# The Club Foundation

Financial Report
October 31, 2022

## Contents

# Independent Auditor's Report

Board of Governors
The Club Foundation

**Opinion**
We have audited the accompanying financial statements of The Club Foundation (the Foundation), which comprise the statements of financial position as of October 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of October 31, 2022 and 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

McLean, Virginia
February 16, 2023

**The Club Foundation**

**Statements of Financial Position**
**October 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 99,682** | $ 49,730 |
| Current portion of promises to give, net | **202,225** | 89,500 |
| Due from related party | **227,521** | 307,763 |
| Prepaid expenses and other assets | **6,886** | 11,881 |
| **Total current assets** | **536,314** | 458,874 |
| Promises to give, net of current portion | **361,056** | 141,128 |
| Investments in marketable securities | **4,223,822** | 4,982,119 |
| **Total assets** | **$ 5,121,192** | $ 5,582,121 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accrued expenses | **$ 21,459** | $ - |
| **Total current liabilities** | **21,459** | - |
| Commitments (Note 7) | | |
| Net assets: | | |
| Without donor restrictions | **2,961,777** | 3,571,800 |
| With donor restrictions | **2,137,956** | 2,010,321 |
| **Total net assets** | **5,099,733** | 5,582,121 |
| **Total liabilities and net assets** | **$ 5,121,192** | $ 5,582,121 |

See notes to financial statements.

**The Club Foundation**

**Statement of Activities**
**Year Ended October 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support: | | | |
| Contributions | $ 462,854 | $ 11,000 | $ 473,854 |
| Campaign contributions | 28,178 | 450,000 | 478,178 |
| CMAA in-kind contributions | 119,546 | - | 119,546 |
| Fundraising events | 74,702 | - | 74,702 |
| Investment loss, net | (712,146) | (243,100) | (955,246) |
| Net assets released from restrictions | 90,265 | (90,265) | - |
| **Total revenue and support** | 63,399 | 127,635 | 191,034 |
| Expenses: | | | |
| Program services—grants and scholarships | 363,702 | - | 363,702 |
| Fundraising | 238,535 | - | 238,535 |
| General and administrative | 71,185 | - | 71,185 |
| **Total expenses** | 673,422 | - | 673,422 |
| **Change in net assets** | (610,023) | 127,635 | (482,388) |
| Net assets: | | | |
| Beginning | 3,571,800 | 2,010,321 | 5,582,121 |
| Ending | $ 2,961,777 | $ 2,137,956 | $ 5,099,733 |

See notes to financial statements.

**The Club Foundation**

**Statement of Activities**
**Year Ended October 31, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support: | | | |
| Contributions | $ 476,028 | $ - | $ 476,028 |
| Investment income, net | 567,886 | 220,880 | 788,766 |
| CMAA in-kind contributions | 115,440 | - | 115,440 |
| Campaign contributions | 8,965 | 101,031 | 109,996 |
| Fundraising events | 15,632 | - | 15,632 |
| Net assets released from restrictions | 96,460 | (96,460) | - |
| **Total revenue and support** | 1,280,411 | 225,451 | 1,505,862 |
| | | | |
| Expenses: | | | |
| Program services—grants and scholarships | 229,669 | - | 229,669 |
| Fundraising | 144,930 | - | 144,930 |
| General and administrative | 57,972 | - | 57,972 |
| **Total expenses** | 432,571 | - | 432,571 |
| | | | |
| **Change in net assets** | 847,840 | 225,451 | 1,073,291 |
| | | | |
| Net assets: | | | |
| Beginning | 2,723,960 | 1,784,870 | 4,508,830 |
| | | | |
| Ending | $ 3,571,800 | $ 2,010,321 | $ 5,582,121 |

See notes to financial statements.

