

Charlotte Community Foundation, Inc.

Financial Statements and
Independent Auditor's Report
December 31, 2023 and 2022

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Independent Auditor's Report

The Board of Directors
Charlotte Community Foundation, Inc.
Punta Gorda, Florida

Opinion

We have audited the financial statements of Charlotte Community Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the change in its net assets, functional expenses, and 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 (GAAS). 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 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 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 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 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 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.



Sarasota, Florida
September 18, 2024

Charlotte Community Foundation, Inc.

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,294,694	\$ 2,338,665
Promises to give, current portion	100,000	100,000
Trust receivable, current portion	91,681	83,336
Investments	12,699,680	10,652,785
Prepaid expenses	15,387	57,855
Total current assets	<u>20,201,442</u>	<u>13,232,641</u>
Other Assets:		
Property and equipment, net	1,924,202	1,968,326
Promises to give, long-term, net	861,767	947,637
Trust receivable, long-term, net	594,009	585,901
Total other assets	<u>3,379,978</u>	<u>3,501,864</u>
Total Assets	<u>\$ 23,581,420</u>	<u>\$ 16,734,505</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 31,764	\$ 15,600
Grants payable	207,518	81,852
Refundable security deposit	1,300	1,300
Agency funds	1,507,575	1,494,148
Total current liabilities	<u>1,748,157</u>	<u>1,592,900</u>
Net Assets:		
Without donor restrictions:		
Undesignated	4,390,193	5,146,787
Board designated	133,938	111,034
Total net assets without donor restrictions	<u>4,524,131</u>	<u>5,257,821</u>
With donor restrictions:		
Purpose and time restricted	8,870,482	4,289,336
Perpetual in nature	8,438,650	5,594,448
Total net assets with donor restrictions	<u>17,309,132</u>	<u>9,883,784</u>
Total net assets	<u>21,833,263</u>	<u>15,141,605</u>
Total Liabilities and Net Assets	<u>\$ 23,581,420</u>	<u>\$ 16,734,505</u>

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Statement of Activities

Year Ended December 31, 2023

(With Summarized Information for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
Support and Revenue:				
Contributions and sponsorship income	\$ 1,223,016	\$ 6,853,985	\$ 8,077,001	\$ 2,821,001
In-kind contributions	250	-	250	250
Rental income	15,000	-	15,000	14,050
Other income	20,163	-	20,163	21,905
Change in value of beneficial interest in Trust	-	98,029	98,029	(785,742)
Net investment return (loss)	276,617	1,509,633	1,786,250	(1,728,158)
Total support and revenue	1,535,046	8,461,647	9,996,693	343,306
Net assets released from restriction	1,036,299	(1,036,299)	-	-
Total support, revenue and reclassifications	2,571,345	7,425,348	9,996,693	343,306
Expenses:				
Program services	2,814,445	-	2,814,445	2,868,388
Management and general	423,174	-	423,174	267,928
Fundraising	67,416	-	67,416	49,996
Total expenses	3,305,035	-	3,305,035	3,186,312
Change in net assets	(733,690)	7,425,348	6,691,658	(2,843,006)
Net assets - beginning of year	5,257,821	9,883,784	15,141,605	17,984,611
Net assets - end of year	\$ 4,524,131	\$ 17,309,132	\$ 21,833,263	\$ 15,141,605

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Statement of Activities

Year Ended December 31, 2022

(With Summarized Information for the Year Ended December 31, 2023)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2023 Total</u>
Support and Revenue:				
Contributions and sponsorship income	\$ 2,356,173	\$ 464,828	\$ 2,821,001	\$ 8,077,001
In-kind contributions	250	-	250	250
Rental income	14,050	-	14,050	15,000
Other income	21,905	-	21,905	20,163
Change in value of beneficial interest in Trust	-	(785,742)	(785,742)	98,029
Net investment return (loss)	(300,159)	(1,427,999)	(1,728,158)	1,786,250
Total support and revenue	<u>2,092,219</u>	<u>(1,748,913)</u>	<u>343,306</u>	<u>9,996,693</u>
Net assets released from restriction	<u>724,970</u>	<u>(724,970)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>2,817,189</u>	<u>(2,473,883)</u>	<u>343,306</u>	<u>9,996,693</u>
Expenses:				
Program services	2,868,388	-	2,868,388	2,814,445
Management and general	267,928	-	267,928	423,174
Fundraising	49,996	-	49,996	67,416
Total expenses	<u>3,186,312</u>	<u>-</u>	<u>3,186,312</u>	<u>3,305,035</u>
Change in net assets	(369,123)	(2,473,883)	(2,843,006)	6,691,658
Net assets - beginning of year	<u>5,626,944</u>	<u>12,357,667</u>	<u>17,984,611</u>	<u>15,141,605</u>
Net assets - end of year	<u>\$ 5,257,821</u>	<u>\$ 9,883,784</u>	<u>\$ 15,141,605</u>	<u>\$ 21,833,263</u>

