

The Club Foundation

Financial Report
October 31, 2023

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RSM US LLP

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, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of October 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 21, 2024

The Club Foundation

Statements of Financial Position
October 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 66,063	\$ 99,682
Current portion of promises to give, net	188,725	202,225
Due from related party	186,561	227,521
Prepaid expenses and other assets	27,754	6,886
Total current assets	469,103	536,314
Promises to give, net of current portion	224,854	361,056
Investments	3,125,605	2,780,557
Investments held for endowment	1,417,824	1,443,265
Total assets	\$ 5,237,386	\$ 5,121,192
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,000	\$ 21,459
Deferred revenue	749	-
Total current liabilities	1,749	21,459
Net assets:		
Without donor restrictions	3,141,062	2,961,777
With donor restrictions	2,094,575	2,137,956
Total net assets	5,235,637	5,099,733
Total liabilities and net assets	\$ 5,237,386	\$ 5,121,192

See notes to financial statements.

The Club Foundation

Statement of Activities
Year Ended October 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 471,456	\$ -	\$ 471,456
Investment income, net	101,782	43,399	145,181
Contributions of nonfinancial assets	123,132	-	123,132
Fundraising events	56,344	-	56,344
Net assets released from restrictions	86,780	(86,780)	-
Total revenue and support	839,494	(43,381)	796,113
Expenses:			
Program services—grants and scholarships	355,777	-	355,777
Fundraising	225,558	-	225,558
General and administrative	78,874	-	78,874
Total expenses	660,209	-	660,209
Change in net assets	179,285	(43,381)	135,904
Net assets:			
Beginning	2,961,777	2,137,956	5,099,733
Ending	\$ 3,141,062	\$ 2,094,575	\$ 5,235,637

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
Contributions of nonfinancial assets	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	<u>\$ 2,961,777</u>	<u>\$ 2,137,956</u>	<u>\$ 5,099,733</u>

See notes to financial statements.

The Club Foundation

**Statement of Functional Expenses
Year Ended October 31, 2023**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Grants and Scholarships</u>	<u>Fundraising</u>	<u>General and Administrative</u>	
Contributions of nonfinancial assets	\$ 36,940	\$ 61,566	\$ 24,626	\$ 123,132
Management fee	36,000	60,000	24,000	120,000
Professional services	18,177	70,894	12,118	101,189
Students grant and scholarships	67,000	-	-	67,000
Chairman's fund	34,546	11,515	11,515	57,576
Kendall/Manager scholarships	42,230	-	-	42,230
Other operating expenses	9,929	21,583	6,615	38,127
Industry grant	30,000	-	-	30,000
Sally Burns Rambo scholarships	21,860	-	-	21,860
James B. Singerling scholarships	15,575	-	-	15,575
Awards - chapter of the year	15,000	-	-	15,000
Awards - new member recruitment	14,500	-	-	14,500
LaRocca scholarships	14,020	-	-	14,020
	\$ 355,777	\$ 225,558	\$ 78,874	\$ 660,209

See notes to financial statements.

The Club Foundation

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

	Program Services	Supporting Services		Total
	Grants and Scholarships	Fundraising	General and Administrative	
Management fee	\$ 36,000	\$ 60,000	\$ 24,000	\$ 120,000
Contributions of nonfinancial assets	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
	<u>\$ 363,702</u>	<u>\$ 238,535</u>	<u>\$ 71,185</u>	<u>\$ 673,422</u>

See notes to financial statements.

The Club Foundation

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

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 135,904	\$ (482,388)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized losses on investments	8,532	1,100,619
Change in discount on promises to give	4,477	21,822
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	145,225	(354,475)
Due from related party	40,960	80,242
Prepaid expenses and other assets	(20,868)	4,995
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,459)	21,459
Deferred revenue	749	-
Net cash provided by operating activities	294,520	392,274
Cash flows from investing activities:		
Purchases of investments	(1,201,732)	(698,291)
Proceeds from sale of investments	873,593	355,969
Net cash used in investing activities	(328,139)	(342,322)
Net (decrease) increase in cash and cash equivalents	(33,619)	49,952
Cash and cash equivalents:		
Beginning	99,682	49,730
Ending	\$ 66,063	\$ 99,682

See notes to financial statements.

The Club Foundation

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. The Foundation has no Board designated funds in each of the years ended October 31, 2023 and 2022.

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. Investments using the reported net asset value (NAV) are recorded at NAV and the change in the NAV of these investments is also recorded as a component of investment income in the statements of activities.

The Club Foundation

Notes to Financial Statements

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

Accounts receivables and due from related party: 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 each of the years ended October 31, 2023 and 2022.

Promises to give: Unconditional 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. Changes in discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Promises to give 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.

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.

Reclassifications: Certain 2022 amounts have been reclassified to conform to the 2023 presentation with no effect on the previously reported total change in net assets.

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 21, 2024, the date on which the financial statements were available to be issued.

The Club Foundation

Notes to Financial Statements

Note 2. Promises to Give

Promises to give consist of the following at October 31, 2023 and 2022:

	2023	2022
Amounts due within one year	\$ 188,725	\$ 202,225
Amounts due between one to five years	293,275	425,000
Amounts due in greater than five years	12,500	12,500
Total promises to give	494,500	639,725
Less discount to present value	(41,921)	(37,444)
Less allowance for uncollectible promises to give	(39,000)	(39,000)
Net promises to give	<u>\$ 413,579</u>	<u>\$ 563,281</u>

Promises to give with due dates extending beyond one year are discounted using a Treasury bill rate for similar term investments of 2.2%.

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.

The Club Foundation

Notes to Financial Statements

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, 2023 and 2022:

	2023	2022
Mutual funds—equity	\$ 813,947	\$ 641,935
Mutual funds—fixed income	1,910,147	1,515,001
Common stocks	1,141,959	837,001
Investments carried at fair value	3,866,053	2,993,937
Cash and cash equivalents, at cost*	16,562	18,084
Investments measured at net asset value**	660,814	1,211,801
Total investments	<u>\$ 4,543,429</u>	<u>\$ 4,223,822</u>

* 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 NAV 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 NAV, audited fund financial statements are available for management's review.

The following is a reconciliation of the investments presented above to the investments recorded on the statements of financial position at October 31, 2023 and 2022:

	2023	2022
Investments	\$ 3,125,605	\$ 2,780,557
Investments held for endowment	1,417,824	1,443,265
	<u>\$ 4,543,429</u>	<u>\$ 4,223,822</u>

The Club Foundation

Notes to Financial Statements

Note 3. Investments (Continued)

Investment income (loss) consists of the following for the years ended October 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 171,398	\$ 159,297
Realized and unrealized loss	(8,532)	(1,100,619)
Investment fees	(17,685)	(13,924)
	<u>\$ 145,181</u>	<u>\$ (955,246)</u>

Investments consist of the following at October 31, 2023 and 2022:

	2023	2022
Mutual funds:		
Mutual funds—equity	\$ 813,947	\$ 641,935
Mutual funds—fixed income	1,910,147	1,515,001
Common stock:		
Consumer	342,851	261,887
Financial	478,234	147,428
Technology	160,759	288,903
Utilities	40,617	17,612
Energy	56,325	30,769
Capital equipment	17,709	49,947
Services	15,104	18,756
Industrial commodities	25,961	10,407
Non-financial	4,399	11,292
	<u>1,141,959</u>	<u>837,001</u>
Investments measured at net asset value	660,814	1,211,801
Cash and cash equivalents	16,562	18,084
	<u>\$ 4,543,429</u>	<u>\$ 4,223,822</u>

The following presents further information regarding the composition of the Foundation's investments measured under the NAV practical expedient at October 31, 2023 and 2022:

	2023	2022	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Dynamic asset allocation overlay portfolios	<u>\$ 660,814</u>	<u>\$ 1,211,801</u>	None	(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 available on a daily basis.

The Club Foundation

Notes to Financial Statements

Note 4. Related Parties

Operating transactions with CMAA: CMAA receives and disburses funds on behalf of the Foundation. CMAA owed the Foundation \$186,561 and \$227,521 at October 31, 2023 and 2022, respectively.

The Foundation paid a management fee of \$120,000 to CMAA during each of the years ended October 31, 2023 and 2022. The fee is to reimburse CMAA for staff time dedicated to support of the Club Foundation.

Contributed nonfinancial assets: 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 nonfinancial assets for the years ended October 31, 2023 and 2022, are as follows:

	2023	2022
Management services	\$ 68,845	\$ 66,840
Rent expense	54,287	52,706
	<u>\$ 123,132</u>	<u>\$ 119,546</u>

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, 2023 and 2022:

	2023	2022
Other fund:		
Scholarship funds	\$ 676,751	\$ 694,691
Endowment funds:		
Endowment—appreciation	41,028	66,469
Endowment—held in perpetuity	1,376,796	1,376,796
Endowment funds	<u>1,417,824</u>	<u>1,443,265</u>
Total	<u>\$ 2,094,575</u>	<u>\$ 2,137,956</u>

Net assets released from restriction due to program satisfaction and other events are as follows for the years ended October 31, 2023 and 2022:

	2023	2022
Endowment	\$ 68,840	\$ 68,841
Scholarship funds	17,940	21,424
	<u>\$ 86,780</u>	<u>\$ 90,265</u>

The Club Foundation

Notes to Financial Statements

Note 6. Endowment Funds

Net assets with donor restrictions whose restrictions are perpetual in nature include capital campaign endowment funds. At October 31, 2023 and 2022, 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) of the District of Columbia 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 net assets held in perpetuity (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 and to only spend an amount of the earnings received of up to 5% of the endowment balance held each year.

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, 2023, there were no funds with deficiencies.

The Club Foundation

Notes to Financial Statements

Note 6. Endowment Funds (Continued)

The changes in endowment funds for the years ended October 31, 2023 and 2022, are as follows:

	Restricted for Purpose (Including (Losses) Earnings)	Held in Perpetuity	Total
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
Interest and dividends	45,673	-	45,673
Net loss on investments in marketable securities	(2,274)	-	(2,274)
Appropriations	(68,840)	-	(68,840)
Endowment net assets at October 31, 2023	<u>\$ 41,028</u>	<u>\$ 1,376,796</u>	<u>\$ 1,417,824</u>

Note 7. 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, 2023 and 2022, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

	2023	2022
Cash and cash equivalents	\$ 66,063	\$ 99,682
Promises to give, net current portion	188,725	202,225
Promises to give, net of current portion	224,854	361,056
Due from related party	186,561	227,521
Investments	3,125,605	2,780,557
Investments held for endowment	1,417,824	1,443,265
Subtotal financial assets	<u>5,209,632</u>	<u>5,114,306</u>
Less amounts not available within one year:		
Net assets with donor restrictions including promises to give to be received in greater than one year	<u>(1,905,850)</u>	<u>(1,935,731)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,303,782</u>	<u>\$ 3,178,575</u>