**The Club Foundation**

**Statement of Functional Expenses**
**Year Ended October 31, 2022**

| | Program Services | Supporting Services | | |
|---|---|---|---|---|
| | Grants and Scholarships | Fundraising | General and Administrative | Total |
| Management fee | $ 36,000 | $ 60,000 | $ 24,000 | $ 120,000 |
| In-kind expense | 35,864 | 59,773 | 23,909 | 119,546 |
| Professional services | 14,411 | 68,315 | 9,608 | 92,334 |
| Other operating expenses | 9,332 | 43,000 | 6,221 | 58,553 |
| Students grants and scholarships | 50,500 | - | - | 50,500 |
| Kendall/Manager scholarships | 47,885 | - | - | 47,885 |
| Industry grant | 40,000 | - | - | 40,000 |
| Sally Burns Rambo scholarships | 38,447 | - | - | 38,447 |
| Chairman's fund | 22,342 | 7,447 | 7,447 | 37,236 |
| Awards—chapter of the year | 18,000 | - | - | 18,000 |
| LaRocca scholarships | 16,050 | - | - | 16,050 |
| Chapter grants and scholarships | 16,000 | | | 16,000 |
| Awards—new member recruitment | 12,750 | - | - | 12,750 |
| James B. Singerling scholarships | 6,121 | - | - | 6,121 |
| | $ 363,702 | $ 238,535 | $ 71,185 | $ 673,422 |

See notes to financial statements.

**The Club Foundation**

**Statement of Functional Expenses**
**Year Ended October 31, 2021**

| | Program Services | Supporting Services | | |
|---|---|---|---|---|
| | Grants and Scholarships | Fundraising | General and Administrative | Total |
| Management fee | $ 36,000 | $ 60,000 | $ 24,000 | $ 120,000 |
| In-kind expense | 34,632 | 57,720 | 23,088 | 115,440 |
| Kendall/Manager scholarships | 41,270 | - | - | 41,270 |
| Other operating expenses | 9,939 | 16,562 | 6,625 | 33,126 |
| Sally Burns Rambo scholarships | 23,925 | - | - | 23,925 |
| Professional services | 6,389 | 10,648 | 4,259 | 21,296 |
| Awards—chapter of the year | 21,000 | - | - | 21,000 |
| Industry grant | 20,000 | - | - | 20,000 |
| Students grants and scholarships | 18,319 | - | - | 18,319 |
| Awards—new member recruitment | 12,000 | - | - | 12,000 |
| LaRocca scholarships | 3,695 | - | - | 3,695 |
| Faculty grants and scholarships | 2,500 | - | - | 2,500 |
| | $ 229,669 | $ 144,930 | $ 57,972 | $ 432,571 |

See notes to financial statements.

**The Club Foundation**

**Statements of Cash Flows**
**Years Ended October 31, 2022 and 2021**

| | **2022** | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | **$ (482,388)** | $ 1,073,291 |
| Adjustments to reconcile change in net assets | | |
| to net cash provided by operating activities: | | |
| Net realized and unrealized losses (gains) on investments | **1,100,619** | (726,045) |
| Divestiture of investment in LLC | **-** | 46,993 |
| Bad debt | **-** | 2,000 |
| Change in discount on pledges receivable | **21,822** | (9,996) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Promises to give | **(354,475)** | (62,100) |
| Accounts receivable | **-** | 38 |
| Due from related party | **80,242** | (76,533) |
| Prepaid expenses and other assets | **4,995** | (5,422) |
| Increase (decrease) in: | | |
| Accrued expenses | **21,459** | (5,165) |
| **Net cash provided by operating activities** | **392,274** | 237,061 |
| | | |
| Cash flows from investing activities: | | |
| Purchases of investments | **(698,291)** | (656,700) |
| Proceeds from sale of investments | **355,969** | 429,579 |
| **Net cash used in investing activities** | **(342,322)** | (227,121) |
| | | |
| **Net increase in cash and cash equivalents** | **49,952** | 9,940 |
| | | |
| Cash and cash equivalents: | | |
| Beginning | **49,730** | 39,790 |
| | | |
| Ending | **$ 99,682** | $ 49,730 |
| | | |
| Supplemental disclosure of non-cash investing information: | | |
| Divestiture of investment in LLC | **$ -** | $ 46,993 |

See notes to financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Club Foundation (the Foundation) was created in 1988 as the charitable nonprofit organization focused solely on the club industry. The Foundation was formed for charitable and educational purposes to foster intellectual excellence in the field of club management. This purpose is achieved by awarding scholarships or research grants to individuals, and by making gifts or contributions. The Foundation provides funding for the following five key areas: (1) students, (2) faculty, (3) club managers, (4) Club Management Association of America (CMAA) chapters and (5) industry at large. The Foundation has a donor base of constituents that seek to further the knowledge and skills of those individuals that operate country clubs, yacht clubs, city clubs and more.

