

**The Polk County
Community Foundation,
Inc. and Supporting
Organization**

**Independent Auditor's Report,
Consolidated Financial
Statements, and
Supplementary
Consolidating Information**

December 31, 2022 and 2021

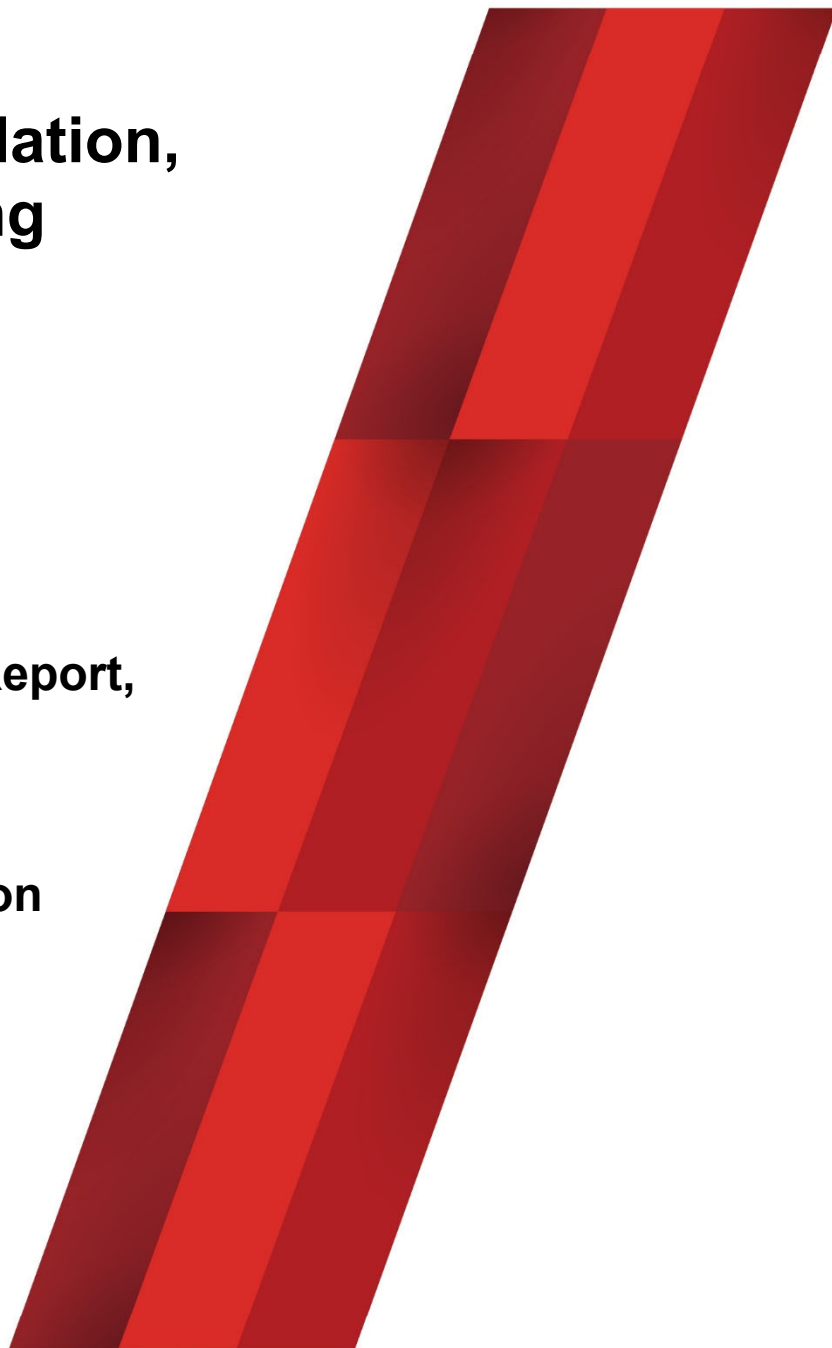


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Independent Auditor's Report

Board of Directors
The Polk County Community Foundation, Inc. and Supporting Organization
Tryon, North Carolina

Opinion

We have audited the consolidated financial statements of The Polk County Community Foundation, Inc. and Supporting Organization (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 consolidated 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 consolidated financial statements as a whole. The information captioned as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

