

**Essex County Community  
Foundation, Inc. and Subsidiary**

Consolidated Financial Statements  
&  
Independent Auditor's Report

June 30, 2022 and 2021

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## Independent Auditor's Report

To the Board Trustees of  
Essex County Community Foundation, Inc. and Subsidiary

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Essex County Community Foundation, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Essex County Community Foundation, Inc. and Subsidiary as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Essex County Community Foundation, Inc. and Subsidiary 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 opinions.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Essex County Community Foundation, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Essex County Community Foundation, Inc. and Subsidiary'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of Essex County Community Foundation, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Essex County Community Foundation, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Essex County Community Foundation, Inc. and Subsidiary's internal control over financial reporting and compliance.

*Anstiss & Co., P.C.*

Anstiss & Co., P.C.  
Chelmsford, Massachusetts  
September 28, 2022

**Essex County Community Foundation, Inc.**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

|   | <u>2022</u>           | <u>2021</u>           |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>                             |                       |                       |
| Current assets                            |                       |                       |
| Cash and cash equivalents                 | \$ 2,028,422          | \$ 2,532,466          |
| Investments                               | 75,187,748            | 79,039,771            |
| Other receivables                         | 317,505               | 345,413               |
| Prepaid expenses and other current assets | 11,754                | 15,146                |
| Total current assets                      | <u>77,545,429</u>     | <u>81,932,796</u>     |
| Long-term assets                          |                       |                       |
| Property and equipment, net               | 13,861                | 10,767                |
| Security deposit                          | 5,580                 | 5,580                 |
| Annuitized split-interest agreements      | 56,413                | 154,041               |
| Agency endowment investments              | 16,121,118            | 18,505,259            |
| Endowment investments                     | 22,286,942            | 26,640,252            |
| Total long-term assets                    | <u>38,483,914</u>     | <u>45,315,899</u>     |
| Total assets                              | <u>\$ 116,029,343</u> | <u>\$ 127,248,695</u> |
| <b>LIABILITIES AND NET ASSETS</b>         |                       |                       |
| Current liabilities                       |                       |                       |
| Accounts payable and accrued expenses     | \$ 179,709            | \$ 134,615            |
| Grants payable                            | 344,566               | 355,560               |
| Deferred revenue                          | -                     | 2,500                 |
| Total current liabilities                 | <u>524,275</u>        | <u>492,675</u>        |
| Long-term liabilities                     |                       |                       |
| Split-interest obligations                | 56,413                | 154,041               |
| Fiscal agency liability                   | 1,484,992             | 492,272               |
| Agency endowment funds                    | 16,121,118            | 18,505,259            |
| Total long-term liabilities               | <u>17,662,523</u>     | <u>19,151,572</u>     |
| Total liabilities                         | <u>18,186,798</u>     | <u>19,644,247</u>     |
| Net assets                                |                       |                       |
| Without donor restrictions                |                       |                       |
| Available for operations                  | 75,541,742            | 80,953,429            |
| Designated for endowment                  | 15,705,977            | 18,582,078            |
| Invested in property and equipment        | 13,861                | 10,767                |
| Total without donor restrictions          | <u>91,261,580</u>     | <u>99,546,274</u>     |
| With donor restrictions                   |                       |                       |
| Held in perpetuity                        | 5,221,620             | 5,210,620             |
| Purpose restricted                        | 745,295               | 1,830,358             |
| Time restricted                           | 614,050               | 1,017,196             |
| Total with donor restrictions             | <u>6,580,965</u>      | <u>8,058,174</u>      |
| Total net assets                          | <u>97,842,545</u>     | <u>107,604,448</u>    |
| Total liabilities and net assets          | <u>\$ 116,029,343</u> | <u>\$ 127,248,695</u> |

See the accompanying notes to these consolidated financial statements.

**Essex County Community Foundation, Inc.**  
**Consolidated Statements of Activities**  
**For the Years Ended June 30, 2022 and 2021**

|  | 2022                 |                     | 2021                 |                     |
|--|----------------------|---------------------|----------------------|---------------------|
|  | <u>Without Donor</u> | <u>With Donor</u>   | <u>Without Donor</u> | <u>With Donor</u>   |
|  | <u>Restrictions</u>  | <u>Restrictions</u> | <u>Restrictions</u>  | <u>Restrictions</u> |
|  |                      | <u>Total</u>        |                      | <u>Total</u>        |
| Support and revenue  |                      |                     |                      |                     |
| Contributions and grants   | \$ 19,938,165        | \$ 11,000           | \$ 23,860,360        | \$ 83,545           |
| Government grants and contracts  | 1,735,265            | -                   | 2,073,625            | -                   |
| Special event revenue, net of cost of direct benefit to donors of \$15,079 and \$0 | 330,799              | -                   | 124,254              | -                   |
| Program fees   | (1,305)              | -                   | 52,192               | -                   |
| Investment return  | (12,424,825)         | (1,094,497)         | 19,042,940           | 1,820,783           |
| Donated services   | 465                  | -                   | 3,000                | -                   |
| Gain on extinguishment of debt   | -                    | -                   | 143,947              | -                   |
| Net assets released from restrictions  | 393,712              | (393,712)           | 241,288              | (241,288)           |
| Total support and revenue  | 9,972,276            | (1,477,209)         | 45,541,606           | 1,663,040           |
| Expenses   |                      |                     |                      |                     |
| Program services   | 16,698,162           | -                   | 19,483,007           | -                   |
| Management and general   | 1,214,352            | -                   | 979,447              | -                   |
| Fundraising  | 344,456              | -                   | 301,046              | -                   |
| Total expenses   | 18,256,970           | -                   | 20,763,500           | -                   |
| Change in net assets   | (8,284,694)          | (1,477,209)         | 24,778,106           | 1,663,040           |
| Net assets at beginning of year  | 99,546,274           | 8,058,174           | 74,768,168           | 6,395,134           |
| Net assets at end of year  | \$ 91,261,580        | \$ 6,580,965        | \$ 99,546,274        | \$ 8,058,174        |
|  |                      |                     |                      | \$ 107,604,448      |

See the accompanying notes to these consolidated financial statements.

**Essex County Community Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

|   | Program              | General &<br>Administrative | Fundraising       | Total                |
|---|----------------------|-----------------------------|-------------------|----------------------|
| Grants  | \$ 14,214,670        | \$ -                        | \$ -              | \$ 14,214,670        |
| Salaries and related  | 564,007              | 862,599                     | 232,238           | 1,658,844            |
| Professional consultants and speakers                                 | 1,008,489            | -                           | -                 | 1,008,489            |
| Project support   | 708,941              | -                           | -                 | 708,941              |
| Office supplies and expenses  | 53,788               | 82,265                      | 22,148            | 158,201              |
| Occupancy   | 50,123               | 76,659                      | 20,639            | 147,421              |
| Outsourced administrative services                                    | -                    | 109,406                     | -                 | 109,406              |
| Information technology  | 22,886               | 35,001                      | 9,423             | 67,310               |
| Conferences   | 67,122               | -                           | -                 | 67,122               |
| Fundraising expenses  | -                    | -                           | 56,657            | 56,657               |
| Legal and accounting  | -                    | 27,847                      | -                 | 27,847               |
| Cost of direct benefit to donors                                      | -                    | -                           | 15,079            | 15,079               |
| Travel  | 3,425                | 5,238                       | 1,410             | 10,073               |
| Training  | -                    | 8,131                       | -                 | 8,131                |
| Insurance   | 2,420                | 3,702                       | 997               | 7,119                |
| Depreciation  | 1,240                | 1,897                       | 511               | 3,648                |
| Professional fees - other   | 1,051                | 1,607                       | 433               | 3,091                |
| Total expenses by function  | <u>\$ 16,698,162</u> | <u>\$ 1,214,352</u>         | <u>\$ 359,535</u> | <u>\$ 18,272,049</u> |
| Less expenses shown net of revenues<br>on the statement of activities |                      |                             |                   |                      |
| Cost of direct benefit to donors                                      | -                    | -                           | (15,079)          | (15,079)             |
| Total expenses per the<br>statement of activities                     | <u>\$ 16,698,162</u> | <u>\$ 1,214,352</u>         | <u>\$ 344,456</u> | <u>\$ 18,256,970</u> |

**Essex County Community Foundation, Inc.**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

|                                       | Program       | General &<br>Administrative | Fundraising | Total         |
|---------------------------------------|---------------|-----------------------------|-------------|---------------|
| Grants                                | \$ 17,676,660 | \$ -                        | \$ -        | \$ 17,676,660 |
| Salaries and related                  | 431,115       | 659,353                     | 177,518     | 1,267,986     |
| Professional consultants and speakers | 654,679       | -                           | -           | 654,679       |
| Project support                       | 542,832       | -                           | -           | 542,832       |
| Occupancy                             | 41,454        | 63,400                      | 17,069      | 121,923       |
| Office supplies and expenses          | 42,744        | 65,373                      | 17,601      | 125,718       |
| Information technology                | 28,843        | 44,114                      | 11,877      | 84,834        |
| Outsourced administrative services    | -             | 83,160                      | -           | 83,160        |
| Fundraising expenses                  | -             | -                           | 74,694      | 74,694        |
| Conferences                           | 59,123        | -                           | -           | 59,123        |
| Legal and accounting                  | -             | 44,180                      | -           | 44,180        |
| Training                              | -             | 11,369                      | -           | 11,369        |
| Insurance                             | 2,184         | 3,340                       | 899         | 6,423         |
| Travel                                | 1,691         | 2,586                       | 696         | 4,973         |
| Professional fees - other             | 895           | 1,368                       | 368         | 2,631         |
| Depreciation                          | 787           | 1,204                       | 324         | 2,315         |
| Total expenses by function            | \$ 19,483,007 | \$ 979,447                  | \$ 301,046  | \$ 20,763,500 |

**Essex County Community Foundation, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

|   | <u>2022</u>                | <u>2021</u>                |
|---|----------------------------|----------------------------|
| Reconciliation of change in net assets to net cash provided by operating activities         |                            |                            |
| Change in net assets  | \$ (9,761,903)             | \$ 26,441,146              |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities |                            |                            |
| Depreciation  | 3,648                      | 2,315                      |
| Net realized and unrealized loss (gain) on investments                                      | 11,296,126                 | (13,973,263)               |
| Contributions restricted to endowment   | (903,050)                  | (904,229)                  |
| Change in value of fiscal agency liability  | 992,720                    | 396,333                    |
| Change in value of agency endowment liability   | (2,384,141)                | 3,922,862                  |
| Endowment net investment return   | 3,500,248                  | (5,663,376)                |
| Gain on extinguishment of debt  | -                          | (143,947)                  |
| Changes in operating assets and liabilities   |                            |                            |
| Decrease in prepaid expenses and other assets   | 3,392                      | 4,510                      |
| Decrease (increase) in other receivables  | 27,908                     | (345,413)                  |
| Increase (decrease) in accounts payable and accrued expenses                                | 45,094                     | (6,161)                    |
| Decrease in grants payable  | (10,994)                   | (173,692)                  |
| Decrease in deferred revenue  | (2,500)                    | (20,500)                   |
| Net cash provided by operating activities   | <u>2,806,548</u>           | <u>9,536,585</u>           |
| Cash flows from investing activities  |                            |                            |
| Purchases of investments  | (22,640,477)               | (22,714,080)               |
| Proceeds from sale of investments   | 17,580,515                 | 12,250,553                 |
| Purchase of property and equipment  | (6,742)                    | (6,861)                    |
| Withdrawals from assets held under split-interest agreements                                | 97,628                     | 97,628                     |
| Withdrawals from endowment  | 1,756,112                  | 1,492,480                  |
| Net cash used by investing activities   | <u>(3,212,964)</u>         | <u>(8,880,280)</u>         |
| Cash flows from financing activities  |                            |                            |
| Payments to beneficiaries of split-interest agreements                                      | (97,628)                   | (97,628)                   |
| Net cash used by financing activities   | <u>(97,628)</u>            | <u>(97,628)</u>            |
| Net change in cash and cash equivalents   | (504,044)                  | 558,677                    |
| Cash and cash equivalents at beginning of year  | <u>2,532,466</u>           | <u>1,973,789</u>           |
| Cash and cash equivalents at end of year  | <u><u>\$ 2,028,422</u></u> | <u><u>\$ 2,532,466</u></u> |
| Supplemental information  |                            |                            |
| SBA PPP loan forgiveness  | <u><u>\$ -</u></u>         | <u><u>\$ 143,947</u></u>   |

See the accompanying notes to these consolidated financial statements.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1 - ORGANIZATION**

Essex County Community Foundation, Inc. is a nonprofit organization established in 1998 as a broad-based public foundation. Its purpose is to promote and expand philanthropy primarily in Essex County, Massachusetts, by collaborating with donors and by connecting them to the vital and effective work of the non-profit agencies serving Essex County communities. The organization provides services to people whose care and loyalty for Essex County communities leads them to community philanthropy.

On August 21, 2018, Essex County Community Foundation, Inc. formed a single member-managed limited liability company, ECCF Real Estate, LLC (the LLC) to own and manage real estate. The LLC is treated as a subsidiary of the nonprofit organization for financial reporting purposes. All intercompany activity has been eliminated.

Essex County Community Foundation, Inc. and Subsidiary (collectively, the Foundation) seeks to build endowments and donor advised funds to support public benefit purposes. The Foundation's funds have been established for the following purposes:

Discretionary Funds

The Foundation makes grants to non-profit agencies in Essex County during its annual grant cycle. The Foundation holds informational meetings open to all non-profit agencies in different parts of the county on a regular basis. Agencies are invited to submit grant proposals which are reviewed by a community-based volunteer Grant Management Committee. The committee makes grant recommendations to the Foundation's Board of Trustees for final approval.

Field of Interest Funds

Field of interest funds are used to support projects within a donor-specified geographic area or within a charitable field of interest selected by the donor, such as the arts, conservation, education, health, social services, etc., within Essex County. The Foundation circulates a Request for Proposal to all agencies within the selected field of interest. The Foundation's Grant Management Committee or a committee designated by the donor reviews these proposals and makes recommendations to the Board of Trustees for final approval.

Agency Endowments

Through agency endowments, agencies are able to aggregate their funds with the Foundation, designating themselves as beneficiary. These agencies benefit from investing their funds with the Foundation's more substantial endowment and from using the fund management facilities already established by the Foundation, including investment management, income distribution and fundraising assistance.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 1 – ORGANIZATION (continued)**

Designated Funds

A designated fund is a fund established for the benefit of a designated non-profit agency or program. Beneficiaries, chosen by the donor, will receive the benefit of that donation for many years to come.

Donor Advised Funds

Donor advised funds are used by community foundations to provide donors with a compelling alternative to establishing their own private foundation or charitable trust. With a donor advised fund, there is no requirement for the donor to establish a tax-exempt entity, which takes time, administrative effort, and money. Through a designated committee, the donor retains advisory privileges with respect to the distributions of funds and the investment of accounts.

Scholarship Funds

The Foundation provides an opportunity for donors to establish scholarship funds to benefit individuals who might otherwise be unable to complete or continue their education at the secondary level or beyond.

Internal Funds

Internal funds have been established to support the operations of the Foundation, including discretionary grant making, youth, and environmental programs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Foundation reports information regarding its financial position and activities in two classes of net assets based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are classified as without donor restrictions.

In addition, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time, for a specific purpose, or to function as endowment. These board-designated net assets may become undesignated with the passage of time or when used for their intended purpose. The Board may undesignate these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of the Foundation.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Basis of Presentation (continued)***

**Net Assets With Donor Restrictions**

Net assets subject to donor-imposed stipulations that are either held in perpetuity or have restrictions that are met, either by actions of the Foundation and/or the passage of time, are classified as net assets with donor restrictions. All income and unrealized and realized net gains on investments related to net assets held in perpetuity are considered time or purpose restricted. These funds can be made available for expenditure as the Foundation appropriates its annual spending based on the use of a spending policy or in accordance with donor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

***Cash and Cash Equivalents***

Cash equivalents include cash, time deposits, certificates of deposit, and other highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes. Cash, time deposits, certificates of deposit, and other highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

***Fair Value Measurements***

GAAP defines fair value measurements applied to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. Under GAAP, fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active or inactive markets and other significant inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are significant unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fair Value Measurements (continued)***

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying amounts for cash and cash equivalents, prepaid expenses and other assets, accounts payable and accrued expenses, grants payable, and deferred revenue approximate fair value due to their short-term nature. ASC 825-10, "*Financial Instruments*," permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Foundation has not adopted any of the additional fair value options allowed under the standard.

***Investments***

The Foundation invests its assets in a manner intended to achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To minimize risk, the Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and managers. Significant investment decisions are made by the Board of Trustees' Investment Committee, which has oversight responsibility for the Foundation's investment program. The Foundation's portfolio is managed by outside investment managers who invest according to the investment guidelines recommended by the Investment Committee and approved by the Board of Trustees.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position and are included in level 1 of the fair value hierarchy. Fair value is based on market value in the case of marketable securities. The market value of publicly traded securities is based upon quotes from the principal exchanges on which the securities are traded. Investment return (including realized and unrealized gains and losses on investments, interest, dividends, and external and direct internal investment expenses) is included in the current year change in net assets. Realized and unrealized gains or losses are determined by comparison of the difference between market values and average cost, respectively. Dividend and interest income is recognized when earned.

Alternative investments include non-marketable securities such as limited partnerships, private equity, hedge funds, and real estate investment trusts which are valued using current estimates of fair value obtained from investment managers or general partners in the absence of readily determinable public market values. Such valuations generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of the investments held. Because of the inherent uncertainty in valuing these investments, the estimate of the investment manager or general partner may

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Investments (continued)***

differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in non-marketable investment funds may limit the Foundation's ability to liquidate its interest in such investments. Foundation management is responsible for the measurements of alternative investments reported in the fair value hierarchy as level 3. As of June 30, 2021, the Foundation had entered into capital commitments of \$1,000,000 each in two limited partnerships. A third capital commitment of \$2,000,000 was entered into for another limited partnership on October 26, 2021. As of June 30, 2022 and 2021, \$1,420,000 and \$530,000 of these commitments had been funded, respectively.

Pooled investments include investments in pooled funds which have underlying assets in various mutual funds and securities that are not held directly by the Foundation but rather by Greater Horizons. The underlying assets have readily determinable fair values based on the market value of publicly traded securities which are based upon quotes from the principal exchanges on which the securities are traded. Investment income earned by pooled assets is allocated to each investor participating in the pool based on average monthly balance invested.

ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable, or liquidated, at NAV under the original terms of the subscription agreements. These redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not active and individual transactions are not necessarily observable. It is therefore possible that sale of the Foundation's interest in a fund in the secondary market could occur at an amount materially different from the reported value. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. The Foundation believes that reported fair values of non-marketable securities are reasonable.

***Other Receivables***

Revenue is accounted for at established rates on the accrual basis, less an allowance for contractual, charitable, and other arrangements for services provided at less than established rates. The Foundation does not accrue interest on trade receivables. The Foundation records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, the Foundation evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of past write-offs, collections, and current credit conditions.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Unconditional Promises to Give***

Promises to give due within the next twelve months are recorded at their net realizable value. Unconditional promises to give due in more than twelve months are recognized initially at fair value in the period the donor makes the promise. The fair value of a pledge is estimated based on anticipated future cash receipts (net of an allowance for uncollectible amounts), discounted using a risk adjusted rate of 5% applicable to the years in which the promises are to be received. In subsequent periods, amortization of the discount rate is included in contribution revenue in the statements of activities. The allowance for uncollectable promise to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There were no outstanding pledges as of June 30, 2022 and 2021.

***Property and Equipment***

All property and equipment additions of \$5,000 or more are capitalized and recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Maintenance, repairs, rearrangement expenses, and renewal and betterments that do not significantly enhance the value or increase the basic productive capacity of the assets are charged to expenses as incurred. The Foundation depreciates property and equipment using the straight-line method over useful lives of the assets as follows:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Software                | 3-7          |
| Furniture and equipment | 4-7          |

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

***Revenue Recognition***

Program fees, which consist of fees for workshops and training classes, are recognized when services are performed. Program services fees billed or collected in advance are recorded as deferred revenue until the services are performed. As of June 30, 2022, there were no fees collected in advance and recorded as deferred revenue. As of June 30, 2021, there was \$2,500 in fees collected in advance and recorded as deferred revenue.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenue Recognition (continued)***

A portion of the Foundation's revenue is derived from state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of June 30, 2022 and 2021.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of the gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

***In-Kind Contributions***

Donated goods, services, and fixed assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 fixed assets are reported as restricted contributions. The Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service. There was \$465 and \$3,000 received in donated services for the years ended June 30, 2022 and 2021, respectively.

Volunteers contribute significant amounts of time to our program services, administration and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed professional services are recorded at the respective fair values of the services received.

***Functional Allocation of Expenses***

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses are required to present the natural classification detail of expenses by function, allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program and support services are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities on a basis that is most appropriate for the cost allocated and that provides for a fair and equitable distribution.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Functional Allocation of Expenses (continued)***

Salaries and related benefits, occupancy and certain other costs are allocated based on estimates of time and effort developed from periodic time studies. Other unallocable costs such as outsourced administrative services and fundraising expenses that are not identified with one or more programs are reported as general and administrative or fundraising as appropriate.

***Concentrations of Credit Risk***

The Foundation places its cash and cash equivalents with high quality financial institutions. Such deposits are covered by Federal Deposit Insurance Commission (FDIC) insurance and by state level insurance for balances exceeding FDIC limits. To minimize risk management routinely assesses the financial strength of the institutions.

Investments are exposed to market and credit risks. Due to the risk associated with such investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes and Uncertain Tax Positions***

Essex County Community Foundation, Inc., incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3) and is classified as other than a private foundation as defined by section 509(a) of the IRC. Therefore, it is generally exempt from federal and state income taxes except for tax on unrelated business income. Management has determined that substantially all of the Foundation's income, expenditures, and activities relate to its exempt purpose, therefore, the Foundation is not subject to unrelated business income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying consolidated financial statements.

The Foundation has elected, under IRC Sec. 501(h), to make limited expenditures to influence legislation. The Foundation is subject to excise tax of 25% on lobbying expenditures in excess of allowable limits. There were no excise taxes on excess lobbying expenditures for the years ending June 30, 2022 and 2021.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Taxes and Uncertain Tax Positions (continued)***

The Foundation is required to evaluate and disclose tax positions that could have an effect on the Foundation's consolidated financial statements. There are no uncertain tax positions considered to be material. The Foundation reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Management believes it is no longer subject to review by taxing authorities for periods prior to 2019.

***Accounting Updates***

In February 2016, the FASB issued ASU 2016-02, "*Leases*," amending Financial Accounting Standards Board Accounting Standards Codification (ASC) by adding topic 842. The new ASU requires that lessees recognize on the statement of financial position the assets and liabilities for the rights and obligations created by all leases with terms of more than twelve months, regardless of their classification as either operating or capital leases. For non-profit organizations without public debt, this ASU takes effect for annual periods beginning after December 15, 2021. For the Foundation, this ASU takes affect for fiscal years starting July 1, 2022.

In June 2016, the FASB issued ASU 2016-13, "*Measurement of Credit Losses on Financial Instruments*" (Topic 326). The standard requires assets measured at amortized cost basis to be presented at the net amount expected to be collected on the financial asset over its full life. The statement of activities will reflect credit losses for newly recognized financial assets, as well as expected increases or decreases of expected credit losses that have taken place during the period. This ASU is effective for annual periods beginning after December 15, 2022. For the Foundation, this ASU takes affect for fiscal years starting July 1, 2023.

The Foundation is currently evaluating the effect that these accounting pronouncements will have on the consolidated financial statements. There were no other accounting standards recently issued that had or are expected to have a material impact on the Foundation's consolidated financial statements and associated disclosures.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available within one year for general operating expenses, including grants, are as follows as of June 30<sup>th</sup>:

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| Cash and cash equivalents                                  | \$ 1,459,186        | \$ 1,961,873        |
| Investments  | 75,351,925          | 79,039,771          |
| Distributions from annuitized split-interest agreements    | 97,628              | 97,628              |
| Endowment spending policy distributions and appropriations | 1,468,203           | 1,213,871           |
| Total financial assets available                           | <u>\$78,376,942</u> | <u>\$82,313,143</u> |

To manage liquidity, the Foundation strives to maintain three to nine months of operating reserves on hand to meet current liquidity needs and address shortfalls in cash flow caused by seasonal revenue cycles. The operating reserves are maintained in investment accounts with asset allocations consistent with the investment policy.

The Foundation maintains accounts in funds. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. The Foundation charges each fund an annual administrative fee consistent with the Foundation's fund fees policy. The administrative fee serves as support for current operations.

In addition, the Foundation had \$3,178,309 and \$3,379,598 in board designated funds functioning as endowment as of June 30, 2022 and 2021, respectively. Although the Board currently has no intention of doing so, these funds can be made available for general expenditure with Board approval.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures (see Note 2). The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30<sup>th</sup>:

|                                 |                       | 2022   |  |  |
|---------------------------------|-----------------------|--|--|--|
|                                 |                       | Quoted prices in<br>active markets<br>for identical<br>assets<br>Level 1 | Significant other<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 |
|                                 | Total                 |  |  |  |
| <b>Assets:</b>                  |                       |  |  |  |
| Cash equivalents                | \$ 41,240             | \$ 41,240  | \$ -   | \$ -   |
| Equity funds                    |                       |  |  |  |
| Large cap                       | 50,325,905            | 50,325,905   | -  | -  |
| Mid cap                         | 7,080,923             | 7,080,923  | -  | -  |
| Small cap                       | 1,329,207             | 1,329,207  | -  | -  |
| Other                           | 6,771                 | 6,771  | -  | -  |
| Fixed income funds              |                       |  |  |  |
| Multi-sector                    | 14,180,180            | 14,180,180   | -  | -  |
| Other bond funds                | 10,166,109            | 10,166,109   | -  | -  |
| High yield                      | 2,217,717             | 2,217,717  | -  | -  |
| International                   | 2,993,107             | 2,993,107  | -  | -  |
| Government                      | 1,482,257             | 1,482,257  | -  | -  |
| Alternative investments         |                       |  |  |  |
| Limited partnerships            | 1,580,351             | -  | -  | 1,580,351  |
| Exchange traded funds           |                       |  |  |  |
| Other                           | 3,174,433             | 3,174,433  | -  | -  |
| Total investments at fair value | 94,578,200            | \$ 92,997,849  | \$ -   | \$ 1,580,351                                     |
| Pooled investments at NAV       |                       |  |  |  |
| Domestic equity                 | 746,422               |  |  |  |
| International equity            | 320,531               |  |  |  |
| Short-term                      | 188,076               |  |  |  |
| Intermediate                    | 123,165               |  |  |  |
| Money market                    | 17,639,414            |  |  |  |
| Total investments               | <u>\$ 113,595,808</u> |  |  |  |
| <b>Liabilities:</b>             |                       |  |  |  |
| Agency endowment funds          | <u>\$ 16,121,118</u>  |  |  |  |

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

|                                  |                       | 2021   |  |  |
|----------------------------------|-----------------------|--|--|--|
|                                  |                       | Quoted prices in<br>active markets<br>for identical<br>assets<br>Level 1 | Significant other<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 |
|                                  | Total                 |  |  |  |
| <b>Assets:</b>                   |                       |  |  |  |
| Cash equivalents                 | \$ 15,822             | \$ 15,822  | \$ -   | \$ -   |
| <b>Equity funds</b>              |                       |  |  |  |
| Large cap                        | 60,260,328            | 60,260,328   | -  | -  |
| Mid cap                          | 10,287,458            | 10,287,458   | -  | -  |
| Small cap                        | 1,237,442             | 1,237,442  | -  | -  |
| Other                            | 5,000                 | 5,000  | -  | -  |
| <b>Fixed income funds</b>        |                       |  |  |  |
| Multi-sector                     | 15,811,985            | 15,811,985   | -  | -  |
| Other bond funds                 | 10,980,333            | 10,980,333   | -  | -  |
| High yield                       | 2,448,416             | 2,448,416  | -  | -  |
| International                    | 3,328,861             | 3,328,861  | -  | -  |
| Government                       | 1,368,030             | 1,368,030  | -  | -  |
| <b>Alternative investments</b>   |                       |  |  |  |
| Limited partnerships             | 514,961               | -  | -  | 514,961  |
| <b>Exchange traded funds</b>     |                       |  |  |  |
| Other                            | 2,918,859             | 2,918,859  | -  | -  |
| Total investments at fair value  | 109,177,495           | \$ 108,662,534   | \$ -   | \$ 514,961                                       |
| <b>Pooled investments at NAV</b> |                       |  |  |  |
| Domestic equity                  | 2,861,906             |  |  |  |
| International equity             | 393,186               |  |  |  |
| Short-term                       | 221,748               |  |  |  |
| Intermediate                     | 147,369               |  |  |  |
| Money market                     | 11,383,578            |  |  |  |
| Total investments                | <u>\$ 124,185,282</u> |  |  |  |
| <b>Liabilities:</b>              |                       |  |  |  |
| Agency endowment funds           | <u>\$ 18,505,259</u>  |  |  |  |

Investment activity for level 3 investments was as follows for the years ended June 30<sup>th</sup>:

| Significant unobservable inputs Level 3 | 2022                | 2021              |
|---|---------------------|-------------------|
| Beginning balance                       | \$ 514,961          | \$ 150,000        |
| Capital calls                           | 890,000             | 380,000           |
| Investment return                       | 175,390             | (15,039)          |
| Ending balance                          | <u>\$ 1,580,351</u> | <u>\$ 514,961</u> |

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 5 – INVESTMENT RETURN**

Return on investments consisted of the following for the years ended June 30<sup>th</sup>:

|                              | 2022                  | 2021                 |
|------------------------------|-----------------------|----------------------|
| Interest and dividends       | \$ 1,993,842          | \$ 1,716,037         |
| Realized gains               | 2,548,223             | 4,367,572            |
| Unrealized gains and losses  | (18,194,844)          | 14,799,529           |
| Partnership gains and losses | 143,359               | (12,280)             |
| Investment fees              | (9,902)               | (7,135)              |
|                              | <u>\$(13,519,322)</u> | <u>\$ 20,863,723</u> |

Investment return is shown net of investment management and custody fees paid directly to the investment managers in the amount of \$9,902 and \$7,135 for the years ended June 30, 2022 and 2021, respectively. There were additional investment fees that were not paid directly to the managers, but rather are netted from the return on certain investments.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment is composed of the following as of June 30<sup>th</sup>:

|                                | 2022             | 2021             |
|--------------------------------|------------------|------------------|
| Furniture and equipment        | \$ 74,501        | \$ 67,759        |
| Software                       | 44,111           | 44,111           |
| Total property and equipment   | 118,612          | 111,870          |
| Less: accumulated depreciation | (104,751)        | (101,103)        |
| Property and equipment, net    | <u>\$ 13,861</u> | <u>\$ 10,767</u> |

Depreciation expense was \$3,648 and \$2,315 for the years ending June 30, 2022 and 2021, respectively.

**NOTE 7 – SBA/PPP LOAN PAYABLE**

On April 17, 2020, the Foundation received loan proceeds from People’s United Bank in the amount of \$143,947 under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), enacted by the U.S. Government on March 27, 2020, to help small businesses retain employees during the pandemic and economic downturn. The PPP provides for loans to qualifying businesses for amounts up to two- and one-half times the average monthly allowable payroll costs incurred during the year prior to the loan date.

The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. No more than 40% of amounts expended

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 7 – SBA/PPP LOAN PAYABLE (continued)**

can be for non-payroll costs and the amount of loan forgiveness will be reduced if the borrower terminates employees or reduces wages paid to employees by more than 25% during the twenty-four-week period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. If the forgiveness application is submitted within 10 months after the end of the covered period, payments will be deferred until the SBA remits the loan forgiveness amount to the lender or notifies the lender that no loan forgiveness is allowed. Loan forgiveness was granted on January 6, 2021, and the full amount was recognized as a gain on extinguishment of debt for the year ended June 30, 2021.

**NOTE 8 - NET ASSETS**

Net assets consisted of the following at June 30, 2022 and 2021, respectively:

|                                       | 2022                          |                            |                     | 2021                          |                            |                      |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|----------------------|
|                                       | Without donor<br>restrictions | With donor<br>restrictions | Total               | Without donor<br>restrictions | With donor<br>restrictions | Total                |
| Operating funds                       | \$ 302,030                    | \$ -                       | \$ 302,030          | \$ 290,141                    | \$ -                       | \$ 290,141           |
| Non-endowed funds                     | 75,239,712                    | -                          | 75,239,712          | 80,663,288                    | -                          | 80,663,288           |
| Invested in property<br>and equipment | 13,861                        | -                          | 13,861              | 10,767                        | -                          | 10,767               |
| Endowment funds                       | 15,705,977                    | 6,580,965                  | 22,286,942          | 18,582,078                    | 8,058,174                  | 26,640,252           |
|                                       | <u>\$91,261,580</u>           | <u>\$6,580,965</u>         | <u>\$97,842,545</u> | <u>\$99,546,274</u>           | <u>\$8,058,174</u>         | <u>\$107,604,448</u> |

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment, which amounted to \$3,178,309 and \$3,379,598 as of June 30, 2022 and 2021, respectively, and other donor created endowments that are subject to both the Foundation's variance power and spending policy.

As of June 30, 2022 and 2021, net assets with donor restrictions included net assets of \$5,221,620 and \$5,210,620, respectively, consisting of 21 individual endowment funds and endowment receivables, respectively, which must be held by the Foundation in perpetuity. Earnings on perpetual endowment funds with purpose restrictions consist of funds restricted for a variety of uses within and outside Essex County, Massachusetts which meet the charitable needs of the community.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 8 - NET ASSETS (continued)**

In addition, there were net assets with donor restrictions consisting of contributions whose restrictions can be satisfied through purpose spending or time and that resulted from earnings on perpetual endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts as follows:

|   | 2022               | 2021               |
|---|--------------------|--------------------|
| Cumulative earnings - perpetual endowment funds |                    |                    |
| Without purpose restrictions                    | \$ 614,050         | \$1,017,196        |
| With purpose restrictions                       | 745,295            | 1,830,358          |
| Total   | <u>\$1,359,345</u> | <u>\$2,847,554</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

|                                 | 2022      | 2021      |
|---------------------------------|-----------|-----------|
| Expiration of time restrictions | \$393,712 | \$241,288 |

Net assets with donor restrictions consisted of the following as of and for the years ended June 30<sup>th</sup>:

|  | 2022               | 2021               |
|--|--------------------|--------------------|
| Environment                              | \$ 2,644,411       | \$ 3,328,785       |
| Education                                | 2,210,133          | 2,637,426          |
| Health and human services                | 1,327,247          | 1,617,133          |
| Art                                      | 60,246             | 71,053             |
| Other                                    | 338,928            | 403,777            |
| Total net assets with donor restrictions | <u>\$6,580,965</u> | <u>\$8,058,174</u> |

**NOTE 9 – ENDOWMENT FUNDS**

The Foundation's endowment consists of approximately 51 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds established by the Board of Trustees to function as endowments. Under UPMIFA, the Board of Trustees has discretion to determine appropriate expenditure of a donor-restricted endowment fund in accordance with specific guidelines about what constitutes prudent spending. UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment is established. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of the funds suggests that a donor-restricted endowment fund is

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 9 – ENDOWMENT FUNDS (continued)**

perpetual in nature. Although the Foundation is permitted to continue a prudent payout even if the market value of the fund is below historic principal value, there is an expectation that over time, the perpetually restricted amount will remain intact.

The Foundation's Board of Trustees' interpretation of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date has resulted in the classification of net assets with donor restrictions that are perpetual in nature as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetual endowment is classified with other net assets with donor restrictions until appropriated for expenditure by the Foundation in a manner consistent with 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) General economic conditions
- (2) The possible effect of inflation and deflation
- (3) The expected tax consequences, if any, of investment decisions
- (4) The effect of each investment or course of action on the overall investment portfolio
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the organization
- (7) The needs of the Foundation and the fund to make distributions and to preserve capital
- (8) An asset's special relationship or value, if any, to the Foundation's charitable purpose
- (9) The duration and preservation of the fund
- (10) The investment policy of the Foundation

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain in a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur in newer endowment funds, shortly after the investment of new permanently restricted contributions, or when there was continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Deficiencies of this nature exist in two donor-restricted endowment funds, which together have an original gift value of \$84,674, a current fair value of \$76,306, and a deficiency of \$8,368 as of June 30, 2022. There were no underwater endowment funds as of June 30, 2021.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 9 – ENDOWMENT FUNDS (continued)**

As of June 30, 2022 and 2021, perpetual endowment funds with original gift values of \$5,221,620 and \$5,210,620 and fair values of \$6,580,965 and \$8,058,174, were reported in net assets with donor restrictions, respectively.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include the assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield return equal to the return obtainable by investing in one-year U.S. Treasury Bills over three years. Actual returns in any given year may vary from this amount.

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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy is determined each year and allows for appropriating up to 5 percent of its endowments fair market value using a twenty-quarter rolling average. The spending policy adopted for fiscal years ending 2022 and 2021 was 4.5 percent. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Articles of Organization of the Foundation, and most fund agreements, include a variance power provision which gives the Board of Trustees the power to modify any restriction or condition placed on gifts, if in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or is inconsistent with the charitable needs of the community.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 9 – ENDOWMENT FUNDS (continued)**

Endowment net asset composition by fund type as of June 30th:

|                        | 2022                             |                            |                      |
|------------------------|----------------------------------|----------------------------|----------------------|
|                        | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Donor created funds    | \$ 12,527,668                    | \$ 6,580,965               | \$ 19,108,633        |
| Board designated funds | 3,178,309                        | -                          | 3,178,309            |
|                        | <u>\$ 15,705,977</u>             | <u>\$ 6,580,965</u>        | <u>\$ 22,286,942</u> |
|                        | 2021                             |                            |                      |
|                        | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Donor created funds    | \$ 15,202,480                    | \$ 8,058,174               | \$ 23,260,654        |
| Board designated funds | 3,379,598                        | -                          | 3,379,598            |
|                        | <u>\$ 18,582,078</u>             | <u>\$ 8,058,174</u>        | <u>\$ 26,640,252</u> |

Changes in endowment net assets for the year ended June 30, 2022:

|  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|--|----------------------------------|----------------------------|----------------------|
| Endowment net assets,<br>beginning of year | \$ 18,582,078                    | \$ 8,058,174               | \$ 26,640,252        |
| Investment return:                         |                                  |                            |                      |
| Investment income                          | 367,704                          | 396,269                    | 763,973              |
| Appreciation/depreciation                  | (2,773,455)                      | (1,490,766)                | (4,264,221)          |
| Total investment return                    | <u>(2,405,751)</u>               | <u>(1,094,497)</u>         | <u>(3,500,248)</u>   |
| Contributions                              | 892,050                          | 11,000                     | 903,050              |
| Appropriation of assets for<br>expenditure | <u>(1,362,400)</u>               | <u>(393,712)</u>           | <u>(1,756,112)</u>   |
| Endowment net assets,<br>end of year       | <u>\$ 15,705,977</u>             | <u>\$ 6,580,965</u>        | <u>\$ 22,286,942</u> |

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 9 – ENDOWMENT FUNDS (continued)**

Changes in endowment net assets for the year ended June 30, 2021:

|  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
|--|----------------------------------|----------------------------|--------------|
| Endowment net assets,<br>beginning of year | \$ 15,169,993                    | \$ 6,395,134               | \$21,565,127 |
| Investment return:                         |                                  |                            |              |
| Investment income                          | 323,756                          | 152,809                    | 476,565      |
| Appreciation/depreciation                  | 3,518,837                        | 1,667,974                  | 5,186,811    |
| Total investment return                    | 3,842,593                        | 1,820,783                  | 5,663,376    |
| Contributions                              | 820,684                          | 83,545                     | 904,229      |
| Appropriation of assets for<br>expenditure | (1,251,192)                      | (241,288)                  | (1,492,480)  |
| Endowment net assets,<br>end of year       | \$ 18,582,078                    | \$ 8,058,174               | \$26,640,252 |

**NOTE 10 – FISCAL AGENCY LIABILITY**

The Foundation acts as a fiscal agent for other organizations in the service area. The organizations place funds with the Foundation and direct the Foundation to disburse funds from time to time on the organizations' behalf. Fiscal agency funds reported in the statements of financial position represent undisbursed funds held by the Foundation on behalf of nine and three organizations in the amount of \$1,484,992 and \$492,272 as of June 30, 2022 and 2021, respectively.

**NOTE 11 – AGENCY ENDOWMENT FUNDS**

Agency endowment arises when a transfer is received from a not-for-profit organization that specifies itself as the beneficiary. GAAP requires that the transfers received by a community foundation be accounted for as a liability as the transaction is deemed to be reciprocal. The agency endowments funds held by the Foundation as of June 30, 2022 and 2021, were \$16,121,118 and \$18,505,259, respectively.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 12 – SPLIT-INTEREST OBLIGATIONS**

Split-interest agreements of \$56,413 and \$154,041 as of June 30, 2022 and 2021, respectively, consist of charitable gift annuities in which donors have contributed assets to the Foundation and have designated themselves as beneficiaries of an annuity payment over a specified period of time. The Foundation recorded revenue representing its share of the split-interest agreements and purchased annuity certificates covering 100% of the split-interest obligations due to the beneficiaries. The annuity obligations and related expected proceeds from the annuity certificates are estimates that may differ from amounts actually paid and received. The decrease in split-interest obligations and annuitized split-interest agreements over time is the result of annuity payments made and received.

**NOTE 13 – RELATED PARTY ACTIVITY**

Several of the Foundation's board members also serve on the boards of, or otherwise have a business relationship with, other area non-profit organizations. During the fiscal years ended June 30, 2022 and 2021, the Foundation made grants of \$1,856,127 and \$2,551,736 to those organizations, respectively.

**NOTE 14 – EMPLOYEE BENEFIT PLANS**

Effective January 1, 2018, the Foundation adopted a SIMPLE IRA Plan. Under this Plan the Foundation may make matching contributions. Employer contributions in the amount of \$40,799 and \$26,143 were made for the fiscal years ended June 30, 2022 and 2021, respectively.

**NOTE 15 - OPERATING LEASE**

The Foundation occupies office space in Danvers, MA under a seven-year operating lease expiring April 1, 2024. The lease provides for monthly rental payments of \$8,262 for 2022 which graduates annually. