

**THE COMMUNITY FOUNDATION OF
HOWARD COUNTY, INC.**

AUDITED COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2021



THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Community Foundation of Howard County, Inc.
Columbia, Maryland

Opinion

We have audited the accompanying combined financial statements of The Community Foundation of Howard County, Inc. and its supporting foundation (collectively, the Foundation), which comprise the combined statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Foundation as of December 31, 2021, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 combined 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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.

UHY LLP

Columbia, Maryland
January 20, 2023

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash and cash equivalents	\$ 1,042,755
Pledges receivable	419,909
Other assets	275,101
Investments, at fair value	36,010,374
Other investments	1,286,000
Property and equipment - net	<u>946,720</u>

Total assets \$ 39,980,859

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 7,175
Grants payable	<u>186,873</u>

Total liabilities 194,048

NET ASSETS

Without donor restrictions	<u>39,786,811</u>
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Total liabilities and net assets \$ 39,980,859

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
COMBINED STATEMENT OF ACTIVITIES
For the year ended December 31, 2021

Activities Without Donor Restrictions

Revenue, Support, Gains and Losses

Contributions and grants	\$ 4,294,221
Gifts-in-kind	937,000
Net investment income	3,673,260
Loss on insurance policies	(37,839)
Miscellaneous and other income	<u>22,323</u>

Total revenue, support, gains and losses	<u>8,888,965</u>
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Expenses

Program services	2,760,718
Marketing and general	392,660
Fundraising	<u>184,079</u>

Total expenses	<u>3,337,457</u>
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Change in Net Assets	5,551,508
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Net assets - Beginning	<u>34,235,303</u>
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Net assets - Ending	<u><u>\$ 39,786,811</u></u>
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THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Grants and program expenses	\$ 2,290,212	\$ -	\$ -	\$ 2,290,212
Operating expenses:				
Accounting	-	34,065	-	34,065
Advertising and promotion	21,611	12,966	8,644	43,221
Conferences and meetings	10,305	-	-	10,305
Contractual expenses	65,496	39,297	26,198	130,991
Dues and subscriptions	-	16,650	-	16,650
Depreciation and amortization	1,496	898	598	2,992
Information technology	26,468	15,881	10,587	52,936
Insurance	711	427	284	1,422
Management fees	-	65,824	-	65,824
Occupancy	34,433	20,660	13,773	68,866
Office expenses	10,703	6,422	4,281	21,406
Phone and internet	2,851	1,710	1,140	5,701
Printing	891	535	357	1,783
Salary, benefits, and taxes	295,541	177,325	118,217	591,083
	<u>295,541</u>	<u>177,325</u>	<u>118,217</u>	<u>591,083</u>
Total expenses	<u>\$ 2,760,718</u>	<u>\$ 392,660</u>	<u>\$ 184,079</u>	<u>\$ 3,337,457</u>

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
COMBINED STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

Cash Flows from Operating Activities

Cash received from:	
Contributions and grants	\$ 3,970,867
Interest and dividends	650,355
Loss on insurance policies	(37,819)
Miscellaneous and other income	<u>22,323</u>
Total cash received	<u>4,605,726</u>
Cash disbursed for:	
Grants and program expenses	(2,328,231)
Salary, benefits, and taxes	(592,684)
Other goods and services	<u>(612,634)</u>
Total cash disbursed	<u>(3,533,549)</u>
Net cash provided by operating activities	<u>1,072,177</u>

Cash Flows from Investing Activities

Proceeds from sales and maturities of investments	3,386,483
Cash paid for purchases of investments	(4,676,091)
Purchase of property and equipment	<u>(12,712)</u>
Net cash used for investing activities	<u>(1,302,320)</u>

Net Decrease in Cash and Cash Equivalents (230,143)

Cash and Cash Equivalents, Beginning 1,272,898

Cash and Cash Equivalents, Ending \$ 1,042,755

The following reconciles the change in nets assets to net cash used for operating activities:

Cash Flows from Operating Activities

Change in net assets	\$ 5,551,508
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Gifts-in-kind	(937,000)
Depreciation and amortization	2,992
Realized gains on investments	(3,054,459)
Unrealized gains on investments	(91,430)
Decreases (increases) in assets:	
Pledges receivable	(323,354)
Other assets	(19,685)
Increases (decreases) in liabilities:	
Accounts payable	(16,775)
Accrued payroll	(1,601)
Grants payable	<u>(38,019)</u>
Net cash provided by operating activities	<u><u>\$ 1,072,177</u></u>

Supplemental disclosures of non-cash operating activity:

In 2021, donated property with a value of \$937,000 was received.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 1 - DESCRIPTION OF ORGANIZATION

The Columbia Foundation, Inc. was incorporated on October 5, 1971 under the laws of the State of Maryland as a nonprofit corporation. The articles of incorporation were amended and restated on May 14, 2013 to change the name to The Community Foundation of Howard County, Inc. The mission of The Community Foundation of Howard County, Inc. is to enhance the quality and life of the citizens in Howard County, Maryland's communities by identifying and addressing current and anticipated community needs and raising, managing and distributing funds for charitable purposes in the areas of civic, cultural, health, education and social services. Revenue, support and investment gains are primarily derived from contributions, grants, and investment income.