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2023

(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total Functional Expenses</u>	<u>2022 Total Functional Expenses</u>
Compensation and Related Expenses:					
Salaries	\$ 193,097	\$ 152,249	\$ 25,994	\$ 371,340	\$ 376,627
Employee benefits	23,082	18,199	3,107	44,388	46,295
Payroll taxes	16,150	12,734	2,174	31,058	31,165
Total compensation and related expenses	<u>232,329</u>	<u>183,182</u>	<u>31,275</u>	<u>446,786</u>	<u>454,087</u>
Program Services:					
Grants and gifts	2,293,529	-	-	2,293,529	2,332,746
Total program services	<u>2,293,529</u>	<u>-</u>	<u>-</u>	<u>2,293,529</u>	<u>2,332,746</u>
Occupancy:					
Utilities	6,346	5,004	852	12,202	11,793
Repairs and maintenance	10,227	8,064	1,377	19,668	24,607
Rent	686	541	92	1,319	1,721
Insurance	10,315	8,132	1,389	19,836	13,027
Total occupancy expenses	<u>27,574</u>	<u>21,741</u>	<u>3,710</u>	<u>53,025</u>	<u>51,148</u>
Administration:					
Office supplies	51,060	40,259	6,944	98,263	60,207
Professional fees	39,412	31,075	5,306	75,793	36,986
Website and software maintenance	18,889	14,893	2,544	36,326	27,410
Taxes and licenses	-	495	-	495	495
Bank fees	-	1,292	-	1,292	5,897
Dues and subscriptions	-	4,510	-	4,510	8,414
Total administrative expenses	<u>109,361</u>	<u>92,524</u>	<u>14,794</u>	<u>216,679</u>	<u>139,409</u>
Other Expenses:					
Advertising and promotions	94,839	74,777	12,768	182,384	87,193
Training, seminars and conferences	20,639	19,050	-	39,689	44,730
Travel	4,167	3,285	561	8,013	6,723
Membership dues	-	3,379	-	3,379	2,835
Total other expenses	<u>119,645</u>	<u>100,491</u>	<u>13,329</u>	<u>233,465</u>	<u>141,481</u>
Total expenses before depreciation expense	2,782,438	397,938	63,108	3,243,484	3,118,871
Depreciation expense	32,007	25,236	4,308	61,551	67,441
Total Functional Expenses	<u>\$ 2,814,445</u>	<u>\$ 423,174</u>	<u>\$ 67,416</u>	<u>\$ 3,305,035</u>	<u>\$ 3,186,312</u>

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2023)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total Functional Expenses</u>	<u>2023 Total Functional Expenses</u>
Compensation and Related Expenses:					
Salaries	\$ 241,333	\$ 111,494	\$ 23,800	\$ 376,627	\$ 371,340
Employee benefits	29,666	13,703	2,926	46,295	44,388
Payroll taxes	19,969	9,227	1,969	31,165	31,058
Total compensation and related expenses	<u>290,968</u>	<u>134,424</u>	<u>28,695</u>	<u>454,087</u>	<u>446,786</u>
Program Services:					
Grants and gifts	2,332,746	-	-	2,332,746	2,293,529
Total program services	<u>2,332,746</u>	<u>-</u>	<u>-</u>	<u>2,332,746</u>	<u>2,293,529</u>
Occupancy:					
Utilities	7,557	3,491	745	11,793	12,202
Repairs and maintenance	15,768	7,285	1,554	24,607	19,668
Rent	1,103	509	109	1,721	1,319
Insurance	8,348	3,856	823	13,027	19,836
Total occupancy expenses	<u>32,776</u>	<u>15,141</u>	<u>3,231</u>	<u>51,148</u>	<u>53,025</u>
Administration:					
Office supplies	38,580	17,823	3,804	60,207	98,263
Professional fees	23,700	10,949	2,337	36,986	75,793
Website and software maintenance	17,563	8,115	1,732	27,410	36,326
Taxes and licenses	-	495	-	495	495
Bank fees	-	5,897	-	5,897	1,292
Dues and subscriptions	-	8,414	-	8,414	4,510
Total administrative expenses	<u>79,843</u>	<u>51,693</u>	<u>7,873</u>	<u>139,409</u>	<u>216,679</u>
Other Expenses:					
Advertising and promotions	55,871	25,812	5,510	87,193	182,384
Training, seminars and conferences	28,662	16,068	-	44,730	39,689
Travel	4,308	1,990	425	6,723	8,013
Membership dues	-	2,835	-	2,835	3,379
Total other expenses	<u>88,841</u>	<u>46,705</u>	<u>5,935</u>	<u>141,481</u>	<u>233,465</u>
Total expenses before depreciation expense	2,825,174	247,963	45,734	3,118,871	3,243,484
Depreciation expense	43,214	19,965	4,262	67,441	61,551
Total Functional Expenses	<u>\$ 2,868,388</u>	<u>\$ 267,928</u>	<u>\$ 49,996</u>	<u>\$ 3,186,312</u>	<u>\$ 3,305,035</u>

