

**COMMUNITY FOUNDATION
OF LORAIN COUNTY**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023 and 2022



COMMUNITY FOUNDATION OF LORAIN COUNTY

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Independent Auditors' Report

To the Board of Directors
Community Foundation of Lorain County
Elyria, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Community Foundation of Lorain County, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Lorain County as of December 31, 2023 and 2022, 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 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 Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Community Foundation of Lorain County 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Community Foundation of Lorain County's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but it 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 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 Community Foundation of Lorain County'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 Community Foundation of Lorain County'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Meloney + Novotny LLC

Cleveland, Ohio
June 5, 2024

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 38,168	\$ 94,087
Investments	154,506,242	139,050,125
Assets held in trust by others	140,301	133,743
Contributions receivable	43,730	23,269
Prepaid expenses	86,584	88,443
Property and equipment - net	<u>688,403</u>	<u>704,078</u>
Total assets	<u>\$ 155,503,428</u>	<u>\$ 140,093,745</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 23,093	\$ 164,893
Grants payable	87,999	1,411,813
Split-interest agreements	44,291	15,557
Agency fund liability	<u>19,731,784</u>	<u>17,853,674</u>
Total liabilities	19,887,167	19,445,937
 <u>NET ASSETS</u>		
Without donor restrictions	135,475,960	120,514,065
With donor restrictions	<u>140,301</u>	<u>133,743</u>
Total net assets	<u>135,616,261</u>	<u>120,647,808</u>
Total liabilities and net assets	<u>\$ 155,503,428</u>	<u>\$ 140,093,745</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 5,757,350		\$ 5,757,350
Less: amounts received for agency funds	(234,023)		(234,023)
Net contributions	<u>5,523,327</u>		<u>5,523,327</u>
Investment income - net of fees	19,452,734	\$ 6,558	19,459,292
Less: investment income on agency funds	(2,345,803)		(2,345,803)
Net investment income	<u>17,106,931</u>	6,558	<u>17,113,489</u>
Other income	<u>252,048</u>		<u>252,048</u>
Total support and revenue	<u>22,882,306</u>	6,558	<u>22,888,864</u>
EXPENSES			
Program services	7,311,109		7,311,109
Less: grants paid from agency funds	(701,716)		(701,716)
Net program services	<u>6,609,393</u>		<u>6,609,393</u>
General and administrative	752,698		752,698
Fundraising and development	<u>558,320</u>		<u>558,320</u>
Total expenses	<u>7,920,411</u>		<u>7,920,411</u>
CHANGE IN NET ASSETS	14,961,895	6,558	14,968,453
NET ASSETS – BEGINNING OF YEAR	<u>120,514,065</u>	<u>133,743</u>	<u>120,647,808</u>
NET ASSETS – END OF YEAR	<u>\$135,475,960</u>	<u>\$ 140,301</u>	<u>\$135,616,261</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,133,217		\$ 2,133,217
Less: amounts received for agency funds	<u>(98,380)</u>		<u>(98,380)</u>
Net contributions	2,034,837		2,034,837
Investment loss - net of fees	(17,391,596)	\$ (16,831)	(17,408,427)
Less: investment loss on agency funds	<u>2,398,897</u>		<u>2,398,897</u>
Net investment loss	(14,992,699)	(16,831)	(15,009,530)
Other income	<u>125,861</u>		<u>125,861</u>
Total support and revenue	(12,832,001)	(16,831)	(12,848,832)
EXPENSES			
Program services	7,465,169		7,465,169
Less: grants paid from agency funds	<u>(674,871)</u>		<u>(674,871)</u>
Net program services	6,790,298		6,790,298
General and administrative	729,443		729,443
Fundraising and development	<u>481,111</u>		<u>481,111</u>
Total expenses	<u>8,000,852</u>		<u>8,000,852</u>
CHANGE IN NET ASSETS	(20,832,853)	(16,831)	(20,849,684)
NET ASSETS – BEGINNING OF YEAR	<u>141,346,918</u>	<u>150,574</u>	<u>141,497,492</u>
NET ASSETS – END OF YEAR	<u>\$120,514,065</u>	<u>\$ 133,743</u>	<u>\$120,647,808</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Grants awarded	\$ 6,635,236			\$ 6,635,236
Board development	6,447	\$ 7,390	\$ 3,849	17,686
Communications and events			166,302	166,302
Consultant and special project	19,322			19,322
Depreciation	6,982	8,004	4,169	19,155
Employee activities	47,615	54,587	28,430	130,632
Equipment rental and maintenance	33,194	38,055	19,820	91,069
Insurance	6,726	7,711	4,016	18,453
Miscellaneous	3,925	4,500	2,344	10,769
Occupancy	25,507	29,243	15,230	69,980
Professional fees	59,687	68,428	35,638	163,753
Salaries and related expenses	452,366	518,612	270,102	1,241,080
Supplies, postage and printing	13,177	15,107	7,868	36,152
Website development and maintenance	925	1,061	552	2,538
	<u>7,311,109</u>	<u>752,698</u>	<u>558,320</u>	<u>8,622,127</u>
Grants paid from agency funds	<u>(701,716)</u>			<u>(701,716)</u>
	<u>\$ 6,609,393</u>	<u>\$ 752,698</u>	<u>\$ 558,320</u>	<u>\$ 7,920,411</u>
	<u>83.45%</u>	<u>9.50%</u>	<u>7.05%</u>	<u>100.00%</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising and Development	Total
Grants awarded	\$ 6,872,021			\$ 6,872,021
Board development	4,627	\$ 5,835	\$ 2,828	13,290
Communications and events			127,641	127,641
Consultant and special project	14,742			14,742
Depreciation	7,994	10,082	4,885	22,961
Employee activities	34,091	42,994	20,834	97,919
Equipment rental and maintenance	29,205	36,831	17,847	83,883
Insurance	5,817	7,336	3,555	16,708
Miscellaneous	3,340	4,212	2,041	9,593
Occupancy	23,673	29,854	14,467	67,994
Professional fees	48,409	61,050	29,583	139,042
Salaries and related expenses	408,602	515,298	249,700	1,173,600
Supplies, postage and printing	10,198	12,861	6,232	29,291
Website development and maintenance	2,450	3,090	1,498	7,038
	<u>7,465,169</u>	<u>729,443</u>	<u>481,111</u>	<u>8,675,723</u>
Grants paid from agency funds	<u>(674,871)</u>			<u>(674,871)</u>
	<u>\$ 6,790,298</u>	<u>\$ 729,443</u>	<u>\$ 481,111</u>	<u>\$ 8,000,852</u>
	<u>84.87%</u>	<u>9.12%</u>	<u>6.01%</u>	<u>100.00%</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY

CONSOLIDATED 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	\$ 14,968,453	\$(20,849,684)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	19,155	22,961
Donated securities	(13,083)	(13,069)
Net realized and unrealized (gains) losses on investments	(17,566,193)	19,019,702
Investment earnings (losses) on agency funds	2,345,803	(2,398,897)
Interest and dividends reinvested net of fees	(1,893,099)	(1,611,275)
Change in assets held in trust by others	(6,558)	16,831
Change in split-interest agreement	31,652	2,093
Changes in assets and liabilities:		
Contributions receivable	(20,461)	(19,283)
Prepaid expenses	1,859	(26,212)
Accounts payable and accrued expenses	(141,800)	128,879
Grants payable	(1,323,814)	778,759
Agency fund liability	(467,693)	(576,491)
Total adjustments	<u>(19,034,232)</u>	<u>15,323,998</u>
Net cash used in operating activities	(4,065,779)	(5,525,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes receivable	-	16,796
Proceeds from sale of investments	22,424,010	57,895,904
Purchase of investments	(18,407,752)	(52,415,148)
Program related investments	-	3,314
Purchases of property and equipment	(3,480)	(2,004)
Net cash provided by investing activities	<u>4,012,778</u>	<u>5,498,862</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for split-interest agreements	<u>(2,918)</u>	<u>(2,918)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(55,919)	(29,742)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>94,087</u>	<u>123,829</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 38,168</u>	<u>\$ 94,087</u>