The combined financial statements include the accounts of The Community Foundation of Howard County, Inc. and its supporting foundation, (collectively, the Foundation). The Community Foundation of Howard County, Inc. has one active supporting organization, the Real Estate Charitable Foundation of Howard County, Inc. (RECF), which was established on October 24, 2014. As described in Section 509(a)(3) of the Internal Revenue Code, Type I supporting organizations are operated, supervised, or controlled by the supporting organization and whose sole purpose is to further the mission of the supported organization. All significant intercompany transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of combined 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, liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio. Cash and cash equivalents are carried at cost, which approximates fair value.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

Cash flows from operating activities include the revenue generating activities of the Foundation which include contributions and grants, interest and dividends, loss on insurance policies and miscellaneous and other income. Cash flows from the investing activities include investments not included in cash equivalents.

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises made to the Foundation for future contributions are recorded as pledges receivable and as revenue at the present value of such future payments. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The discount will be recognized as contribution revenue in future fiscal years as the discount is amortized over the duration of the contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Foundation's historical collection experience. All receivables are considered to be fully collectible as of December 31, 2021 and no allowance has been recorded.

Investments

The Foundation reports investments in equity and debt securities at fair value using quoted market prices when available. Donated securities are recorded at fair value on the date the securities are received.

Interest income is recognized when received. Dividend income is recognized on the ex-dividend date. Realized gains and losses on sales of investments are recognized as specific investments sold. Unrealized gains and losses are recognized as there's a change in the investment value. Investment income is reported net of investment fees in the combined statement of activities, as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or law.

Other Investments

The Foundation received a donation of an interest in a limited liability limited partnership (LLLP) interest which was valued at \$1,286,000 upon receipt in 2007. The LLLP owns and operates a low-income housing project in the Howard County, Maryland community. The investment is accounted for using the cost method because it does not have a readily determinable fair value. Management evaluates the investment for impairment annually.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Foundation applies the provisions included in the Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the combined financial statements on a recurring and nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs.

To determine the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the *Fair Value Measurement* Topic. The following is a description of the valuation methodology used for investments and long-lived assets measured at fair value. There have been no changes in the methodology used at December 31, 2021:

Money market funds - Liquid funds held by investment managers are reported with investments and are recorded at cost which approximates fair value.

Mutual Funds, Common Stocks, and Exchange Traded Funds - Valued at the closing price reported in the active market on which the individual securities are traded (Level 1).

Government and Agency and Corporate Bonds - Fair values for fixed maturity securities are based upon prices provided by the investment managers and custodial bank. Both the investment managers and custodial bank use a variety of pricing sources to determine fixed maturity market valuations (Level 2).

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Alternative Investments - These assets include hedge funds and private equities funds measured at fair value utilizing the net asset value (NAV) per unit multiplied by the total number of units held or its equivalent as a practical expedient. Investing in these funds involves a high degree of risk. These funds are valued on a continuous basis at the NAV plus any applicable sales loads. The Foundation reviews and evaluates the values provided by the external investment managers and agrees with the valuation methods and assumptions used in determining the NAV of those investments. In accordance with ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Long-lived Assets - The Foundation reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2021, the Foundation has not identified any long-lived assets requiring impairment.

Property and Equipment

The Foundation follows the practice of capitalizing, at cost, all expenditures for property and equipment with a useful life greater than one year and a cost in excess of \$1,000. Depreciation of computer equipment and buildings is computed on the straight-line basis over the estimated useful lives of the related assets, which range from three to 39 years. Repairs and maintenance costs are expensed when incurred.

Grants Payable

Grants approved by the Board of Trustees of the Foundation are recorded as payables in the year the grant is approved.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net assets without donor restriction - Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Trustees) and/or management for general operating purposes. From time to time, the Trustees may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. See note 6 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets with donor restrictions and reported in the combined statement of activities as net assets released from restrictions. There were no net assets with donor restrictions as of December 31, 2021.

Revenue Recognition

Contributions and grants - Contributions and grants received are recorded as either net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions. Contributions and grants with donor restricted received and released in the same period are recognized as revenues without donor restrictions. Contributed assets are reported at fair value at time of donation.