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 6,691,658	\$ (2,843,006)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	61,551	67,441
Unrealized and realized (gain) loss on investments, net	(1,540,528)	2,229,538
Non-cash contribution of securities	-	(276,235)
Change in value of beneficial interest in Trust	(98,029)	785,742
Contributions restricted for long-term purposes	(2,844,202)	-
Change in operating assets:		
Promises to give	85,870	87,760
Trust receivable	81,576	121,331
Prepaid expenses	42,468	(50,245)
Change in operating liabilities:		
Accounts payable and accrued expenses	16,164	(7,630)
Grants payable	125,669	2,374
Agency funds	13,427	(290,204)
Total adjustments	<u>(4,056,034)</u>	<u>2,669,872</u>
Net cash provided by (used in) operating activities	<u>2,635,624</u>	<u>(173,134)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(917,851)	(533,612)
Sales of investments	411,484	349,311
Purchases of property and equipment	(17,430)	(11,407)
Net cash used in investing activities	<u>(523,797)</u>	<u>(195,708)</u>
Cash Flows from Financing Activities:		
Contributions restricted for long-term purposes	2,844,202	-
Net cash provided by financing activities	<u>2,844,202</u>	<u>-</u>
Change in cash and cash equivalents	4,956,029	(368,842)
Cash and cash equivalents, beginning of year	2,338,665	2,707,507
Cash and cash equivalents, end of year	<u>\$ 7,294,694</u>	<u>\$ 2,338,665</u>

See accompanying notes to financial statements.

Charlotte Community Foundation, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

I. Organization

Charlotte Community Foundation, Inc. (the Foundation) is a not-for-profit foundation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed on December 31, 1993, under the laws of the State of Florida, but did not begin operations until June 1, 1995. The Foundation promotes philanthropy, supports Charlotte County's nonprofit organizations, and provides funding for projects that benefit the residents of Charlotte County, Florida.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

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 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Board designated funds restricted by the Board of Directors are classified as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that the net assets be maintained permanently by the Foundation.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Foundation has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Foundation.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject include fiscal years ended December 31, 2020 through December 31, 2023.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at the estimated fair values on the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as net assets without donor restriction 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

The Foundation has recorded revenue and expense relating to donated professional legal and accounting services. The value of these services rendered in the accompanying statement of activities amounted to \$250 and \$250 for the years ended December 31, 2023 and 2022, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, campaign solicitations and various committee assignments. These services do not meet the criteria for recognition as donated revenue under generally accepted accounting principles and as a result, the value of these volunteer hours has not been recognized in the statement of activities.

Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation reports investments in marketable securities with readily determinable fair values and all other investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Net investment return (loss) reported in the statement of activities consists of interest and dividend income, realized and unrealized gains (losses), less external and direct internal investment expenses.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value on the date of donation. Expenditures in excess of \$1,000 that significantly add to the productivity or extend the useful lives of property and equipment are also capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, except for antique furnishings and collectibles. Antique furnishings and collectibles with historical value and extraordinarily long useful lives are not depreciated. A summary of the depreciable lives follows:

	Years
Office furniture and equipment	5-10
Buildings	39

Promises to Give

Contributions received, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in best pricing the assets. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

The Foundation assesses the collectability of individual promises to give annually and provides an allowance for uncollectible promises to give. The Foundation considers all promises to give to be fully collectible at December 31, 2023 and 2022, therefore, no allowance has been provided for.