FORVIS,LLP

**Greenville, SC
June 16, 2023**

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,475,518	\$ 8,282,242
Other current assets	185	160
Total current assets	<u>8,475,703</u>	8,282,402
Property and equipment, net	3,733,051	3,579,033
Assets held in trust	2,009,555	2,534,438
Investments	<u>52,583,944</u>	<u>64,926,261</u>
Total assets	<u>\$ 66,802,253</u>	<u>\$ 79,322,134</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,897	\$ 12,179
Total current liabilities	2,897	12,179
Trust liability	1,322,764	1,726,608
Due to other organizations (agency)	<u>2,541,867</u>	<u>3,185,708</u>
Total liabilities	<u>3,867,528</u>	<u>4,924,495</u>
Net assets:		
Without donor restrictions:		
Board designated	8,677,045	10,956,508
Undesignated	14,813,272	18,761,165
With donor restrictions	<u>39,444,408</u>	<u>44,679,966</u>
Total net assets	<u>62,934,725</u>	<u>74,397,639</u>
Total liabilities and net assets	<u>\$ 66,802,253</u>	<u>\$ 79,322,134</u>

See accompanying notes.

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues, gains and other support:			
Contributions	\$ 103,371	\$ 1,225,801	\$ 1,329,172
Investment loss, net	(4,998,194)	(5,621,237)	(10,619,431)
PCCF management fees	43,563	-	43,563
Change in value of trust agreements	403,844	-	403,844
Net assets released from restrictions	840,122	(840,122)	-
	<u>(3,607,294)</u>	<u>(5,235,558)</u>	<u>(8,842,852)</u>
Total revenues, gains (loss) and other support			
Expenses:			
Program services	2,225,521	-	2,225,521
Supporting services:			
General and administrative	319,287	-	319,287
Fundraising and promotion	75,254	-	75,254
	<u>2,620,062</u>	<u>-</u>	<u>2,620,062</u>
Total expenses			
Decrease in net assets	(6,227,356)	(5,235,558)	(11,462,914)
Net assets, beginning of year	<u>29,717,673</u>	<u>44,679,966</u>	<u>74,397,639</u>
Net assets, end of year	<u>\$ 23,490,317</u>	<u>\$ 39,444,408</u>	<u>\$ 62,934,725</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues, gains and other support			
Contributions	\$ 100,911	\$ 759,134	\$ 860,045
Investment income, net	2,327,157	4,460,369	6,787,526
PCCF management fees	41,998	-	41,998
Change in value of trust agreements	47,329	-	47,329
Net assets released from restrictions	<u>2,098,515</u>	<u>(2,098,515)</u>	<u>-</u>
Total revenues, gains and other support	<u>4,615,910</u>	<u>3,120,988</u>	<u>7,736,898</u>
Expenses			
Program services	2,377,801	-	2,377,801
Supporting services:			
General and administrative	350,988	-	350,988
Fundraising and promotion	<u>107,223</u>	<u>-</u>	<u>107,223</u>
Total expenses	<u>2,836,012</u>	<u>-</u>	<u>2,836,012</u>
Increase in net assets	1,779,898	3,120,988	4,900,886
Net assets, beginning of year	<u>27,937,775</u>	<u>41,558,978</u>	<u>69,496,753</u>
Net assets, end of year	<u>\$ 29,717,673</u>	<u>\$ 44,679,966</u>	<u>\$ 74,397,639</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (11,462,914)	\$ 4,900,886
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	22,726	19,185
Unrealized and realized losses (gains) on investments	11,646,530	(5,514,563)
Change in value of trust agreements	(403,844)	(47,329)
Net change in operating assets and liabilities:		
Advanced conditional grants	-	95,200
Other current assets	(25)	(63)
Assets held in trust	524,883	(13,468)
Accounts payable	(9,282)	10,599
Due to other organizations (agency)	(643,841)	155,181
Trust liability	-	78,115
Net cash used in operating activities	<u>(325,767)</u>	<u>(316,257)</u>
Cash flows from investing activities:		
Purchases of investments	(6,995,425)	(5,205,532)
Sales of investments	7,691,212	6,114,399
Purchases of property and equipment	<u>(176,744)</u>	<u>(246,217)</u>
Net cash provided by investing activities	<u>519,043</u>	<u>662,650</u>
Increase in cash and cash equivalents	193,276	346,393
Cash and cash equivalents, beginning of year	<u>8,282,242</u>	<u>7,935,849</u>
Cash and cash equivalents, end of year	<u>\$ 8,475,518</u>	<u>\$ 8,282,242</u>

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies and Description of Organization

This summary of significant accounting policies of The Polk County Community Foundation, Inc. and Supporting Organization (collectively, the “Foundation”) is presented to assist in the understanding of the consolidated financial statements. The consolidated financial statements and notes are representations of the Foundation’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the consolidated financial statements.