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

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Description of the Community Foundation – The Community Foundation of Lorain County ("Community Foundation") is a public foundation established in 1980 with income from endowment funds contributed by individuals, families, businesses and nonprofit organizations. The Community Foundation is an open and inclusive anchor institution that works to improve the quality of life for those living and working in Lorain County, Ohio. It responds to the changing needs of the community by making grants to local nonprofit organizations and providing scholarships to benefit local students. The Community Foundation is committed to a culture of diversity, inclusion and equity to guide its values, actions and impact in Lorain County.
- B. *Basis of Consolidation* – The consolidated financial statements include the Community Foundation, Charitable Properties of Lorain County, LLC, and Forever Farmland of Lorain County, LLC. Charitable Properties of Lorain County, LLC was formed as a single member nonprofit limited liability company to increase the Community Foundation's capacity to evaluate, accept and manage gifts of real property. Forever Farmland of Lorain County, was formed to provide opportunities to receive and manage agricultural gifts. All accounts and transactions between the organizations have been eliminated in the consolidated financial statements. "Community Foundation" refers to the consolidated organizations.
- C. *Cash and Cash Equivalents* – For the purposes of the consolidated statements of cash flows, the Community Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent.
- At times during the year, the Community Foundation maintained funds on deposit at its banks in excess of FDIC insurance limits.
- D. *Investments* – Investments are recorded at fair value based on published market prices or net asset value. The difference between their cost and fair market value is recorded as an unrealized gain or loss in the consolidated statements of activities and changes in net assets. Specific identification is used to identify securities sold.
- E. *Investment Spending Policy* – The annual spending policy is based on a 12-quarter moving average market value of net assets, with a floor of 3.5% and a ceiling of 5.0%, taking into account both preservation of principal, as well as investment and custodial cost and fees. Payments in excess of annual spending policy are allowable expenditures only with special approval of the Board of Directors of the Community Foundation ("Board"). The amount that has been awarded and is available to be spent but not distributed is included in grants payable and amounts to \$87,999 and \$1,411,813 in 2023 and 2022, respectively, and is due within one year.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

F. *Fair Value of Financial Instruments* – The Community Foundation's investments have been categorized based upon the fair value hierarchy in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets and liabilities into three levels:

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying amounts reported in the consolidated statements of financial position for cash and equivalents, accounts receivable, notes receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial assets.

G. *Contributions Receivable* – The Community Foundation recognizes contributions when they are received. At year end, contributions that have been received may not have been deposited until after December 31. These amounts are recorded as receivables and amounted to \$43,730 and \$23,269 in 2023 and 2022, respectively. In management's opinion, contributions receivable as of December 31, 2023 and 2022 were collectible and no material uncollectible accounts existed.

H. *Property and Equipment* – Property and equipment purchased by the Community Foundation are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and capital expenditures of less than \$2,500 are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

	<u>2023</u>	<u>2022</u>
Land	\$ 238,250	\$ 238,250
Building	628,448	628,448
Building improvements	67,976	67,976
Equipment	<u>65,364</u>	<u>61,884</u>
	1,000,038	996,558
Less: accumulated depreciation	<u>(311,635)</u>	<u>(292,480)</u>
	<u>\$ 688,403</u>	<u>\$ 704,078</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. *Property and Equipment* (Continued)

The Community Foundation provides for depreciation of property and equipment generally using straight-line methods of depreciation over the following estimated useful lives of the assets:

<u>Class</u>	<u>Years</u>
Building	39
Building improvements	10
Equipment	3-5

- I. *Vacation and Personal Leave Pay* – Vacation and personal leave compensation is expensed when paid. Accrual of these benefits as earned would not have a material effect on the consolidated financial statements.
- J. *Advertising and Marketing Costs* – The Community Foundation participates in various advertising and marketing programs. All costs related to marketing and advertising the Community Foundation's services are expensed in the period incurred. Advertising costs charged to operations were \$28,312 and \$25,688 in 2023 and 2022, respectively.
- K. *Functional Expense Allocations* – Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees and square footage of space used for various programs.
- L. *Classification of Net Assets* – Contributions are classified as without donor restrictions and with donor restrictions based on donor specifications. Net assets without donor restrictions consist of net assets not subject to donor-imposed restrictions or the passage of time.

Net assets with donor restrictions can consist of items such as irrevocable charitable trusts, lead trusts and restricted contributions. Net assets with donor restrictions result from either donor-imposed restrictions on the use of the funds or timing differences between the receipt of funds and the incurrence of the related expenses. The Community 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Grants and contributions received with donor-imposed restrictions are recorded as without donor restrictions if the restrictions are met within the same period. This policy is also followed for investment income received with donor-imposed restrictions.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

L. *Classification of Net Assets* (Continued)

The Board, on the advice of legal counsel, has determined that the Community Foundation's net assets do not meet the definitions of endowment under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") because of the Community Foundation's right to exercise variance power over contributions. As a result of this ability, the Community Foundation does not have assets restricted in perpetuity.

