



Certified Public Accounts and Consultants

DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION

AUDITED COMBINED FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2022

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Delaware Community Foundation, Inc.  
and Supporting Organization

### **Opinion**

We have audited the accompanying combined financial statements of Delaware Community Foundation, Inc. and Supporting Organization (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2022 and 2021, and the related combined statements of activities, functional expenses and cash flows for the years 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 financial position of Delaware Community Foundation, Inc. and Supporting Organization as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 combined 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 Delaware Community Foundation, Inc. and Supporting Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.



**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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 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 combined 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 combined 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 Delaware Community Foundation, Inc. and Supporting Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Delaware Community Foundation, Inc. and Supporting Organization'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.

Wilmington, Delaware

December 2, 2022

*Gunnip & Company LLP*

## COMBINED FINANCIAL STATEMENTS

**COMBINED STATEMENTS OF  
FINANCIAL POSITION**

**DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION**

**JUNE 30, 2022 AND 2021**

**ASSETS**

	<b>2022</b>	<b>2021</b>
ASSETS		
Cash and cash equivalents	\$ 15,103,129	\$ 30,307,658
Investments	308,363,730	344,145,287
Other investments	20,030,257	14,638,512
Interest and dividends receivable	47,344	56,482
Notes receivable	1,761,628	1,921,328
Unconditional promises to give	195,992	212,998
Other receivables	5,136	5,135
Fixed assets	112,093	126,765
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 345,619,309</u>	<u>\$ 391,414,165</u>

**LIABILITIES AND NET ASSETS**

LIABILITIES		
Other accrued expenses	\$ 348,376	\$ 387,495
Charitable gift annuities	286,761	335,506
Deferred grant revenue	2,025,265	0
Nonprofit agency endowments	37,279,222	42,690,810
	<u>                    </u>	<u>                    </u>
Total liabilities	39,939,624	43,413,811
NET ASSETS		
Without donor restrictions	305,656,785	347,822,367
With donor restrictions	22,900	177,987
Total net assets	<u>305,679,685</u>	<u>348,000,354</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 345,619,309</u>	<u>\$ 391,414,165</u>

See accompanying notes to financial statements.

COMBINED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 23,724,604	\$ 25,750	\$ 23,750,354
Interest and dividend income, net of fees	5,579,914	0	5,579,914
Realized gain	23,704,890	0	23,704,890
Unrealized loss	(66,685,590)	0	(66,685,590)
Administrative fees	328,935	0	328,935
Grants and other income	5,613,209	0	5,613,209
Total revenue	(7,734,038)	25,750	(7,708,288)
NET ASSETS RELEASED FROM RESTRICTIONS	180,837	(180,837)	0
Total revenues, gains and other support	(7,553,201)	(155,087)	(7,708,288)
EXPENSES			
Grants and programs	31,044,771	0	31,044,771
Management and general	2,116,134	0	2,116,134
Fundraising	1,451,476	0	1,451,476
Total operating expenses	34,612,381	0	34,612,381
CHANGE IN NET ASSETS	(42,165,582)	(155,087)	(42,320,669)
NET ASSETS, BEGINNING OF YEAR	347,822,367	177,987	348,000,354
NET ASSETS, END OF YEAR	\$ 305,656,785	\$ 22,900	\$ 305,679,685

See accompanying notes to financial statements.



COMBINED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 80,367,342	\$ 12,500	\$ 80,379,842
Interest and dividend income, net of fees	3,323,002	0	3,323,002
Realized gain	8,660,910	0	8,660,910
Unrealized gain	47,122,605	0	47,122,605
Administrative fees	233,511	0	233,511
Grants and other income	3,887,921	0	3,887,921
Total revenue	143,595,291	12,500	143,607,791
NET ASSETS RELEASED FROM RESTRICTIONS	272,652	(272,652)	0
Total revenues, gains and other support	143,867,943	(260,152)	143,607,791
EXPENSES			
Grants and programs	31,206,752	0	31,206,752
Management and General	2,057,106	0	2,057,106
Fundraising	1,291,695	0	1,291,695
Total operating expenses	34,555,553	0	34,555,553
CHANGE IN NET ASSETS	109,312,390	(260,152)	109,052,238
NET ASSETS, BEGINNING OF YEAR	238,509,977	438,139	238,948,116
NET ASSETS, END OF YEAR	\$ 347,822,367	\$ 177,987	\$ 348,000,354

See accompanying notes to financial statements.



COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 26,084,223	\$ 0	\$ 0	\$ 26,084,223
Compensation and benefits	1,851,165	940,788	1,161,629	3,953,582
Professional fees and contract services	1,876,562	444,384	50,228	2,371,174
Supplies and office expense	47,874	93,354	21,106	162,334
Travel, conferences, and meetings	115,013	70,202	15,087	200,302
Occupancy	26,005	102,762	60	128,827
Information technology	60,042	240,380	1,864	302,286
Insurance	0	47,260	0	47,260
Marketing and promotion	23,601	138,610	48,290	210,501
Gift annuity distributions, net of change in annuity value	(6,084)	0	0	(6,084)
Subrecipient awards	938,717	0	0	938,717
Other	27,653	3,263	153,212	184,128
Depreciation	0	35,131	0	35,131
Total	<u>\$ 31,044,771</u>	<u>\$ 2,116,134</u>	<u>\$ 1,451,476</u>	<u>\$ 34,612,381</u>

See accompanying notes to financial statements.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION

Description	Grants and programs	Management & General	Fundraising	Total
Grants	\$ 25,676,031	\$ 0	\$ 0	\$ 25,676,031
Compensation and benefits	1,471,290	1,051,316	1,113,662	3,636,268
Professional fees and contract services	2,110,642	383,995	29,178	2,523,815
Supplies and office expense	43,917	104,060	17,338	165,315
Travel, conferences, and meetings	22,097	47,314	11,767	81,178
Occupancy	29,879	99,021	0	128,900
Information technology	41,460	263,989	9,389	314,838
Insurance	943	29,686	0	30,629
Marketing and promotion	23,470	36,136	19,663	79,269
Gift annuity distributions, net of change in annuity value	55,569	0	0	55,569
Subrecipient awards	1,622,564	0	0	1,622,564
Other	108,890	7,679	90,698	207,267
Depreciation	0	33,910	0	33,910
Total	<u>\$ 31,206,752</u>	<u>\$ 2,057,106</u>	<u>\$ 1,291,695</u>	<u>\$ 34,555,553</u>

See accompanying notes to financial statements.

**COMBINED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2022  
AND 2021**

**DELAWARE COMMUNITY FOUNDATION, INC.  
AND SUPPORTING ORGANIZATION**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from revenues, gains and other support	\$ 34,138,847	\$ 85,847,276
Cash paid for grants and expenses	(37,739,046)	(37,675,335)
Interest and dividends received	<u>6,523,882</u>	<u>3,933,959</u>
Net cash flow from operating activities	<u>2,923,683</u>	<u>52,105,900</u>
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(20,459)	(24,314)
Notes receivable made	(751,366)	(508,854)
Notes receivable collected	911,066	179,364
Purchase of investments	(52,661,441)	(42,582,440)
Proceeds from sale of investments	<u>34,393,988</u>	<u>12,270,843</u>
Net cash flow used by investing activities	<u>(18,128,212)</u>	<u>(30,665,401)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(15,204,529)</u>	<u>21,440,499</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>30,307,658</u>	<u>8,867,159</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 15,103,129</u>	<u>\$ 30,307,658</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Donated securities	<u>\$ 0</u>	<u>\$ 24,590,006</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

## DELAWARE COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

### Note 1 Nature of activities and significant accounting policies

#### Nature of activities

The Delaware Community Foundation, Inc., and Rodel Charitable Foundation - DE (the Supporting Organization), collectively referred to as the Foundation, are nonprofit organizations formed for the principal purpose of attracting and administering charitable funds. The Foundation serves as a source of information for the community, identifies unmet and emerging community needs, and facilitates strategies to address these needs. The Foundation awards grants to nonprofit organizations to develop their facilities and provide services to help those in need achieve a better life. The majority of the Foundation's revenue is composed of contributions and investment income. The Foundation is located in the State of Delaware.

#### Principles of combination

These combined financial statements include the accounts of Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE, both of which are under common control. All significant intercompany balances and transactions have been eliminated.

#### Use of estimates in the preparation of financial statements

The preparation of the 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 and liabilities and disclosure of contingent assets and liabilities at 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.

#### Cash and cash equivalents

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

Included in cash and cash equivalents at June 30, 2022 and 2021 is \$ 8,323,141 and \$ 18,658,272, respectively, that reflects cash held in investment accounts.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position. Fair values are estimated based upon quoted market prices. Purchases and sales are recorded on the trade date. Realized gains and losses are determined on the basis of first-in, first-out. Unrealized gains and losses are included in the change in net assets in the combined statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments – other consists of the estimated fair value of donated real estate, stock awaiting sale at estimated fair value and certificates of deposit, stated at cost.



Note 1     Nature of activities and significant accounting policies (cont'd)Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are reported at their fair value or net realizable value in the combined statements of financial position. Provisions for uncollectible receivables are charged to expense when determined to be uncollectible by management. It is the opinion of management that the expense computed under this method is not materially different than what the expense would be if the allowance method were used.

Allowance for doubtful accounts

The Foundation's management has deemed all receivables to be collectible and accordingly has not recorded an allowance for doubtful accounts as of June 30, 2022 and 2021.

Fixed assets

The Foundation capitalizes all expenditures for property, plant, and equipment in excess of \$ 1,000. Purchased property, plant, and equipment are recorded at cost. Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as support without 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, plant, and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without restriction at that time. Property, plant, and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

Nonprofit agency endowments

Nonprofit agency endowments consist of amounts received from various nonprofit organizations that, through their respective fund agreements, have designated themselves as beneficiaries. New additions, investment income, and gains increase the liability. Grants paid to the respective nonprofit organizations, management fees, and investment losses reduce the liability.

Net assets

The Foundation's by-laws include a unilateral variance power, which allows the Foundation the ability to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any participating trustee, custodian or agent), such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable, benevolent, cultural, civic, health, scientific, and educational needs of the Delaware community.

Note 1      Nature of activities and significant accounting policies (cont'd)Financial statement presentation

The combined financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions

Noncash contributions are recorded at fair value on the date of donation.

Support that is restricted by the donor and placed in a fund is administered and classified according to the donor's stipulations; however, the by-laws and individual fund agreements provide the governing body of the Foundation with variance power over the use of such assets, and, therefore, donor support is recorded as an increase in net assets without donor restrictions.

Support that is subject to time or use restrictions is recorded as increases in net assets without restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other time and use restricted support is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis.



Note 1      Nature of activities and significant accounting policies (cont'd)Allocation of costs

Directly identifiable expenses are charged to grants and programs in the Combined Statement of Activities. Management and general expenses include those expenses that are not directly identifiable with a specific grant or program but provide for the overall support and direction of the Foundation.

Advertising

The Foundation expenses advertising cost as incurred. Advertising expense was \$ 114,516 and \$ 14,815 for the years ended June 30, 2022 and 2021, respectively.

Revenue and revenue recognition

Revenues are measured based on consideration specified in a contract with a customer. The Foundation recognizes revenue when it satisfies a performance obligation by assuming control over a promised service to a customer. The Foundation's principal activities resulting in contracts with customers include administration fees for services.

Monthly administration fees are based on fixed rate schedules multiplied by the monthly balance held at the Foundation specified in fund agreement. The performance obligation consists of providing fund holders with administrative services provided during the month and are nonrefundable.

Revenue from fundraisers is measured by the amount of money received for or during the event, less expenses incurred for the fundraising activity. Revenue from government agencies and other grants is measured by the consideration specified in the respective contract with the respective granting agency. The Foundation recognizes this revenue on a cost reimbursement basis as the Foundation satisfies service obligations. The Foundation submits approved expenditures to the granting agency and recognizes the revenue upon submission. The Foundation also has revenues for program services that have a duration of one year or less. The Foundation has elected the practical expedient and has not disclosed the value of unsatisfied performance obligations nor the expected timing for completion related to these revenues.

Fair value measurement

FASB ASC 820 – Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements).

Note 1 Nature of activities and significant accounting policies (cont'd)Fair value measurement (cont'd)

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 –

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

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

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Income taxes

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE are nonprofit organizations which are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). As a result, there is no provision for federal income taxes in the accompanying combined financial statements. In addition, both organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

Income not related to the Foundation's tax-exempt purposes may be subject to taxation as unrelated business income. Accounting principles generally accepted in the United States of America impose a threshold for determining when an income tax benefit can be recognized in regard to uncertain tax positions.

The Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE have determined that no liability for uncertain tax positions is required to be accrued and included in the combined statements of financial position as of June 30, 2022 and 2021.

The federal informational returns of the Delaware Community Foundation, Inc. and Rodel Charitable Foundation - DE for the years ended June 30, 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.



Note 1 Nature of activities and significant accounting policies (cont'd)Subsequent events

The date to which events occurring after June 30, 2022, the date of the most recent Combined Statement of Financial Position, have been evaluated for possible adjustment to the financial statements or disclosure is December 2, 2022, which is the date on which the financial statements were available to be issued.

Note 2 Availability and liquidity

Financial assets available for general expenditures within one year of the combined statements of financial position date are comprised of the following at June 30:

Financial assets at year end:	2022	2021
Cash and cash equivalents	\$ 1,865,173	\$ 2,406,229
Investments	<u>3,126,357</u>	<u>2,946,824</u>
Total financial assets	4,991,530	5,353,053
Less amounts not available to be used within one year:		
Board reserves	<u>3,110,314</u>	<u>3,088,427</u>
Total financial assets	<u>\$ 1,881,216</u>	<u>\$ 2,264,626</u>

The Foundations' core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established reserves designed to support operations during periods of market volatility, when administrative fees collected may fall short of budgeted expectations.

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Note 3     Investments

Combined investments, including investments from the Supporting Organization, consisted of the following as of June 30:

	<b>2022</b>	<b>2021</b>
	<u>Fair Value</u>	<u>Fair Value</u>
Common stocks		
Domestic	\$ 20,145,515	\$ 23,498,240
International	937,507	1,126,811
Corporate bonds (domestic)	8,955,761	4,242,156
Government agency and securities	2,246,608	3,115,614
REIT	8,040,554	6,118,263
Energy debt LP	5,727,246	5,851,383
Global private assets LP	2,431,466	776,228
Mutual funds		
Equity	164,681,982	197,737,866
Fixed Income	65,662,732	69,716,451
Other	1,887,488	3,190,006
Multi-strategy hedge funds	24,729,577	26,656,017
Private equity funds	2,400,629	1,571,772
SAFE contract	14,740	14,740
True Access	500,000	500,000
Annuity contracts	<u>1,925</u>	<u>29,740</u>
Total investments	<u>\$ 308,363,730</u>	<u>\$ 344,145,287</u>

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Note 3 Investments (cont'd)

The values of the hedge funds and private equity funds as of June 30, 2022 and 2021 have been estimated by the underlying fund managers. Information on unfunded commitments and redemption restrictions, if any, as of June 30, 2022 and 2021 is listed in the following tables.

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-strategy hedge funds (DCF) <sup>a</sup>	\$ 24,729,577	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) <sup>a</sup>	8,040,554	0	Quarterly	95 Days
Energy Debt LP (DCF) <sup>a</sup>	5,727,246	0	Semi-annual	95 Days
Global Private Assets, LP (DCF) <sup>a</sup>	2,431,466	5,093,386	N/A	N/A
Private equity funds (Rodel) <sup>b</sup>	<u>2,400,629</u>	<u>154,526</u>	N/A	N/A
Grand total	<u>\$ 43,329,472</u>	<u>\$ 5,247,912</u>		

<u>June 30, 2021</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-strategy hedge funds (DCF) <sup>a</sup>	\$ 26,656,017	\$ 0	Quarterly	95 Days
REIT – Core Property (DCF) <sup>a</sup>	6,118,263	0	Quarterly	95 Days
Energy Debt LP (DCF) <sup>a</sup>	5,851,383	0	Semi-annual	95 Days
Global Private Assets, LP (DCF) <sup>a</sup>	776,228	6,723,772	N/A	N/A
Private equity funds (Rodel) <sup>b</sup>	<u>1,571,772</u>	<u>268,797</u>	N/A	N/A
Grand total	<u>\$ 40,973,663</u>	<u>\$ 6,992,569</u>		

<sup>a</sup> This category invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this category have been estimated using net asset value per share of the investments.