Organization and nature of activities

The Polk County Community Foundation, Inc. - The Polk County Community Foundation, Inc. was established in 1975 to advance philanthropy and improve the quality of life for all citizens in Polk County, North Carolina. The Polk County Community Foundation, Inc. receives charitable donations of all sizes from community members and then distributes grants to area nonprofits, awards scholarships to local students, manages endowment funds for local nonprofits, and administers other funds tailored to the specific charitable wishes of individual donors. The Polk County Community Foundation, Inc. manages permanent endowed funds, non-permanent funds, and charitable remainder trusts.

The Marjorie M. & Lawrence R. Bradley Endowment Fund of Polk County, North Carolina (the “Fund”) – The purpose of the Fund is to operate exclusively as a supporting organization to the Polk County Community Foundation, Inc. as defined in Internal Revenue Code Section 509(a)(3). The Polk County Community Foundation, Inc. controls the Fund by virtue of the appointment of the majority of their Board of Directors.

Consolidated financial statement presentation

The consolidated financial statements include the accounts of The Polk County Community Foundation, Inc. and The Marjorie M. & Lawrence R. Bradley Endowment Fund of Polk County, North Carolina. Significant intercompany accounts and transactions have been eliminated. In accordance with GAAP, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are funds over which the Board of Directors has discretionary control and are available for grant making and other purposes. These include board-designated purposes and endowments.

Basis of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Use of estimates

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Concentrations of credit and market risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash and investments. Cash equivalents are maintained at high-quality financial institutions. The Foundation has not experienced any losses on its cash equivalents. Management monitors the risk of exposure to loss through monitoring the performance of the financial institutions through publicly available rating agencies.

Management believes that the Foundation's investments do not represent significant concentrations of market risk because the Foundation's investment portfolio is adequately diversified among issuers and management believes that the Foundation has the ability to hold its investment portfolio during periods of temporary market declines.

Cash and cash equivalents

The Foundation considers highly liquid investments without restrictions with an initial maturity of three months or less to be cash equivalents. The Foundation's deposits in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Foundation also has deposits in credit unions that are insured by the National Credit Union Administration ("NCUA"). It is management's opinion that the Foundation is not exposed to any significant credit risk related to cash.

Assets held in trust and trust liability

The Foundation serves as trustee for seven charitable remainder uni-trusts ("CRUT") and one charitable annuity trust ("CRAT") that name the Foundation as a beneficiary. The trusts are valued at the fair value of the underlying investments. The obligation to make payments to the trust beneficiaries is reported as obligations under trust liability. Annually, the obligation is adjusted for changes in the value of the trust assets. The discount rate used to determine the present value is consistent with the rate of return from the trusts. Changes in the value are included on the consolidated statements of activities as increases and decreases to change in value of trust agreements.

Investments

Investments consist of marketable securities carried at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included on the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is specifically restricted by donor or law. Securities or other investments donated are recorded at their market value at the date of the gift.

Property and equipment

Property and equipment acquisitions are recorded at cost. Fixed assets are depreciated using the straight-line method over estimated useful lives. The Foundation has a policy to capitalize any property and equipment purchases greater than \$5,000.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without restrictions unless the donor has restricted the donated asset for 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 donor restricted net assets to net assets without donor restrictions at that time.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Net assets

Net assets are reported as with or without donor restrictions as follows:

Without donor restrictions

The Foundation reports part of its net assets that are not restricted by donor-imposed stipulations as net assets without donor restrictions.

With donor restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without restrictions.

Net assets with donor restrictions held in perpetuity consist of that part of the Foundation's net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation. Presently, these net assets represent the endowed funds held in perpetuity established by donors for the benefit of the Foundation's programs. Gifts and contributions designated by such trust agreements are permanently invested, with the income derived therefrom being accumulated or expended in accordance with the donor-imposed restrictions.

Income taxes

The Foundation has been recognized by the Internal Revenue Service as a charitable organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 509(a)(2) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2022 or 2021.