M. *Variance Power* – Variance power is the unilateral power to redirect the use of contributions to an entity or individual other than the specified beneficiary, if the Community Foundation's Board determines that circumstances have changed as to render the express desires of the donor unnecessary, impractical, incapable of fulfillment or inconsistent with the charitable needs of the community. The Community Foundation may, at any time, redirect the application of all or part of a gift, grant, devise or bequest to such other charitable uses or purposes which, in the Community Foundation's judgment, will most effectively accomplish the general mission of the Community Foundation.

N. *Revenue Recognition* – Contributions and grants are recognized when awarded as without donor restrictions or with donor restrictions in accordance with donor specifications. Conditional promises to give - that is, those with a measurable performance barrier and a right of return - are not recognized until the conditions on which they depend on have been met.

O. *Agency Funds* – Financial accounting standards are established for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of these assets or both to the donor or another entity that is specified by the donor. These standards specifically require that if a nonprofit organization establishes an agency 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 Community Foundation refers to such funds as agency funds.

The Community Foundation maintains variance power and legal ownership of the agency funds and, as such, continues to report the funds as cash and investments of the Community Foundation. However, in accordance with financial accounting standards, a liability has been established equivalent to the value of the assets. Both the liability and the assets are measured at fair value. The amount in the consolidated statements of financial position at December 31 amount to \$19,731,784 and \$17,853,674 in 2023 and 2022, respectively. Contributions and investment activities are reported in the consolidated statements of activities and changes in net assets at the gross amounts collected and earned during the period with the amounts received for agency funds reported as separate line items.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

P. *Contributed Services* – The Community Foundation receives contributed services (general assistance, fundraising events, etc.) which cannot be objectively measured. These donations, while not recognized in the consolidated financial statements, provide valuable resources to the Community Foundation.

Q. *Income Tax Status* – The Community Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and operates as a public charity. The Community Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and, therefore, qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Community Foundation is required to operate in conformity with the Code to maintain its tax exempt status.

Charitable Properties of Lorain County, LLC and Forever Farmland of Lorain County, LLC are separately organized as single member nonprofit limited liability companies solely owned by the Community Foundation.

R. *Accounting for Uncertainty in Income Taxes* – The Community Foundation adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements and provides guidance on derecognition of tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the accompanying consolidated financial statements.

S. *Use of 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

T. *Subsequent Events* – The Community Foundation has evaluated subsequent events through June 5, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

The Community Foundation considers investment income without donor restrictions, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Community Foundation's fiscal year.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

The Community Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the sustainability of the Community Foundation.

In 2022, the Community Foundation's Grants Committee (the "Committee") met semi-annually to review and approve grant requests. In 2023, the Committee met three times to review and approve grant requests. Due to this timing, the Community Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

Financial assets available for general expenditures within one year of the consolidated statements of financial position date comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 38,168	\$ 94,087
Investments, net of agency funds	84,885,619	73,569,821
Contributions receivable, due within one year	<u>43,730</u>	<u>23,269</u>
Financial assets available to meet general expenditures within one year	<u>\$84,967,517</u>	<u>\$73,687,177</u>

Note 3. Investments

Following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – Cash and cash equivalents consist of investments in money market funds, short-term investments and other securities with quoted prices in active markets.

Equities/Fixed Income – These securities include mutual and exchange traded funds which are valued at quoted market prices in active markets for identical assets.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

Real Property – The significant unobservable inputs used in the fair value measurement of the Community Foundation's real property holdings are appraised values using comparable sales. Significant increases (decreases) in any of those inputs would have resulted in a significantly lower (higher) fair value measurement as of the reporting date.

Alternative Investments – Alternative investments include private equity, venture capital, private credit and special situations. The Community Foundation considers fair value to be an amount equal to the pro-rata interest in the net assets of each private partnership. Such values are generally net of management fees and performance incentive fees or allocations payable to fund managers or general partners per the operating agreements. Investments are valued by the funds either at the net asset value ("NAV") per unit or percentage of ownership of the fund.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of activities and changes in net assets. The methods described above may produce a fair value calculation that may not be indicative of net realizable valuation or reflective of future values. Furthermore, while the Community 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.

