------|-------------------|
| | Cost | Fair Value | Fair Value |
| Short-term investments | | | |
| Money market funds | \$ 12,571 | \$ 12,571 | \$ 6,312 |
| Fixed income investments | | | |
| U.S. Treasury securities | 585 | 797 | 913 |
| Mutual funds | 92,885 | 84,532 | 106,682 |
| Equity investments | | | |
| Exchange traded funds | 106,097 | 108,695 | 127,286 |
| | <u>\$ 212,138</u> | <u>\$ 206,595</u> | <u>\$ 241,193</u> |

Partnership

The Foundation received an 89.585% interest in a local real estate partnership from an estate during the fiscal year ending June 30, 2011. It represents approximately 3.6% of the Foundation's investments. The investments held in the partnership are summarized as follows at June 30:

| | 2022 | | 2021 |
|----------------------|---------------------|---------------------|---------------------|
| | Cost | Fair Value | Fair Value |
| Partnership interest | <u>\$ 1,002,142</u> | <u>\$ 1,002,142</u> | <u>\$ 1,019,214</u> |

The Foundation has assumed an unconditional liability for the first mortgage on the underlying assets of the partnership. The outstanding liability at June 30, 2022 is \$531,000. There is a nine-year payout through 2028 with a 4.25% interest rate.

Investment income from cash equivalents and investments comprises the following for the years ended June 30:

| | Without Donor Restrictions | With Donor Restrictions | Totals | |
|---------------------------|-------------------------------|----------------------------|-----------------------|---------------------|
| | | | 2022 | 2021 |
| Dividends and interest | \$ (230,330) | \$ (2,363,215) | \$ (2,593,545) | \$ 5,086,776 |
| Partnership income | 146,494 | - | 146,494 | 90,959 |
| Realized gains | 44 | - | 44 | 557 |
| Unrealized gains (losses) | (34,918) | - | (34,918) | 35,296 |
| | <u>\$ (118,710)</u> | <u>\$ (2,363,215)</u> | <u>\$ (2,481,925)</u> | <u>\$ 5,213,588</u> |

NOTE 4 – FAIR VALUE MEASUREMENTS

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Foundation has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The Foundation is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The Foundation considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Foundation's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models, discounted cash flow methods or calculated net asset value per share, which all require significant management judgment or estimation.

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value as of June 30 based on the level of input utilized to measure fair value:

| | 2022 | | | |
|----------------------------|----------------------|-------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Short-term investments | | | | |
| Money market funds | \$ 1,345,806 | \$ - | \$ - | \$ 1,345,806 |
| Fixed income investments | | | | |
| Corporate bonds - domestic | 6,166,590 | - | - | 6,166,590 |
| U.S. Treasury securities | 797 | - | - | 797 |
| Mutual funds | 84,532 | - | - | 84,532 |
| Equity investments | | | | |
| Exchange traded funds | 1,589,972 | - | - | 1,589,972 |
| Publicly traded equities | 16,122,451 | - | - | 16,122,451 |
| Alternative investments | | | | |
| Private equity funds | 1,213,008 | - | - | 1,213,008 |
| Mutual funds | 442,695 | - | - | 442,695 |
| Partnership interest | - | - | 1,002,142 | 1,002,142 |
| Total | <u>\$ 26,965,851</u> | <u>\$ -</u> | <u>\$ 1,002,142</u> | <u>\$ 27,967,993</u> |

| | 2021 | | | |
|----------------------------|----------------------|-------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Short-term investments | | | | |
| Money market funds | \$ 1,313,594 | \$ - | \$ - | \$ 1,313,594 |
| Fixed income investments | | | | |
| Corporate bonds - domestic | 5,805,300 | - | - | 5,805,300 |
| U.S. Treasury securities | 913 | - | - | 913 |
| Mutual funds | 106,081 | - | - | 106,081 |
| Equity investments | | | | |
| Exchange traded funds | 1,680,244 | - | - | 1,680,244 |
| Publicly traded equities | 18,181,881 | - | - | 18,181,881 |
| Alternative investments | | | | |
| Private equity funds | - | - | 1,134,433 | 1,134,433 |
| Mutual funds | 958,689 | - | - | 958,689 |
| Partnership interest | - | - | 1,019,214 | 1,019,214 |
| Total | <u>\$ 28,046,702</u> | <u>\$ -</u> | <u>\$ 2,153,647</u> | <u>\$ 30,200,349</u> |

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Short-Term Investments

Short-term investments include cash equivalents and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. The majority of these short-term investments are held in U.S. Treasury money market accounts. Although these cash equivalents are readily available, it is the intent of the Foundation to hold these cash equivalents for investment purposes and therefore has classified them as investments.

Equity Investments

Equity investments consist of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Corporate stocks that are traded in inactive markets are categorized as Level 2.

Debt Investments

Debt investments consist of U.S. Government obligations, corporate bonds and notes and daily traded mutual funds. All investments in debt securities are valued based on quoted market prices in active markets and are categorized as Level 1.

Alternative Investment Portfolio

The alternative investment portfolio is made up of investments of limited partnership interests in private equity funds. The fund managers invest in a variety of securities based on the strategy of the fund which may or may not be quoted in an active market. Illiquid investments, if any, may be valued based on an appraised value, discounted cash flow, industry comparables or some other method. All alternative investments are valued at fair market value categorized as Level 1 or 3.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 5 – PPP LOAN PAYABLE

On March 4, 2021, the Foundation received a loan in the amount of \$38,125 from the Small Business Administration Payroll Protection Program (“PPP”) which was established as part of the Coronavirus Aid, Relief, and Economic Security Act. This program was designed to provide a direct incentive for businesses to keep their workforce employed during the coronavirus crisis.