Trust Receivable

In 2020, the Foundation was listed as a beneficiary of a trust agreement (the Trust). The agreement states that 100% of the Trust's annual net income will be distributed to the Foundation for a period of 20 years. At the end of the 20 years (Year 2041), the Trust will terminate, and the Foundation will receive 100% of the remaining trust assets. During 2022, the Trust's tax status changed from an irrevocable trust to a private foundation and the Trust is now required to distribute 5% of their assets' fair market value on an annual basis. The trust receivable, discounted to present value at a rate of 5.80% and 5.20%, totaled \$685,690 and \$669,237 as of December 31, 2023 and 2022, respectively.

Revenue and Support

Contributions received are recorded as net assets without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Bequests Receivable

The Foundation may be named beneficiary in bequests from time to time. Bequests that have not been recorded in the accompanying financial statements are those where the donors' wills have not yet been declared valid by the probate court and the value of the amounts to be received is not yet determinable. All other bequests are reflected as bequests receivable.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Agency Funds

The Foundation accounts for agency transactions in accordance with FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This Topic establishes standards for transactions in which a community foundation 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 ASC specifically requires that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency funds. At December 31, 2023 and 2022 the Foundation held seventeen agency funds with fair values of \$1,507,575 and twenty agency funds with fair values of \$1,494,148, respectively. Funds are segregated on the statement of financial position and are classified as agency funds.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include compensation and related expenses, occupancy, administrative and other expenses for services which are allocated on the basis of estimated time and effort.

Financial Instruments Not Measured at Fair Value

The Foundation's financial instruments that are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature includes cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses, grants payable, and refundable security deposit.

Concentration of Credit Risk and Economic Risk

Financial instruments that potentially subject the Foundation to credit risk include cash and various investments. The Foundation places its cash and investments with high credit quality financial institutions. During the year, the Foundation may have deposits with financial institutions, which exceed FDIC insurance limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The Foundation adopted Topic 842 on January 1, 2022, and made an accounting policy election under Topic 842 not to recognize right-of-use assets and liabilities for leases with a term of twelve months or less.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

3. Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,294,694	\$ 2,338,665
Promises to give, current portion	100,000	100,000
Trust receivable, current portion	91,681	83,336
Investments	12,699,680	10,652,785
Administrative fees appropriated from net assets with donor restrictions	234,925	124,169
Total financial assets available within one year	<u>20,420,980</u>	<u>13,298,955</u>
Less: Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(7,223,025)	(2,572,462)
Restricted by donors in perpetuity	(8,438,650)	(5,594,448)
Total amounts unavailable for general expenditures within one year	<u>(15,661,675)</u>	<u>(8,166,910)</u>
Less: Amounts unavailable to management without Board approval:		
Board designated - Building Reserve	(133,938)	(111,034)
	<u>(133,938)</u>	<u>(111,034)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,625,367</u>	<u>\$ 5,021,011</u>

The Foundation manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

The Foundation's spending policy as described in Note 15 allows restricted funds to be spent from donor funds for their designated charity or cause, which would result in available funds of approximately \$626,000 and \$331,000 for years ended December 31, 2023 and 2022, respectively.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board designated net assets are classified as net assets without donor restrictions. The Board has established reserves as discussed in Note 8. Although the Board does not intend to spend from these reserves, except for the stated purposes, these amounts could be made available if necessary.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

4. Investments

Investments as of December 31 are as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 9,750,417	\$ 12,699,680	\$ 9,254,716	\$ 10,652,785
Total Investments	\$ 9,750,417	\$ 12,699,680	\$ 9,254,716	\$ 10,652,785

Investment activity for the year ended December 31:

	2023	2022
Interest and dividend income	\$ 472,705	\$ 261,680
Unrealized gains (losses)	1,551,194	(2,220,238)
Realized losses	(10,666)	(9,300)
Investment fees	(30,423)	(29,420)
Amounts allocated to agency funds	(196,560)	269,120
Total	\$ 1,786,250	\$ (1,728,158)

5. Fair Value of Financial Assets and Liabilities

The Foundation values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification, which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023 and 2022, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

5. Fair Value of Financial Assets and Liabilities (Continued)

The following sets forth the fair value hierarchy by level for the Foundation's assets measured at fair value on a recurring basis as of December 31, 2023:

Description	Total	Level 1	Level 2	Level 3
Investments:				
Mutual Funds:				
Domestic Equity:				
Large Blend	\$ 5,903,364	\$ 5,903,364	\$ -	\$ -
International Equity:				
Foreign Large Blend	3,178,491	3,178,491	-	-
Fixed Income:				
Intermediate Term Bond	983,841	-	983,841	-
World Bond	912,461	-	912,461	-
Corporate Bond	738,679	-	738,679	-
Short-term Bond	982,844	-	982,844	-
Total Fixed Income	3,617,825	-	3,617,825	-
Total Mutual Funds	12,699,680	9,081,855	3,617,825	-
Total investments at fair value	12,699,680	9,081,855	3,617,825	-
Trust receivable, net	685,690	-	-	685,690
Total assets at fair value	\$ 13,385,370	\$ 9,081,855	\$ 3,617,825	\$ 685,690

The following sets forth the fair value hierarchy by level for the Foundation's assets measured at fair value on a recurring basis as of December 31, 2022:

Description	Total	Level 1	Level 2	Level 3
Investments:				
Mutual Funds:				
Domestic Equity:				
Large Blend	\$ 4,913,907	\$ 4,913,907	\$ -	\$ -
International Equity:				
Foreign Large Blend	2,641,625	2,641,625	-	-
Fixed Income:				
Intermediate Term Bond	824,067	-	824,067	-
World Bond	809,293	-	809,293	-
Corporate Bond	611,577	-	611,577	-
Short-term Bond	852,316	-	852,316	-
Total Fixed Income	3,097,253	-	3,097,253	-
Total Mutual Funds	10,652,785	7,555,532	3,097,253	-
Total investments at fair value	10,652,785	7,555,532	3,097,253	-
Trust receivable, net	669,237	-	-	669,237
Total assets at fair value	\$ 11,322,022	\$ 7,555,532	\$ 3,097,253	\$ 669,237

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

5. Fair Value of Financial Assets and Liabilities (Continued)

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Mutual Funds - The fair value of equity investments are valued at market value, which is generally determined using the closing price on the exchange or market on which the security is primarily traded at the time of valuation (Levels 1 and 2).

Trust Receivable - The fair value of these assets are estimated by discounting future cash flows (Level 3).

6. Promises to Give

Signed promises to give are recorded as receivables based upon management evaluations of donors and promise to give history. All promises to give are determined by management to be collectible. Therefore, an allowance for uncollectible promises to give has not been provided for.

Promises to give as of December 31 are due as follows:

	<u>2023</u>		<u>2022</u>
Promises to give	\$ 1,300,000	\$	1,400,000
Less: discount to net present value at a rate of 2.2%	(338,233)		(352,363)
Promises to give, net	961,767		1,047,637
Less current portion	100,000		100,000
Less amount collectible in 1-5 years	400,000		400,000
Amount collectible in more than 5 years	<u>\$ 461,767</u>	\$	<u>547,637</u>

Promises to give are summarized on the statement of financial position according to their expected date of receipt as of December 31 as follows:

	<u>2023</u>		<u>2022</u>
Promises to give, current portion	\$ 100,000	\$	100,000
Promises to give, long-term, net	861,767		947,637
Total promises to give, net of discount	<u>\$ 961,767</u>	\$	<u>1,047,637</u>

7. Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2023</u>		<u>2022</u>
Land	\$ 293,514	\$	293,514
Buildings and improvements	2,138,323		2,138,323
Office furniture and equipment	91,170		73,743
Antiques and collectibles	7,100		7,100
	<u>2,530,107</u>		<u>2,512,680</u>
Less: accumulated depreciation	605,905		544,354
Land, buildings and equipment, net	<u>\$ 1,924,202</u>	\$	<u>1,968,326</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$61,551 and \$67,441, respectively.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

8. Board Designated Net Assets

The Foundation's Board has designated net assets without donor restriction for the following purpose as of December 31:

	2023	2022
Building Reserve	\$ 133,938	\$ 111,034

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2023	2022
Subject to expenditure for specified purpose:		
Educate Charlotte	\$ 868	\$ 759
Fund to Assist the Homeless	756,123	-
Endowment Funds	3,688,647	1,987,566
Donor Advised Funds	2,294,526	761,840
Unappropriated endowment income (loss) with purpose restrictions	482,861	(177,703)
Total purpose restrictions	7,223,025	2,572,462
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	961,767	1,047,637
Trust receivable	685,690	669,237
Total time restrictions	1,647,457	1,716,874
Total purpose and time restrictions	8,870,482	4,289,336
Perpetual in nature:		
Health Professional Scholarship Fund	25,000	25,000
Virginia B. Andes Community Grant Fund	1,142,362	1,142,362
Virginia B. Andes Volunteer Community Clinic Endowment	2,284,724	2,284,724
Virginia B. Andes Health Care and Scholarship Fund	1,142,362	1,142,362
Peace River Wildlife Center Endowment	500,000	500,000
Animal Welfare League of Charlotte County Endowment	500,000	500,000
Memorial Scholarship Fund	2,844,202	-
Total endowments perpetual in nature	8,438,650	5,594,448
Total net assets with donor restrictions	\$ 17,309,132	\$ 9,883,784

The primary purpose of the endowment funds administered by the Foundation is to support the programs and services of the donor entity and to adhere to the Foundation's mission as described in its bylaws or organizational documents. For individual's establishing endowment funds, such funds are administered in accordance with the terms of the endowment fund agreement with the Foundation. Distributions from endowment funds are made in accordance with Foundation policies, considering requests from the donor entity or individual.

As stated by certain Endowment Fund Agreements, the Foundation has the discretion to approve a grant or distribution in excess of the regular annual distributions for the purpose listed in the agreement, including the principal balance of the fund. Therefore, certain Endowment Funds are considered purpose restricted net assets.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

9. Net Assets with Donor Restrictions (Continued)

The Foundation administers donor advised funds to provide support for general charitable purposes as recommended by the donor and approved by the Foundation's Board of Directors. Such funds are invested in accordance with Foundation policies and such funds are charged for a fair portion of the investment and administrative costs of the Foundation.

Fund agreements include terms that state the fund is subject to the provisions of the Foundation's Articles of Incorporation and Bylaws. The Bylaws state that the Foundation has variance power over the funds, and in spite of the fact that a gift may be accepted subject to particular restrictions or conditions, the Board of Directors shall in all events have the power to modify any restriction or condition of the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of approval by the donor or any participating trustee, custodian or agent), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the communities served by the Foundation. However, it was not management's intent to deviate from the donor intent. Therefore, the Foundation recorded these funds as net assets with donor restrictions rather than net assets without donor restrictions.

10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by other events specified by donors. Purposes for which restrictions were accomplished during the year ended December 31 include the following:

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions - promises to give	\$ 100,000	\$ 100,000
Expiration of time restrictions - trust receivable	81,575	121,331
Satisfaction of purpose restrictions:		
Educate Charlotte	2	2
Fund to Assist the Homeless	4,534	-
Endowment Funds	182,807	83,179
Donor Advised Funds	347,776	125,077
Restricted-purpose spending rate distributions and appropriations	319,605	295,381
Total net assets released from donor restriction	\$ <u>1,036,299</u>	\$ <u>724,970</u>

11. Concentrations of Support and Revenue

There were two major donors during the year ended December 31, 2023 who contributed a total of \$5,789,145, or 58%, of total support and revenues. There were no major donors during the year ended December 31, 2022 who individually contributed a significant portion of total support and revenues.

12. Agency Fund Activity

The Foundation holds agency funds on behalf of other nonprofit organizations. The following is a summary of the activity for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 11,414	\$ 19,723
Investment and administrative fees	\$ (23,533)	\$ (25,828)
Investment income (loss)	\$ 199,929	\$ (265,028)
Grants	\$ (174,383)	\$ (18,891)

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

12. Agency Fund Activity (Continued)

The amounts reflected in the statement of activities for the years ended December 31, 2023 and 2022 are presented net of the activity summarized above related to agency funds.

13. Mineral Rights

During 2008, the Foundation received mineral rights for three properties in Oklahoma through quit claim deeds. The value of the mineral rights is not readily determinable and is not considered to be significant. Accordingly, it has not been recorded in the accompanying financial statements.

14. Related Party Transactions

During 2023 and 2022, a board member provided professional services to the Foundation at no cost. The value of the services was \$250 and \$250 for the years ended December 31, 2023 and 2022, respectively, and is recorded in the accompanying financial statements. See Note 2, Donated Services.

15. Endowments and Spending Policy

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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 donor restrictions-perpetual in nature (a) the original value of gifts donated to the perpetual endowment, and, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Strategies Employed for Achieving Objectives

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

Spending Policy

The amount to be disbursed from Foundation assets, as approved by the Board of Directors, represents a percentage of the monthly market value of the endowment for the previous 24 months. The distributions may be taken from current income, or if current income is less than planned spending, from principal. Any distribution from principal is limited to that which can be expected to be replaced within 12 months, unless otherwise approved by the Board of Directors.

The spending policy also indicates the yearly percentage of funds spent from donor funds for their designated charity or cause. The Foundation takes into account the expected return on assets. During 2019, the Board of Directors approved a change to the spending policy which became effective in January 2019. The Foundation adopted a 4% spending policy based on the fund's average market value from the trailing 12 fiscal quarters. Distributions for funds in existence less than the applicable trailing period are calculated based on the number of available fiscal quarters.

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

15. Endowments and Spending Policy (Continued)

Investment Policy

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the Foundation assets and earnings, after accounting for investment returns, spending and inflation. Under this policy, as approved by the Board of Directors, the investment returns achieved by the investment manager(s) will be compared to the investment returns achieved by a composite benchmark. The composite benchmark will consist of the weighted returns of the target asset mix. The Foundation expects its endowment fund to provide an average total annual return that equals or exceeds the benchmarks for various classes of investments.

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 intended. The Foundation has interpreted FUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions.

There were no funds with deficiencies as of December 31, 2023.

Deficiencies of this nature exist in two donor-restricted endowment funds as of December 31, 2022, as follows:

	Funds with Deficiencies
Current fair value	\$ 3,215,874
Original gift value	3,427,086
Deficiencies	<u>\$ (211,212)</u>

Endowment Net Asset Composition

As of December 31, 2023, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds without donor restrictions:			
Board designated Building Reserve	\$ 133,938	\$ -	\$ 133,938
Endowment funds with donor restrictions:			
Endowments classified as purpose restricted	-	4,171,508	4,171,508
Endowments classified as perpetual in nature	-	8,438,650	8,438,650
Total endowment funds	<u>\$ 133,938</u>	<u>\$ 12,610,158</u>	<u>\$ 12,744,096</u>

Charlotte Community Foundation, Inc.

Notes to Financial Statements (Continued)

December 31, 2023 and 2022

15. Endowments and Spending Policy (Continued)

Endowment Net Asset Composition (Continued)

As of December 31, 2022, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds without donor restrictions:			
Board designated Building Reserve	\$ 111,034	\$ -	\$ 111,034
Endowment funds with donor restrictions:			
Endowments classified as purpose restricted	-	1,809,864	1,809,864
Endowments classified as perpetual in nature	-	5,594,448	5,594,448
Total endowment funds	\$ 111,034	\$ 7,404,312	\$ 7,515,346

Changes in Endowment Net Assets

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 122,622	\$ 9,023,896	\$ 9,146,518
Contributions	-	73,653	73,653
Investment loss	(18,681)	(1,298,747)	(1,317,428)
Releases	(278)	(378,560)	(378,838)
Transfers	7,371	(15,930)	(8,559)
Endowment net assets, December 31, 2022	111,034	7,404,312	7,515,346
Contributions	-	4,401,088	4,401,088
Investment income	16,653	1,315,781	1,332,434
Releases	(275)	(502,413)	(502,688)
Transfers	6,526	(8,610)	(2,084)
Endowment net assets, December 31, 2023	\$ 133,938	\$ 12,610,158	\$ 12,744,096

16. Retirement Plan

The Foundation provides a Savings Incentive Match Plan for Employees (SIMPLE IRA) retirement plan as allowed under Section 408(p) of the Internal Revenue Code. Full-time and part-time employees, who are 18 years of age or older, are eligible to participate. The Foundation will match up to 3% of the employee's compensation. All contributions to the SIMPLE IRA belong to the employee immediately. The Foundation made contributions to the plan of \$10,256 and \$10,725 for the years ended December 31, 2023 and 2022, respectively.

17. Subsequent Events

The Foundation has evaluated events subsequent to the statement of financial position date of December 31, 2023 through the date these financial statements were available to be issued, September 18, 2024, and have determined that there were no subsequent events that require disclosure under the FASB Accounting Standards Codification.