The following table presents the financial instruments carried at fair value, on a recurring basis, as of December 31, 2023. Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,673,278			\$ 3,673,278
Equities:				
Domestic	45,380,458			45,380,458
International	14,748,918			14,748,918
Emerging/frontier	18,165,918			18,165,918
Fixed income	22,648,831			22,648,831
Real property			\$ 1,539,000	1,539,000
Total assets in the fair value hierarchy	<u>\$ 104,617,403</u>	<u>\$ -</u>	<u>\$ 1,539,000</u>	106,156,403
Investments measured at NAV				<u>48,349,839</u>
Investment at fair value				<u>\$ 154,506,242</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

The following table presents the financial instruments carried at fair value, on a recurring basis, as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,752,946			\$ 2,752,946
Equities:				
Domestic	38,016,059			38,016,059
International	12,679,084			12,679,084
Emerging/frontier	17,030,747			17,030,747
Fixed income	20,944,659			20,944,659
Real property			\$ 1,539,000	1,539,000
Total assets in the fair value hierarchy	<u>\$ 91,423,495</u>	<u>\$ -</u>	<u>\$ 1,539,000</u>	92,962,495
Investments measured at NAV				<u>46,087,630</u>
Investment at fair value				<u>\$ 139,050,125</u>

Investment income consists of the following:

	2023	2022
Interest and dividends	\$ 2,611,702	\$ 2,312,319
Net unrealized and realized gains (losses)	17,566,193	(19,019,702)
Management fees	(718,603)	(701,044)
Total investment income (loss)	19,459,292	(17,408,427)
Less: (earnings) losses allocated to agency funds	(2,345,803)	2,398,897
Total net investment income (loss)	<u>\$ 17,113,489</u>	<u>\$ (15,009,530)</u>

The Community Foundation is required to disclose the nature and risks of the investments recorded at NAV. The following table summarizes the nature and risk of these investments as of December 31, 2023:

	Fair Value at December 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Emerging and frontier Alternative investments:	\$ 2,319,514	\$ -	Quarterly	90 days
Multi strategy	5,627,916	-	Monthly	90 days
Credit sensitive and reinsurance	10,077,219	1,212,876	Monthly/quarterly	90 days
Real assets	11,943,519	-	-	-
Private equity	13,753,517	4,516,981	-	-
Fixed income	<u>4,628,154</u>	<u>988,179</u>	Monthly	90 days
	<u>\$48,349,839</u>	<u>\$ 6,718,036</u>		

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments (Continued)

The following table summarizes the nature and risk of these investments as of December 31, 2022:

	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities:				
Emerging and frontier	\$ 2,453,112	\$ -	Quarterly	90 days
Alternative investments:				
Multi strategy	5,311,509	-	Monthly	90 days
Credit sensitive and reinsurance	9,077,819	1,859,005	Monthly/quarterly	90 days
Real assets	12,351,405	-	-	-
Private equity	12,085,789	3,626,694	-	-
Fixed income	<u>4,807,996</u>	<u>1,019,552</u>	Monthly	90 days
	<u>\$46,087,630</u>	<u>\$ 6,505,251</u>		

The fixed income strategies include an investment in two limited partnerships with one focused on U.S. below investment grade fixed income and the second limited partnership focused on investment grade bonds in the international markets.

Note 4. Assets Held in Trust by Others

The Community Foundation has received an unconditional promise to give in the form of an irrevocable charitable remainder trust. The Community Foundation is a 17.35% beneficiary of a remainder trust and will receive income from the trust through 2049. The assets are recorded at fair value, which is estimated to approximate the present value of the expected future distributions from the trust. The Community Foundation's portion of the fair market value of the trust was \$140,301 and \$133,743 in 2023 and 2022, respectively.

Note 5. Retirement Plan

The Community Foundation offers a 401(k) defined contribution salary deferral plan covering eligible employees. The Community Foundation matches 100% of the employees' contributions up to 3% of salary and 50% of the employees' contributions on the next 2% of salary. The Community Foundation contributions to this plan amounted to \$35,536 and \$34,104 in 2023 and 2022, respectively.