On January 10, 2022, 100% of the loan was forgiven by the SBA. Accordingly, the Foundation has recorded the loan forgiveness in accordance with guidance for conditional contributions as revenue.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 consist of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 274,000 | \$ 274,000 |
| Buildings and improvements | 3,564,011 | 3,564,011 |
| Office equipment | 118,520 | 118,520 |
| | <u>3,956,531</u> | <u>3,956,531</u> |
| Less accumulated depreciation | 1,823,217 | 1,722,026 |
| | <u>\$ 2,133,314</u> | <u>\$ 2,234,505</u> |

Depreciation expense for the years ended June 30, 2022 and 2021 was \$101,191 and \$101,409, respectively.

The Foundation leases a substantial portion of its real estate to various tenants over an extended period. Gross rental income for the years ended June 30, 2022 and 2021 was \$261,604 and \$200,058, respectively. The cost of this real estate was \$3,838,011 and \$3,838,011, respectively for June 30, 2022 and 2021. The accumulated depreciation was \$1,736,992 and \$1,635,431, respectively.

NOTE 7 – LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2022:

| | <u>Balance</u> <u>June 30, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2022</u> |
|---|--|------------------|------------------|--|
| Note payable to SouthState Bank, due in monthly installments of \$1,569 beginning January, 2019 through December, 2023, including interest of 4.5%. The note is secured by a parcel of land and a building. | \$ 44,416 | \$ - | \$ 17,172 | \$ 27,244 |
| Total | <u>\$ 44,416</u> | <u>\$ -</u> | <u>\$ 17,172</u> | <u>\$ 27,244</u> |

The annual requirements to amortize all long-term debt outstanding at June 30, 2022, are as follows:

| <u>Year Ending</u> <u>June 30,</u> | |
|---------------------------------------|------------------|
| 2023 | \$ 17,962 |
| 2024 | <u>9,282</u> |
| | <u>\$ 27,244</u> |

Interest costs recorded relating to the notes payable were \$1,671 and \$2,435 for the years ended June 30, 2022 and June 30, 2021.

NOTE 8 – ASSETS AND LIABILITIES UNDER SPLIT INTEREST AGREEMENTS

Charitable trusts – 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 terms or the life of the beneficiaries. At the end of the term, or upon 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 the fair market value based on current quoted market values and records a liability for the respective agreements at the estimated discount value of the amounts due to the income beneficiaries based on Internal Revenue Service group annuity tables. The present value of payments to beneficiaries under these agreements is calculated using discount rates representing risk-free rates in existence at the date of the gift.

Gains or losses resulting from the changes in the value of split interest agreements are recorded in the Statement of Activities, and are not stated separately due to immateriality of amounts. The assets included in investments were \$0 and \$43,838 as of June 30, 2022 and 2021, respectively. Liabilities for charitable remainder trusts as of June 30, 2022 and 2021 were \$0 and \$22,518, respectively.

Charitable gift annuities – donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of the agreement, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The Present value of payments to beneficiaries under these agreements is calculated using discount rates representing risk-free rates in existence at the date of the gift. The assets included in investments were \$438,756 and \$641,810 as of June 30, 2022 and 2021, respectively. Liabilities for charitable gift annuities as of June 30, 2022 and 2021 were \$697,196 and \$731,202, respectively.

NOTE 9 – FUNDS HELD FOR OTHERS

Generally accepted accounting principles establishes standards for transactions in which an organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. The principles specifically require that, if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, that community foundation must account for the transfer of such assets as a liability rather than a contribution. The Foundation refers to such funds as agency endowments. Agency endowments at June 30, 2022 and 2021 were \$1,021,048 and \$1,067,051, respectively.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its bank accounts at various institutions insured by the FDIC. At various times, cash balances may exceed FDIC insured limits. Cash accounts have bank balances of \$1,395,540 and a book balance of \$1,392,8850 at June 30, 2022. Of the bank balances of \$1,395,540, Federal Deposit Insurance Corporation (FDIC) or collateral covers \$415,246, while \$980,294 is not covered by insurance or collateral. At June 30, 2021 one account exceeded the limit by \$1,261,705. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

FOOTHILLS COMMUNITY FOUNDATION

**RENTAL SCHEDULE
YEARS ENDED JUNE 30, 2022 AND 2021**

| | 2022 | 2021 |
|----------------------------|-------------|-------------|
| Rental Income | | |
| Rents received | \$ 261,604 | \$ 200,058 |
| Rental Expenses | | |
| Bank fees | 261 | 384 |
| Insurance | 14,715 | 13,398 |
| Interest | 1,671 | 2,435 |
| Janitorial expense | 23,455 | 24,857 |
| Maintenance reserve | 43,899 | 41,528 |
| Miscellaneous | 505 | 674 |
| Taxes and licenses | 24,407 | 22,274 |
| Telephone | 8,336 | 7,762 |
| Trash removal | 2,570 | 2,448 |
| Utilties | 61,105 | 61,059 |
| Total expenses | 180,924 | 176,819 |
| | 80,680 | 23,239 |
| Depreciation expense | 99,743 | 99,960 |
| Net rental loss | \$ (19,063) | \$ (76,721) |