Contributions and recognition of donor restrictions

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Due to other organizations (agency)

Due to other organizations (agency) represent amounts owed to other organizations related to assets held by the Foundation in a purely custodial capacity. These other organizations specify the Foundation to distribute funds as requested. As these assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the Foundation, revenues and expenses are not recorded on the consolidated statements of activities and are included in due to other organizations (agency).

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

2. Investments

Investments are comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Fixed income and equity mutual funds	<u>\$ 52,583,944</u>	<u>\$ 64,926,261</u>

Investment income (loss) is comprised of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Dividends and interest, net of fees	\$ 1,027,099	\$ 1,272,963
Realized gains, net	5,307	138,841
Unrealized gains (losses), net	<u>(11,651,837)</u>	<u>5,375,722</u>
	<u>\$ (10,619,431)</u>	<u>\$ 6,787,526</u>

3. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each classification within the consolidated financial statements:

- Investments – The fair value of investments are estimated based on quoted market prices when available.
- Assets held in trust – The fair value of assets held in trust are estimated based on quoted market prices when available.

When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes during the years ended December 31, 2022 or 2021 to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets accounted for at fair value on a recurring basis as of December 31, 2022 and 2021:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Mutual funds	\$ 52,583,944	\$ 52,583,944	\$ -	\$ -
Assets held in trust – mutual funds	<u>2,009,555</u>	<u>2,009,555</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 54,593,499</u>	<u>\$ 54,593,499</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<u>Fair Value Measurements at Reporting Date</u>			
	<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Mutual funds	\$ 64,926,261	\$ 64,926,261	\$ -	\$ -
Assets held in trust – mutual funds	<u>2,534,438</u>	<u>2,534,438</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 67,460,699</u>	<u>\$ 67,460,699</u>	<u>\$ -</u>	<u>\$ -</u>

4. Property and Equipment

Property and equipment are comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,406,074	\$ 3,247,426
Land improvements	70,165	70,165
Building	628,301	628,301
Furniture and equipment	<u>159,876</u>	<u>141,780</u>
Total fixed assets	4,264,416	4,087,672
Less: accumulated depreciation	<u>(531,365)</u>	<u>(508,639)</u>
Property and equipment, net	<u>\$ 3,733,051</u>	<u>\$ 3,579,033</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

5. Retirement Plan

The Foundation provides a Simplified Employee Pension - Individual Retirement Account (“SEP-IRA”) for its employees who have attained the age of 21. Contributions of \$92,383 and \$101,887, representing 20% of eligible employees salaries were made during the years ended December 31, 2022 and 2021, respectively.

6. Endowments

The Foundation’s endowments consist of approximately 129 individual funds established for a variety of community purposes. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as with donor restricted net assets with a time or donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The desirability of moderating fluctuations in distributions from year to year.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment and distribution policies of the Foundation.

Endowment net assets composition by type of funds as of December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowments	\$ 8,677,045	\$ -	\$ 8,677,045
Donor restricted endowment funds	<u>-</u>	<u>36,628,980</u>	<u>36,628,980</u>
Total endowment net assets	<u>\$ 8,677,045</u>	<u>\$ 36,628,980</u>	<u>\$ 45,306,025</u>

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Endowment net assets composition by type of funds as of December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowments	\$ 10,956,508	\$ -	\$ 10,956,508
Donor restricted endowment funds	<u>-</u>	<u>41,452,863</u>	<u>41,452,863</u>
Total endowment net assets	<u>\$ 10,956,508</u>	<u>\$ 41,452,863</u>	<u>\$ 52,409,371</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ 10,531,352	\$ 38,443,780	\$ 48,975,132
Investment income, net	788,885	4,263,867	5,052,752
Contributions	-	377,039	377,039
Other income	676,069	-	676,069
Amounts appropriated for expenditure	<u>(1,039,798)</u>	<u>(1,631,823)</u>	<u>(2,671,621)</u>
Changes in endowment net assets	<u>425,156</u>	<u>3,009,083</u>	<u>3,434,239</u>
Endowment net assets, December 31, 2021	10,956,508	41,452,863	52,409,371
Investment loss, net	(2,026,658)	(5,235,335)	(7,261,993)
Contributions	-	1,049,373	1,049,373
Other income	623,337	-	623,337
Amounts appropriated for expenditure	<u>(876,142)</u>	<u>(637,921)</u>	<u>(1,514,063)</u>
Changes in endowment net assets	<u>(2,279,463)</u>	<u>(4,823,883)</u>	<u>(7,103,346)</u>
Endowment net assets, December 31, 2022	<u>\$ 8,677,045</u>	<u>\$ 36,628,980</u>	<u>\$ 45,306,025</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies of this nature exist in five donor-restricted endowment funds, which together have an original gift value of \$2,333,562, a current fair value of \$2,248,490, and a deficiency of \$85,072 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations. At December 31, 2021, there were no underwater endowments.