A summary of the Foundation's significant accounting policies follows:

**Basis of presentation:** The financial statement presentation follows the accounting requirements of the Not-for-Profit entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Foundation is required to report information regarding its net assets and its activities according to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions.

***Without donor restrictions*:** Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation.

***With donor restrictions:*** Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and cash equivalents:** For purposes of reporting cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash or cash equivalents, excluding cash held by the investment custodian.

**Financial risk:** The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash.

The Foundation invests in a professionally managed portfolio that contains fixed income and equity mutual funds, as well as common stocks and alternative investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the financial statements.

**Investments:** Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the statements of activities.

### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Accounts receivables:** The Foundation's management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer or donor, the Foundation's relationship with the customer or donor and the age of the receivable balance. As a result of these reviews, customer or donor balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful receivables had been recorded. There was no bad debt expense for the year ended October 31, 2022. Bad debt expense for the year ended October 31, 2021, totaled $2,000.

**Promises to give:** Promises to give that are expected to be collected in future years are recorded at their initial fair value upon receipt, measured as the net present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Receivables are stated at net realizable value.

**Contributions:** Unconditional contributions are recorded as support without or with donor restrictions, depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Adoption of recent accounting pronouncement:** In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires gifts-in-kind to be presented as a separate line item in the statement of activities instead of remaining grouped among contributions of cash or other financial assets. Additionally, gifts-in-kind are to be disaggregated into categories based on the type of gift received, with additional disclosures required regarding each category. The Foundation adopted the standard during the year ending October 31, 2022. See Note 4 for additional details.

**Functional allocation of expense:** The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The costs are allocated among program services and supporting services activities based on employee effort.

**Income tax status:** The Foundation is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Subsequent events:** The Foundation has evaluated subsequent events through February 16, 2023, the date on which the financial statements were available to be issued.

## Note 2. Promises to Give

Promises to give consist of the following at October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Amounts due within one year | $ 202,225 | $ 89,500 |
| Amounts due between one to five years | 425,000 | 173,250 |
| Amounts due in greater than five years | 12,500 | 22,500 |
| Total promises to give | 639,725 | 285,250 |
| Less discount to present value | (37,444) | (15,622) |
| Less allowance for uncollectible promises to give | (39,000) | (39,000) |
| Net promises to give | $ 563,281 | $ 230,628 |

Promises to give with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments.

## Note 3. Investments

In accordance with U.S. GAAP, the Foundation uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

**Level 2:** Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

**Level 3:** Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value which are classified within Level 1 include common stocks and equity and fixed income mutual funds, the fair values for which were based on quoted prices for identical assets in active markets.

As a practical expedient, the Foundation is permitted to estimate fair value of an investment using the reported net asset value (NAV) without further adjustment unless the Foundation expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Foundation has performed due diligence regarding these investments to ensure NAV is an appropriate measure of fair value as of October 31. Management monitors the reports provided by the fund managers and believes the estimates of value to be fair approximations of the exit price for these investments.

Investments measured at NAV include the Dynamic asset allocation overlay portfolios, which were valued by the portfolio managers. In determining fair value of the investments, the portfolio managers utilize the value of the underlying securities, which are mutual funds, common stocks, bonds, government securities and other securities.

Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

**Note 3. Investments (Continued)**

Investments recorded at cost include cash held within the investment portfolio.