<sup>b</sup> This category includes several private equity funds with multiple investment managers. The Hirtle Callaghan investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The fund is expected to begin liquidation 15 to 18 years from the initial offering date. The Charles Schwab investments are considered private equity investments, but offer quarterly redemptions making them more liquid. The fair values of the investments in this category have been estimated using the most recent valuations reported to the investment manager by the underlying funds in which it invests. As a result, the fair values of the investments in this category may be based on reported valuations that are several months old as of June 30, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
FOUNDATION, INC. AND  
SUPPORTING ORGANIZATION

Note 4 Other investments

Other investments consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ 20,020,856	\$ 14,151,823
Stock awaiting sale	9,401	486,689
Total	<u>\$ 20,030,257</u>	<u>\$ 14,638,512</u>

Note 5 Notes receivable

Notes receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Notes receivable due to Capital Reserve	\$ 1,040,000	\$ 1,910,000
Interest receivable on notes receivable		
due to Capital Reserve	9,409	11,328
Other notes receivable	712,219	0
Total notes receivable	<u>\$ 1,761,628</u>	<u>\$ 1,921,328</u>

Notes receivable consisted of the following as of June 30:

<u>Date of Note</u>	<u>Due Date</u>	<u>1 Year Constant Maturity Index</u>	<u>2022 Balance</u>
12/13/21	12/13/22	0.27%	\$ 250,000
03/23/22	03/24/23	1.67%	100,000
03/23/22	03/24/23	1.67%	110,000
05/07/20	05/01/26	0.85%	580,000
11/19/21	11/30/30	5.00%	712,219
		Total	<u>\$ 1,752,219</u>



NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
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Note 5 Notes receivable (cont'd)

Notes receivable consisted of the following as of June 30:

Date of Note	Due Date	1 Year Constant Maturity Index	2021 Balance
11/28/20	11/28/21	0.11%	\$ 50,000
12/13/20	12/13/21	0.10%	250,000
03/23/21	03/24/21	0.06%	300,000
03/23/21	03/24/21	0.06%	100,000
03/23/21	03/24/21	0.06%	100,000
03/23/21	03/24/21	0.06%	110,000
05/07/20	05/01/26	0.85%	1,000,000
Total			<u>\$ 1,910,000</u>

The Foundation regularly grants notes to unrelated nonprofit organizations as part of its mission to help nonprofit organizations develop their facilities and provide services. These notes carry interest at rates ranging from 0% to 5%. Interest-bearing notes incur interest each quarter, which is recorded by the Foundation as a grant to the nonprofit organization. The majority of the Foundation's notes are due on demand. Non-demand notes are due within one to three years.

Note 6 Unconditional promises to give

Unconditional promises to give consisted of the following as of June 30:

	2022	2021
Receivable in less than one year	\$ 173,092	\$ 181,877
Receivable in one to five year	22,900	31,121
Receivable in more than five years	0	0
Total unconditional promises to give	<u>\$ 195,992</u>	<u>\$ 212,998</u>

The Foundation does not discount their unconditional promises to give as management considers it immaterial.

NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
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Note 7 Fixed assets

Fixed assets consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 711,911	\$ 717,831
Leasehold improvements	236,693	236,693
Less: accumulated depreciation and amortization	<u>(836,511)</u>	<u>(827,759)</u>
Total fixed assets	<u>\$ 112,093</u>	<u>\$ 126,765</u>

Note 8 Net assets with donor restriction

Net assets with donor restriction and net assets released from restrictions consisted of the following as of and for the year ended June 30:

	<b>2021</b>	<b>Additions</b>	<b>Releases</b>	<b>2022</b>
Time restricted pledges	\$ 56,620	\$ 25,750	\$ (59,470)	\$ 22,900
Technology and community engagement project	<u>121,367</u>	<u>0</u>	<u>(121,367)</u>	<u>0</u>
Total net assets with donor restrictions	<u>\$ 177,987</u>	<u>\$ 25,750</u>	<u>\$ (180,837)</u>	<u>\$ 22,900</u>

	<b>2020</b>	<b>Additions</b>	<b>Releases</b>	<b>2021</b>
Time restricted pledges	\$ 145,125	\$ 12,500	\$ (101,005)	\$ 56,620
Technology and community engagement project	<u>293,014</u>	<u>0</u>	<u>(171,647)</u>	<u>121,367</u>
Total net assets with donor restrictions	<u>\$ 438,139</u>	<u>\$ 12,500</u>	<u>\$ (272,652)</u>	<u>\$ 177,987</u>

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Note 9 Financial instruments

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash accounts with local financial institutions, notes receivable, promises to give and investments. The Foundation places its cash accounts with several financial institutions to limit the amount of credit exposure to any one financial institution. Concentrations with respect to promises to give are limited due to the composition of the contributor base. Concentrations with respect to notes receivable are limited due to the Foundation limiting fund withdrawals in accordance with fund agreements.

The Foundation's investment portfolio is exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the combined statements of financial position. The Foundation mitigates credit risk with respect to investments by placing its investments with several professional investment advisors subject to the Foundation's investment policy.

Note 10 Concentration of credit risk

The Foundation's cash and other investments are maintained in bank deposits and certificates of deposits that at times exceeds federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

The Foundation's investments and certain cash equivalents are held in the custody of investment houses and brokerage firms. Investments in securities, including money market funds, held at each of the brokers are insured up to \$ 500,000, while cash balances are insured up to \$ 250,000, under the Securities Investor Protection Corporation (SIPC). As of June 30, 2022 and 2021, substantially all of the Foundation's investments, including cash balances held by investment managers, are in excess of insured amounts.

Note 11 Retirement plan

The Delaware Community Foundation, Inc. adopted a defined contribution plan, effective January 1, 1994, for the exclusive benefit of all full-time employees. An employee is eligible for participation upon hire. The amount of the Foundation's total contribution to the plan is determined annually as part of the budget process. Employer contributions to the plan are funded quarterly based on the participant's prior fiscal period compensation and upon completion of one quarter year of service. The plan provides for full vesting immediately upon admittance to the plan. Retirement plan expense for employees of the Foundation was \$ 139,760 and \$ 127,201 for the years ended June 30, 2022 and 2021, respectively.



Note 12 Deferred compensation plan

The Foundation established a deferred compensation plan under Section 457(b) effective December 15, 2004. The purpose of the plan is to enable its eligible employees to enhance their retirement security by permitting them to enter into agreements with the Foundation to defer a portion of their compensation and receive benefits at retirement. The Foundation maintains a segregated money market account to finance this liability.

For the years ended June 30, 2022 and 2021, \$ 20,500 and \$ 20,000 were charged to operations under these arrangements, respectively. As of June 30, 2022 and 2021, \$ 158,445 and \$ 137,945 respectively, was accrued as a liability related to these arrangements.

Note 13 Operating lease

The Foundation leases two corporate office spaces in the Community Service Building located in Wilmington, Delaware, under two separate operating leases at \$ 4,827 per month through March 31, 2026 and \$ 4,473 per month through March 31, 2027. The annual rent under these leases is \$ 57,927 and \$ 53,673, respectively.

The Foundation also leases various office equipment under non-cancelable operating leases which expire between 2023 and 2025.

As of June 30, 2022, future minimum lease payments under non-cancelable leases are as follows:

2023	\$ 118,837
2024	115,512
2025	115,512
2026	97,444
2027	40,255
Total	<u>\$ 487,560</u>

Lease expense for the building for the years ended June 30, 2022 and 2021 was \$ 114,149 and \$ 112,185, respectively, and lease expense for equipment for the years ended June 30, 2022 and 2021 was \$ 19,907 and \$ 16,695, respectively.



NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
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Note 14 Fair value measurement

Fair values of assets measured on a recurring basis as of June 30, are as follows:

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common stocks				
Domestic	\$ 20,145,515	\$ 20,145,515	\$ 0	\$ 0
International	937,507	937,507	0	0
Corporate bonds (domestic)	8,955,761	0	8,955,761	0
Government agency and securities	2,246,608	0	2,246,608	0
Mutual funds				
Equity	164,681,982	164,681,982	0	0
Fixed income	65,662,732	65,662,732	0	0
Other	1,887,488	1,887,488	0	0
Private equity funds	2,400,629	0	0	2,400,629
SAFE contracts	14,740	0	0	14,740
True Access	500,000	0	0	500,000
Annuity contracts	<u>1,925</u>	<u>0</u>	<u>0</u>	<u>1,925</u>
Total assets in fair value hierarchy	<u>267,434,887</u>	<u>\$ 253,315,224</u>	<u>\$ 11,202,369</u>	<u>\$ 2,917,294</u>
Investments measured at net asset value (a)	<u>40,928,843</u>			
Total investments at fair value	<u>\$ 308,363,730</u>			

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## NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
FOUNDATION, INC. AND  
SUPPORTING ORGANIZATIONNote 14 Fair value measurement (cont'd)

June 30, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks				
Domestic	\$ 23,498,240	\$ 23,498,240	\$ 0	\$ 0
International	1,126,811	1,126,811	0	0
Corporate bonds (domestic)	4,242,156	0	4,242,156	0
Government agency and securities	3,115,614	0	3,115,614	0
Mutual funds				
Equity	197,737,866	197,737,866	0	0
Fixed income	69,716,451	69,716,451	0	0
Other	3,190,006	3,190,006	0	0
Private equity funds	1,571,772	0	0	1,571,772
SAFE contracts	14,740	0	0	14,740
True Access	500,000	0	0	500,000
Annuity contracts	29,740	0	0	29,740
Total assets in fair value hierarchy	<u>304,743,396</u>	<u>\$ 295,269,374</u>	<u>\$ 7,357,770</u>	<u>\$ 2,116,252</u>
Investments measured at net asset value (a)	<u>39,401,891</u>			
Total investments at fair value	<u>\$ 344,145,287</u>			

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified 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 statement of financial position.

The asset or liability's 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of investments in marketable securities with readily determinable market values are estimated based on quoted market prices. Market values for fixed income securities are estimated using quoted bid and ask prices.

Investments for which readily ascertainable market values are not available consist primarily of partnerships invested in public equity markets, partnerships invested in private equity markets, and annuity contracts. The fair values of investment partnerships have been determined based on the Foundation's proportionate share of the underlying fair values of the net assets of the investment partnerships. The fair values relating to certain underlying investments in these partnerships have been estimated by the partnerships' managing members in the absence of readily ascertainable market values.

NOTES TO FINANCIAL STATEMENTS (cont'd)

DELAWARE COMMUNITY  
FOUNDATION, INC. AND  
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Note 14 Fair value measurement (cont'd)

The fair values of annuity contracts have been determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Because of the inherent uncertainty of valuation, estimated fair values for these investments may differ significantly from values that would have been used had a ready market existed and those differences could be material.

The following is a summary of the changes in the fair value of the Foundation's level 3 assets for the years ended June 30, 2022 and 2021:

	Private Equity Funds	Annuity Contracts	SAFE Contracts	True Access	Total
Balance – June 30, 2020	\$ 276,309	\$ 90,502	\$ 0	\$ 0	\$ 366,811
Realized gains (losses)	(22)	0	0	0	(22)
Unrealized gains (losses)	123,592	0	0	0	123,592
Investment income	0	0	0	0	0
Purchases, sales and settlements (net of fees)	1,171,893	0	14,740	500,000	1,686,633
Change in discount	0	(60,762)	0	0	(60,762)
Balance – June 30, 2021	1,571,772	29,740	14,740	500,000	2,116,252
Realized gains (losses)	16,369	0	0	0	16,369
Unrealized gains (losses)	182,488	0	0	0	182,488
Investment income	0	0	0	0	0
Purchases, sales and settlements (net of fees)	630,000	0	0	0	630,000
Change in discount	0	(27,815)	0	0	(27,815)
Balance – June 30, 2022	\$ 2,400,629	\$ 1,925	\$ 14,740	\$ 500,000	\$ 2,917,294

Note 15 Charitable gift annuities

The Foundation has several charitable gift annuities in which donors have given property or cash to support the work of the Foundation. The Foundation is required to make quarterly benefit payments back to the donors (annuitants). Payments are calculated based upon the donor's life expectancy and the use of a discount rate which ranges between 1.2 % and 6.0%. The Foundation records the assets received at fair market value and the resulting liability at the present value of expected future cash flows to be paid to the annuity beneficiary. As quarterly distributions are made the liability is decreased. If a change occurs to the life expectancy of the beneficiary, the liability and unrestricted change in value of annuity are increased or decreased accordingly.

On September 27, 2012, the Foundation purchased a group annuity policy on several of its charitable gift annuitants. Under the policy, the Foundation receives a quarterly benefit payment based on several factors, including purchase rates, the type of annuity purchased, the annuity date, and the age and sex of the annuitants.



Note 15 Charitable gift annuities (cont'd)

The Foundation has recorded the group annuity policies with investments on the statements of financial position at fair value as determined on a discounted cash flow basis, incorporating current life expectancy assumptions. Quarterly annuity benefits received by the Foundation are utilized to make quarterly benefit payments back to their annuitants.

Note 16 Related party transactions

Certain members of the Board of Directors of the Foundation are employees or board members of financial institutions that manage and retain custody of the Foundation's assets. These board members have no independent investment authority over the assets which are held by the financial institution for the convenience of the Foundation and at the discretion of its Board of Directors.

Certain members of the Board of Directors of the Foundation are employees or board members of nonprofit organizations to which the Foundation made grants without restrictions during the years ended June 30, 2022 and June 30, 2021. These board members recused themselves from voting on such grant approvals for their organizations.

Note 17 Endowment fund

During 2011, the Board of Directors of the Foundation (Board) created the Delaware Community Strategic Fund. The strategic fund was created to provide long-term reliable annual support to four key areas of the Foundation as determined by the Board. Funds utilized by the Foundation to establish the strategic fund, along with all future contributions without restriction transferred into the fund, are defined as a board-designated endowment. At times the Foundation receives donor contributions restricted solely for strategic fund use.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Note 17 Endowment fund (cont'd)Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

The Foundation has a policy of appropriating for distribution each year 5% of the average daily balance for the past 12 quarters (or the number of quarters the fund has been open if fewer than 12). In establishing this policy, the Foundation considered the long-term expected return on its investment assets and the nature and duration of the individual endowment funds. The spending policy is reviewed regularly by the Board to allow its endowment funds to grow annually while maintaining the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

Changes in endowment net assets and endowment composition as of and for the year ended June 30, 2022 were as follows:

	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, Beginning of the year	\$ 1,749,877	\$ 0	\$ 1,749,877
Additions	0	0	0
Investment income, net of fees	22,222	0	22,222
Unrealized loss	(288,183)	0	(288,183)
Realized gain	79,027	0	79,027
Amounts appropriated for expenditure	<u>(70,488)</u>	<u>0</u>	<u>(70,488)</u>
Endowment net assets, End of the year	<u>\$ 1,492,455</u>	<u>\$ 0</u>	<u>\$ 1,492,455</u>

# NOTES TO FINANCIAL STATEMENTS (cont'd)

## DELAWARE COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

### Note 17 Endowment fund (cont'd)

#### Spending policy (cont'd)

Changes in endowment net assets and endowment composition as of and for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total
Endowment net assets, Beginning of the year	\$ 1,505,670	\$ 0	\$ 1,505,670
Additions	0	0	0
Investment income, net of fees	19,362	0	19,362
Unrealized gain	259,226	0	259,226
Realized gain	36,017	0	36,017
Amounts appropriated for expenditure	(70,398)	0	(70,398)
Endowment net assets, End of the year	\$ 1,749,877	\$ 0	\$ 1,749,877

### Note 18 Major contributor

Of the \$ 23,750,354 in contributions received during the year ended June 30, 2022, 38% or \$ 9,219,607, was received from one contributor. Of the \$ 80,379,842 in contributions received during the year ended June 30, 2021, 73%, or \$ 58,542,306, was received from two contributors.

### Note 19 Commitments and contingencies

In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these combined financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Foundation's combined financial statements

### Note 20 Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

### Note 21 COVID-19

The "COVID-19" virus, declared a pandemic by the World Health Organization, has spread through the world and governments have taken various actions to try to slow the transmission. The impact of these restrictions, and the potential effect to the Foundation, cannot be reasonably estimated at this time.



Note 21 COVID-19 (cont'd)

During the year ended June 30, 2022, the Supporting Organization received \$ 2,500,000 from the U.S. Department of Treasury's Coronavirus State and Local Fiscal Recovery Funds ("SLFRF"). The SLFRF program provides governments across the country with the resources needed to: fight the pandemic and support families and businesses struggling with its public health and economic impacts, maintain vital public services, even amid declines in revenue resulting from the crisis, and build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity. The SLFRF funds must be used to replace lost public sector revenue, respond to the far-reaching public health and negative economic impacts of the pandemic, provide premium pay for essential workers, or invest in water, sewer, and broadband infrastructure. The Supporting Organization accounted for the SLFRF funds in accordance with ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Based on the standard, revenue is being deferred until the funds are used for the SLFRF program. As of June 30, 2022, \$ 474,735 was recognized as revenue on the Statement of Activities and \$ 2,025,265 remained in deferred grant revenue on the Statement of Financial Position.