Spending policy, return objectives and risk parameters

The Board of Directors of the Foundation has determined that it must preserve the amount explicitly stipulated by the donors. The Foundation classifies the endowed amount as net assets with donor restrictions at the original value of gifts donated to the Foundation.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

The Foundation has adopted endowment investment and spending policies that attempt to provide a stream of funding to programs supported by the endowments while ensuring that the purchasing power of the endowments does not decline over time. The spending policy defines the amount of money that can be disbursed from a fund each year for charitable purposes. A spending percentage rate of 4.5% is the standard rate and is subject to the review and approval by the Foundation annually. The spending policy rate is based upon a “total return” approach, which anticipates that both income and capital appreciation will be withdrawn for charitable distributions. The calculation of the spending policy amount for each fund of the Foundation shall be made using the average of the previous 12 quarters of the fund’s market value. The formula shall be applied to the 12 quarters evaluated at June 30 of the preceding fiscal year in which the distribution is planned. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3-4% annually. The spending amount is intended to be used for grant making or similar related purposes approved by the Foundation.

The Board of Directors has determined that the majority of the Foundation’s contributions are subject to the terms of the Foundation’s fund agreements and the Foundation’s Governing Documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

7. Liquidity and Availability

The Foundation’s management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Foundation’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,475,518	\$ 8,282,242
Investments	52,583,944	64,926,261
Less:		
Net assets with donor restrictions	<u>(39,444,408)</u>	<u>(44,679,966)</u>
	<u>\$ 21,615,054</u>	<u>\$ 28,528,537</u>

The Foundation’s endowment fund consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments is restricted for specific purposes and therefore, is not available for general expenditure. The board-designated endowments have a spending rate of 4.5% and appropriations from these funds are available within one year. Although the Foundation does not intend to spend from its board-designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowments could be made available if necessary.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

8. Board Designated Funds Without Donor Restrictions

The Board has designated funds without donor restrictions for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Scholarships, community events and community benefit events	\$ 2,603,342	\$ 2,582,580
Immediate-need community purposes	1,951,208	1,527,538
Designated for administrative budget items	3,445,212	3,867,022
Designated for capital improvement projects	364,453	445,285
Designated from the Fund for the Foundation's grant making	-	2,005,849
Other various community purposes	<u>312,830</u>	<u>528,234</u>
	<u>\$ 8,677,045</u>	<u>\$ 10,956,508</u>

9. Composition of Net Assets With Donor Restrictions

The Foundation's net assets with donor restrictions consist of amounts subject to expenditure for a specified purpose (non-endowed) and amounts subject to the Foundation's spending policy and appropriation (endowed). Net assets with donor restrictions as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes	\$ 2,815,428	\$ 3,227,103
Subject to spending policy and appropriation:		
Earnings on endowment which once appropriated, is expendable to support:		
Various Polk County community and charitable purposes	8,582,501	14,141,461
Held in perpetuity	<u>28,046,479</u>	<u>27,311,402</u>
	<u>\$ 39,444,408</u>	<u>\$ 44,679,966</u>

10. Functional Allocation of Expenses

The method used to allocate costs to program and support functions, which primarily affects salaries and related expenses, is based upon employee time spent on programs versus support services. Other expenses are classified based upon the assessment by management of relevant programs supported by the expenses incurred or supporting functions benefited.