All of the investments carried at fair value are considered Level 1. The following is a summary of investments, which were measured on a recurring basis, at October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Mutual funds—equity | $ 641,935 | $ 826,079 |
| Mutual funds—fixed income | 1,515,001 | 1,602,223 |
| Common stocks | 837,001 | 1,023,696 |
| Investments carried at fair value | 2,993,937 | 3,451,998 |
| Cash and cash equivalents, at cost* | 18,084 | 22,951 |
| Investments measured at net asset value** | 1,211,801 | 1,507,170 |
| Total investments | $ 4,223,822 | $ 4,982,119 |

* Cash and cash equivalents included in the investment portfolio are not subject to the provisions of fair value measurements as they are recorded at cost.

** In accordance with U.S. GAAP, 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.

Investments measured at NAV are presented in the above table to permit reconciliation of the tables to the amounts presented in the statements of financial position.

NAV is defined as the value of a fund that is reached by deducting the fund's liabilities from the market value of all of its assets, and then dividing the number of issued shares (or units of ownership). Depending on the type of fund and the nature of its assets, a variety of valuation techniques can be used to arrive at the market value of its assets. Investments recorded at net asset value consist of collective investment funds, private equity funds, real estate investment trusts, hedge funds, private debt funds, and MLP fund for which fair value is determined using the NAV per share of the investments, as provided by the fund manager, and are not classified within the fair value hierarchy. Although no observable inputs are currently available for funds categorized at net asset value, audited fund financial statements are available for management's review.

Investment (loss) income consists of the following for the years ended October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 159,297 | $ 74,248 |
| Realized and unrealized (loss) gains | (1,100,619) | 726,045 |
| Investment fees | (13,924) | (11,527) |
| | $ (955,246) | $ 788,766 |

## Note 3. Investments (Continued)

Investments consist of the following at October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Mutual funds: | | |
| Mutual funds—equity | $ 641,935 | $ 826,079 |
| Mutual funds—fixed income | 1,515,001 | 1,602,223 |
| Common stock: | | |
| Consumer | 261,887 | 302,666 |
| Financial | 147,428 | 162,855 |
| Technology | 288,903 | 402,085 |
| Utilities | 17,612 | 24,498 |
| Energy | 30,769 | 20,298 |
| Capital equipment | 49,947 | 63,970 |
| Services | 18,756 | 25,258 |
| Industrial commodities | 10,407 | 11,810 |
| Non-financial | 11,292 | 10,256 |
| Investments measured at net asset value | 1,211,801 | 1,507,170 |
| Cash and cash equivalents | 18,084 | 22,951 |
| | $ 4,223,822 | $ 4,982,119 |

The following presents further information regarding the composition of the Foundation's investments measured under the NAV practical expedient at October 31, 2022 and 2021:

| | 2022 | 2021 | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|---|
| Dynamic asset allocation overlay portfolios | $ 1,211,801 | $ 1,507,170 | $ - | (a) | (a) |

(a) Dynamic Overlay Portfolios A and B: The Dynamic Overlay Portfolios are organized as the Sanford C. Bernstein Fund, Inc. (the Fund) which is registered under the Investment Company Act of 1940 as an open-end registered investment company. The Fund, which is a Maryland corporation, operates as a series company currently comprised of 15 portfolios which all have their own investment objectives. Each Portfolio is an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. Redemptions are followed on a daily basis.

## Note 4. Related Parties

**Operating transactions with CMAA:** CMAA receives and disburses funds on behalf of the Foundation. CMAA owed the Foundation $227,521 and $307,763 at October 31, 2022 and 2021, respectively.

The Foundation paid a management fee of $120,000 to CMAA during the years ended October 31, 2022 and 2021. The fee is to reimburse CMAA for staff time dedicated to support of the Club Foundation.

**Contributed services:** CMAA provides in-kind management services to the Foundation. The fair value of management services is estimated based on rates the Foundation would charge for similar services. In addition, the Foundation receives in-kind rent from CMAA and records in-kind rent expense. The fair value of in-kind rent is estimated based on current market rates. The corresponding expenses are allocated among the various expense functions in the statements of functional expenses. Because the contributed services and rent are recorded as revenue and expense, there is no effect on net asset balances.

Contributed services for the years ended October 31, 2022 and 2021, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Management services | $ 66,840 | $ 64,269 |
| Rent expense | 52,706 | 51,171 |
| | $ 119,546 | $ 115,440 |

## Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions include those net assets whose use has been restricted by the donors for a specific purpose and/or a specified time limitation. Net assets with donor restrictions that were restricted for purpose consisted of the following at October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Other fund: | | |
| Scholarship funds | $ 694,691 | $ 255,115 |
| Endowment funds: | | |
| Endowment—appreciation | 66,469 | 378,410 |
| Endowment—held in perpetuity | 1,376,796 | 1,376,796 |
| Endowment funds | 1,443,265 | 1,755,206 |
| Total | $ 2,137,956 | $ 2,010,321 |

Net assets released from restriction due to program satisfaction and other events are as follows for the years ended October 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Endowment | $ 68,841 | $ 68,840 |
| Scholarship funds | 21,424 | 27,620 |
| | $ 90,265 | $ 96,460 |

## Note 6. Endowment Funds

Net assets with donor restrictions whose restrictions are perpetual in nature include capital campaign endowment funds. At October 31, 2022 and 2021, the Foundation's endowment consists of multiple donor-restricted funds established for Foundation programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment funds are classified within net assets with donor restrictions and must be maintained in perpetuity.

The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (consisting of earnings on the permanently restricted amounts) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with its spending policy and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

**Investment and spending policies:** The Foundation has adopted investment and spending policies, approved by the Board of Governors, 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested so as to achieve a reasonable rate of return relative to the broad equity and fixed income markets across the full business cycle. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The goal of the Foundation's spending policy is to provide a reasonable, predictable and sustainable structure that supports the intentions of the original endowment.

**Funds with deficiencies:** From time to time, the fair value of assets associated with an individual donor-restricted endowment may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At October 31, 2022, there were no funds with deficiencies.

## Note 6. Endowment Funds (Continued)

The changes in endowment funds for the years ended October 31, 2022 and 2021, are as follows:

| | | Restricted for Purpose (Including (Losses) Earnings) | | Held in Perpetuity | | Total |
|---|---|---|---|---|---|---|
| Endowment net assets at October 31, 2020 | $ | 226,370 | $ | 1,376,796 | $ | 1,603,166 |
| Interest and dividends | | 20,492 | | - | | 20,492 |
| Net gain on investments in marketable securities | | 200,388 | | - | | 200,388 |
| Appropriations | | (68,840) | | - | | (68,840) |
| Endowment net assets at October 31, 2021 | | 378,410 | | 1,376,796 | | 1,755,206 |
| Interest and dividends | | 41,139 | | - | | 41,139 |
| Net loss on investments in marketable securities | | (284,239) | | - | | (284,239) |
| Appropriations | | (68,841) | | - | | (68,841) |
| Endowment net assets at October 31, 2022 | $ | 66,469 | $ | 1,376,796 | $ | 1,443,265 |

## Note 7. Commitments

**Lease:** As discussed in Note 4, the Foundation leased office space from the LLC under an agreement which expired in January 2020. In February 2020, the Board of Governors of both the Foundation and CMAA agreed that the Foundation will transfer its 30% interest in building ownership to CMAA, effective November 1, 2020. The result of this transaction gives 100% building ownership to CMAA. In connection with the transfer of ownership, the Foundation will receive in-kind rent from CMAA for the next 11 years.

## Note 8. Liquidity and Availability

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The following represents the Foundation's financial assets as of October 31, 2022 and 2021, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 99,682 | $ | 49,730 |
| Promises to give, net current portion | | 202,225 | | 89,500 |
| Promises to give, net of current portion | | 361,056 | | 141,128 |
| Due from related party | | 227,521 | | 307,763 |
| Investments | | 4,223,822 | | 4,982,119 |
| Subtotal financial assets | | 5,114,306 | | 5,570,240 |
| Less amounts not available within one year: | | | | |
| Net assets with donor restrictions including promises to give to be received in greater than one year | | (1,935,731) | | (1,920,821) |
| Financial assets available to meet cash needs for general expenditures within one year | $ | 3,178,575 | $ | 3,649,419 |