The Foundation received donated property with an estimated fair market value of \$937,000 for the year ended December 31, 2021. There was no donor restriction placed on donated property. The property was utilized for program, administrative and fundraising purposes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities and functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service.

Supporting services are comprised of management and general and fundraising expenses and include costs that are not directly identifiable with any specific program but provide for the overall support and direction of the Foundation. Accordingly, certain overhead expenses have been allocated based on time spent by the Foundation's personnel in such functions, such as advertising and promotion, contractual expenses and so on.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Community Foundation of Howard County, Inc. and the Real Estate Charitable Foundation of Howard County, Inc. are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and are classified by the Internal Revenue Services as organizations that are not private foundations.

Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended December 31, 2021, the Foundation had no taxable net income or tax liability. The Foundation believes that there are no tax positions taken or expected to be taken that would require recognition in the combined financial statements or which may have an effect on its tax-exempt status. None of the Foundation's federal or state income tax returns are currently under examination.

Variance Power

The articles of incorporation of the Foundation include a variance provision giving the Trustees the power to modify any restriction or condition placed on gifts to the Foundation, including those with donor-imposed restrictions, if, in its sole judgment, the Trustees determines that the restriction becomes, in effect, incapable of fulfillment or inconsistent with the charitable needs of the community. The Foundation's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of the principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of each fund's Board, as applicable. Accordingly, such contributions are reported in net assets without donor restrictions.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are due as follows as of December 31, 2021:

Amounts due in	
Less than one year	\$ 366,209
One to five years	<u>53,700</u>
 Total pledges receivable, net	 <u>\$ 419,909</u>

As of December 31, 2021, there is no allowance for doubtful pledges receivable and the effect of discounting the long-term receivable was considered insignificant.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the assets of the Foundation which are measured at fair value on a recurring basis as of December 31, 2021, using quoted prices in active markets for identical assets (Level 1); quoted prices in markets that are not active or for significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Marketable securities:				
Government and agency bonds	\$ 3,939,344	\$ -	\$ 3,939,344	\$ -
Corporate bonds and notes	3,044,748	-	3,044,748	-
Fixed income mutual funds and ETFs	4,149,209	4,149,209	-	-
Stocks	9,646,613	9,646,613	-	-
Equity mutual funds and ETFs	<u>11,754,868</u>	<u>11,754,868</u>	<u>-</u>	<u>-</u>
Total	32,535,382	<u>\$ 25,550,690</u>	<u>\$ 6,984,092</u>	<u>\$ -</u>
Money market funds, at cost	1,566,136			
Alternative investments valued at NAV:				
Hedge funds	818,286			
Private equity funds	<u>1,090,570</u>			
Total	<u>\$ 36,010,374</u>			

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Information with respect to redemption terms, strategies, risks and funding commitments for investments based on NAV, are as follows:

	<u>2021 NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds:					
Hedge U.S. Equity Managers	\$ 818,286	\$ -	After 1-year soft lock-up	Semi-annual	95 days'
Private equity funds:					
Brown Advisory Private Equity Partners VII Ai LLLp	187,820	54,925	N/A	N/A	N/A
Brown Advisory Private Equity Partners I Te Llp	155,385	49,692	N/A	N/A	N/A
Brown Advisory Private Equity Partners VIII QP	131,693	128,012	N/A	N/A	N/A
Brown Advisory Real Estate Partners II QP	138,216	101,124	N/A	N/A	N/A
			"Initial hard lock-up period: after 3 years can redeem liquid portion of investment with 3 months plus 5 calendar days' notice at the end of the month that precedes the 3 rd anniversary of contribution, and thereafter on each subsequent two-year anniversary	(See Redemption Frequency)	(See Redemption Frequency)
Viking Global Opp Offshore	336,763		N/A	N/A	N/A
Brown Advisory Pe Partners IX	115,399	120,000	N/A	N/A	N/A
		164,343	liquid portion of investment is not redeemable at any time until a realization event would allow liquidity	N/A	N/A
Brown Advisory Pip II	<u>25,294</u>				
	<u>\$ 1,908,856</u>				

Net investment income consisted of the following for the year ended December 31, 2021:

Interest and dividend income	\$ 650,355
Net realized gains	3,054,459
Net unrealized gains	91,430
Less investment expenses	<u>(122,984)</u>
Net investment income	<u>\$ 3,673,260</u>

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2021:

Building	\$ 700,212
Land	249,500
Computer and office equipment	<u>18,920</u>
Total property and equipment	968,632
Less, accumulated depreciation and amortization	<u>(21,912)</u>
Total property and equipment, net	<u>\$ 946,720</u>

Depreciation and amortization expense totaled \$2,992 for the year ended December 31, 2022.

NOTE 6 - OTHER INVESTMENTS

The Foundation received a donation of an interest in a limited liability limited partnership (LLLP) interest which was valued at \$1,286,000 upon receipt in 2007. The LLLP owns and operates a low-income housing project in the Howard County, Maryland community. The investment is accounted for using the cost method because it does not have a readily determinable fair value. Management evaluates the investment for impairment annually and has determined the value is not impaired as of December 31, 2021.

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available to finance the general operations of the Foundation. However, the Trustees may set limits resulting from the nature of the Foundation, the environment in which they operate, and the purpose specified in their bylaws.

Voluntary resolutions by the Trustees to designate a portion of its net assets without donor restrictions for specific purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Trustees at any time, internally-designated net assets are reported as net assets without donor restrictions.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Net assets without donor restrictions consisted of the following at December 31, 2021:

Designated - agency	\$ 14,087,237
Donor advised	7,286,278
Field of interest	3,100,585
General operating	2,885,778
Scholarship	1,588,406
Designated	1,139,958
Awards	<u>340,473</u>
	30,428,715
Unrestricted	<u>9,264,881</u>
Total net assets without donor restrictions, excluding supporting organizations	39,693,596
Supporting organizations	<u>93,215</u>
Total net assets without donor restrictions	<u>\$ 39,786,811</u>

NOTE 8 - OPERATING LEASE

The Foundation has an operating lease for office space through September 2023. The agreement specifies a base rent of \$5,304 per month with a 3% increase per year.

Future minimum lease payments are as follows:

Years ending December 31:	
2022	\$ 70,241
2023	<u>60,049</u>
Total	<u>\$ 130,290</u>

A portion of the leased space is subleased to an unaffiliated for-profit organization. The above lease expense will be offset by payments due under the sublease as follows:

Years ending December 31:	
2022	\$ 45,600
2023	<u>38,000</u>
Total	<u>\$ 83,600</u>

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 8 - OPERATING LEASE (Continued)

For the year ended December 31, 2021, occupancy expenses totaled \$68,866, which was recorded in the combined statement of functional expenses and rental income under the sublease was \$11,400, which was recorded as miscellaneous and other income in the combined statement of activities.

NOTE 9 - CONCENTRATIONS

Credit Risk

The Foundation places its cash, cash equivalents and money market funds with high credit quality financial institutions. At any given time during the year, the balances may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). Management believes that the Foundation is not exposed to any significant credit risk with regards to its cash balances. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

The Foundation also invests in various investment securities. Investment securities are exposed to various risks such as such as market and credit fluctuation. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying combined financial statements.

Major Donors

The Foundation recognized contribution revenue from one major donor totaling \$1,066,648, which represents 12% of its total revenue, and donated property with a value of \$937,000, which represents 11% of its total revenue during the year ended December 31, 2021.

NOTE 10 - MANAGEMENT AGREEMENT

In September 2013, the Foundation entered into an agreement with Greater Horizons, a non-profit corporation in Kansas City, Missouri. The Foundation receives accounting, legal and administrative services from Greater Horizons. Management fees for the year ended December 31, 2021 totaled \$65,824. In addition, the Foundation reimburses Greater Horizons for direct, out of pocket commissions or fees paid in connection with the sale of securities on behalf of the Foundation and certain other administrative expenses. As a part of the agreement, certain assets of the Foundation were retitled from the Foundation's name to "Greater Horizons for the benefit of The Community Foundation of Howard County, Inc.". Ultimate variance power, however, remains with the Foundation. The financial terms of the agreement are reviewed annually and renegotiated by both parties. The agreement with Greater Horizons ended during the year ended December 31, 2021.

THE COMMUNITY FOUNDATION OF HOWARD COUNTY, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
For the year ended December 31, 2021

NOTE 11 - LIQUIDITY AND AVAILABILITY

For general operating expenditures, the Foundation's financial assets available for operations during one year from December 31, 2021:

Cash and cash equivalents	\$	1,042,755
Pledges receivables due within one year		419,909
Investments, excluding alternative and other		<u>34,101,518</u>
Total financial assets available within one year	\$	<u>35,564,182</u>

As part of the Foundation's liquidity management, it invests cash in various investments. Total investments presented on the combined statement of financial position are included above and any investment could be liquidated to meet general expenditures. The Foundation manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Foundation has decided can be tolerated.

NOTE 12 - IMPACT OF COVID-19 VIRUS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Foundation is closely monitoring its liquidity and is actively working to minimize the impact of these declines.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2023, which is the date the financial statements were available to be issued.