The Polk County Community Foundation, Inc. and Supporting Organization
Notes to Consolidated Financial Statements

Expenses presented on a functional basis for the year ended December 31, 2022 are as follows:

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Personnel costs	\$ 414,096	\$ 205,029	\$ 56,781	\$ 675,906
Grants to others	1,676,706	-	-	1,676,706
Individual beneficiary distributions and other, net	106,395	52,678	14,589	173,662
Conferences, conventions, and meetings	-	5,926	-	5,926
Services and professional fees	-	41,630	-	41,630
Insurance	14,401	7,130	1,975	23,506
Depreciation	13,923	6,894	1,909	22,726
	<u>\$ 2,225,521</u>	<u>\$ 319,287</u>	<u>\$ 75,254</u>	<u>\$ 2,620,062</u>

Expenses presented on a functional basis for the year ended December 31, 2021 are as follows:

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Personnel costs	\$ 371,642	\$ 217,564	\$ 75,077	\$ 664,283
Grants to others	1,850,001	-	-	1,850,001
Individual beneficiary distributions and other, net	133,270	78,018	26,922	238,210
Conferences, conventions, and meetings	-	638	-	638
Services and professional fees	-	41,367	600	41,967
Insurance	12,156	7,116	2,456	21,728
Depreciation	10,732	6,285	2,168	19,185
	<u>\$ 2,377,801</u>	<u>\$ 350,988</u>	<u>\$ 107,223</u>	<u>\$ 2,836,012</u>

11. Subsequent Events

Subsequent events have been evaluated through June 16, 2023, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidating Statement of Financial Position
December 31, 2022 (with comparative totals for 2021)

	Polk County Community Foundation	Bradley Endowment Fund	2022	2021
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,583,184	\$ 892,334	\$ 8,475,518	\$ 8,282,242
Other current assets	185	-	185	160
Total current assets	7,583,369	892,334	8,475,703	8,282,402
Property and equipment, net	326,977	3,406,074	3,733,051	3,579,033
Assets held in trust	2,009,555	-	2,009,555	2,534,438
Investments	46,580,969	6,002,975	52,583,944	64,926,261
Total assets	<u>56,500,870</u>	<u>10,301,383</u>	<u>66,802,253</u>	<u>79,322,134</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	2,897	-	2,897	12,179
Total current liabilities	2,897	-	2,897	12,179
Trust liability	1,322,764	-	1,322,764	1,726,608
Due to other organizations (agency)	2,541,867	-	2,541,867	3,185,708
Total liabilities	3,867,528	-	3,867,528	4,924,495
Net assets:				
Without donor restrictions:				
Board designated	8,677,045	-	8,677,045	10,956,508
Undesignated	14,813,272	-	14,813,272	18,761,165
With donor restrictions	29,143,025	10,301,383	39,444,408	44,679,966
Total net assets	52,633,342	10,301,383	62,934,725	74,397,639
Total liabilities and net assets	<u>\$ 56,500,870</u>	<u>\$ 10,301,383</u>	<u>\$ 66,802,253</u>	<u>\$ 79,322,134</u>

See independent auditor's report.

The Polk County Community Foundation, Inc. and Supporting Organization
Consolidating Statement of Activities
Year Ended December 31, 2022 (with comparative totals for 2021)

	<u>Polk County Community Foundation</u>	<u>Bradley Endowment Fund</u>	<u>Eliminations</u>	<u>2022</u>	<u>2021</u>
Revenues, gains and other support:					
Contributions	\$ 2,079,172	\$ -	\$ (750,000)	\$ 1,329,172	\$ 860,045
Investment income (loss), net	(9,298,625)	(1,320,806)	-	(10,619,431)	6,787,526
PCCF management fees	266,429	-	(222,866)	43,563	41,998
Change in value of trust agreements	403,844	-	-	403,844	47,329
	<u>(6,549,180)</u>	<u>(1,320,806)</u>	<u>(972,866)</u>	<u>(8,842,852)</u>	<u>7,736,898</u>
Total revenues, gains (losses) and other support					
Expenses:					
Program expenses	2,237,347	849,607	(861,433)	2,225,521	2,377,801
Supporting services:					
General and administrative	218,465	212,255	(111,433)	319,287	350,988
Fundraising and promotion	55,366	19,888	-	75,254	107,223
	<u>2,511,178</u>	<u>1,081,750</u>	<u>(972,866)</u>	<u>2,620,062</u>	<u>2,836,012</u>
Total expenses					
Increase (decrease) in net assets	(9,060,358)	(2,402,556)	-	(11,462,914)	4,900,886
Net assets, beginning of year	61,693,700	12,703,939	-	74,397,639	69,496,753
Net assets, end of year	<u>\$ 52,633,342</u>	<u>\$ 10,301,383</u>	<u>\$ -</u>	<u>\$ 62,934,725</u>	<u>\$ 74,397,639</u>