COMMUNITY FOUNDATION OF LORAIN COUNTY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 6. Net Assets Without Donor Restrictions

The following table represents the purpose as originally restricted by the donor; however, the Community Foundation retained variance power:

	<u>2023</u>	<u>2022</u>
Field of interest	\$ 45,215,953	\$ 41,484,157
Scholarship	19,284,409	17,326,225
Designated	19,060,452	13,932,908
Donor advised	17,697,928	16,208,287
General purpose	16,840,956	16,127,475
Agency funds - donor portion	15,719,029	13,917,100
Administrative funds	<u>1,657,233</u>	<u>1,517,913</u>
	<u>\$ 135,475,960</u>	<u>\$ 120,514,065</u>

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
<u>Not subject to spending policy and appropriation:</u>		
Beneficial interest in charitable perpetual trusts	<u>\$ 140,301</u>	<u>\$ 133,743</u>

Note 8. Conditional Grants

The Fund for Our Economic Future ("Fund") is a nonprofit tax exempt public charity under Section 501(c)(3) of the Code which works to improve the economic climate in Northeast Ohio by organizations with the potential to strengthen the region as a whole. Grants are awarded by the Fund based on extensive due diligence and approval by the members of the Board. The Community Foundation made a conditional commitment to the Fund for a total of \$150,000 over a three-year period beginning in 2022. In 2023 and 2022, \$50,000 was paid to the Fund, and \$50,000 remains conditional as of December 31, 2023.

Note 9. Program Related Investments

The Community Foundation made a program related loan to Manufacturing Advocacy and Growth Network ("MAGNET"), a nonprofit organization, for its PRISM program to drive regional economic growth from small-to-mid-sized manufacturers. The Community Foundation's total commitment to MAGNET over a three year period was \$100,000. Repayment terms extend to six years, with 2% interest only for the first three years. Principal payments of \$3,314 were received in 2022. The balance of this asset was collected in full in January 2022.



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Independent Auditors' Report on Supplementary Information

To the Board of Directors
Community Foundation of Lorain County
Elyria, Ohio

We have audited the consolidated financial statements of Community Foundation of Lorain County as of and for the years ended December 31, 2023 and 2022, and our report thereon dated June 5, 2024, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads 'Maloney + Novotny LLC'.

Cleveland, Ohio
June 5, 2024

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 8,392	\$ 120	\$ 29,656		\$ 38,168
Investments	152,967,242		1,539,000		154,506,242
Assets held in trust by others	140,301				140,301
Accounts receivable - related parties	94,175			\$ (94,175)	-
Contributions receivable	43,730				43,730
Prepaid expenses	86,584				86,584
Property and equipment - net	578,403	110,000			688,403
Total assets	<u>\$153,918,827</u>	<u>\$ 110,120</u>	<u>\$ 1,568,656</u>	<u>\$ (94,175)</u>	<u>\$155,503,428</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 23,093	\$ 94,175		\$ (94,175)	\$ 23,093
Grants payable	87,999				87,999
Split-interest agreements	44,291				44,291
Agency fund liability	19,731,784				19,731,784
Total liabilities	19,887,167	94,175		(94,175)	19,887,167
<u>NET ASSETS</u>					
Without donor restrictions	133,891,359	15,945	\$ 1,568,656		135,475,960
With donor restrictions	140,301				140,301
Total net assets	134,031,660	15,945	1,568,656		135,616,261
Total liabilities and net assets	<u>\$153,918,827</u>	<u>\$ 110,120</u>	<u>\$ 1,568,656</u>	<u>\$ (94,175)</u>	<u>\$155,503,428</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 64,543	\$ 74	\$ 29,470		\$ 94,087
Investments	137,511,125		1,539,000		139,050,125
Assets held in trust by others	133,743				133,743
Accounts receivable - related parties	92,275			\$ (92,275)	-
Contributions receivable	23,269				23,269
Prepaid expenses	88,443				88,443
Property and equipment - net	594,078	110,000			704,078
Total assets	<u>\$138,507,476</u>	<u>\$ 110,074</u>	<u>\$ 1,568,470</u>	<u>\$ (92,275)</u>	<u>\$140,093,745</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 164,893	\$ 92,275		\$ (92,275)	\$ 164,893
Grants payable	1,411,813				1,411,813
Split-interest agreements	15,557				15,557
Agency fund liability	17,853,674				17,853,674
Total liabilities	19,445,937	92,275		(92,275)	19,445,937
<u>NET ASSETS</u>					
Without donor restrictions	118,927,796	17,799	\$ 1,568,470		120,514,065
With donor restrictions	133,743				133,743
Total net assets	119,061,539	17,799	1,568,470		120,647,808
Total liabilities and net assets	<u>\$138,507,476</u>	<u>\$ 110,074</u>	<u>\$ 1,568,470</u>	<u>\$ (92,275)</u>	<u>\$140,093,745</u>

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	Without Donor Restrictions				With Donor Restrictions		
	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total Without Donor Restrictions	Community Foundation of Lorain County	Total
SUPPORT AND REVENUE							
Contributions	\$ 5,773,350			\$ (16,000)	\$ 5,757,350		\$ 5,757,350
Less: amounts received for agency funds	(234,023)				(234,023)		(234,023)
Net contributions	5,539,327			(16,000)	5,523,327		5,523,327
Investment income - net of fees	19,452,734				19,452,734	\$ 6,558	19,459,292
Less: investment income on agency funds	(2,345,803)				(2,345,803)		(2,345,803)
Net investment income	17,106,931				17,106,931	6,558	17,113,489
Other income	208,881		\$ 43,167		252,048		252,048
Total support and revenue	22,855,139		43,167	(16,000)	22,882,306	6,558	22,888,864
EXPENSES							
Program services	7,309,270	\$ 1,839	16,000	(16,000)	7,311,109		7,311,109
Less: grants paid from agency funds	(701,716)				(701,716)		(701,716)
Net program services	6,607,554	1,839	16,000	(16,000)	6,609,393		6,609,393
General and administrative	725,702	15	26,981		752,698		752,698
Fundraising and development	558,320				558,320		558,320
Total expenses	7,891,576	1,854	42,981	(16,000)	7,920,411		7,920,411
CHANGE IN NET ASSETS	14,963,563	(1,854)	186	-	14,961,895	6,558	14,968,453
NET ASSETS – BEGINNING OF YEAR	118,927,796	17,799	1,568,470		120,514,065	133,743	120,647,808
NET ASSETS – END OF YEAR	\$ 133,891,359	\$ 15,945	\$ 1,568,656	\$ -	\$ 135,475,960	\$ 140,301	\$ 135,616,261

COMMUNITY FOUNDATION OF LORAIN COUNTY
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions				With Donor Restrictions		
	Community Foundation of Lorain County	Charitable Properties of Lorain County, LLC	Forever Farmland of Lorain County, LLC	Eliminations	Total Without Donor Restrictions	Community Foundation of Lorain County	Total
SUPPORT AND REVENUE							
Contributions	\$ 2,153,217			\$ (20,000)	\$ 2,133,217		\$ 2,133,217
Less: amounts received for agency funds	(98,380)				(98,380)		(98,380)
Net contributions	2,054,837			(20,000)	2,034,837		2,034,837
Investment loss - net of fees	(17,391,596)				(17,391,596)	\$ (16,831)	(17,408,427)
Less: investment loss on agency funds	2,398,897				2,398,897		2,398,897
Net investment loss	(14,992,699)				(14,992,699)	(16,831)	(15,009,530)
Other income	82,694		\$ 43,167		125,861		125,861
Total support and revenue	(12,855,168)		43,167	(20,000)	(12,832,001)	(16,831)	(12,848,832)
EXPENSES							
Program services	7,463,313	\$ 1,856	20,000	(20,000)	7,465,169		7,465,169
Less: grants paid from agency funds	(674,871)				(674,871)		(674,871)
Net program services	6,788,442	1,856	20,000	(20,000)	6,790,298		6,790,298
General and administrative	702,349		27,094		729,443		729,443
Fundraising and development	481,111				481,111		481,111
Total expenses	7,971,902	1,856	47,094	(20,000)	8,000,852		8,000,852
CHANGE IN NET ASSETS	(20,827,070)	(1,856)	(3,927)	-	(20,832,853)	(16,831)	(20,849,684)
NET ASSETS – BEGINNING OF YEAR	139,754,866	19,655	1,572,397		141,346,918	150,574	141,497,492
NET ASSETS – END OF YEAR	\$ 118,927,796	\$ 17,799	\$ 1,568,470	\$ -	\$ 120,514,065	\$ 133,743	\$ 120,647,808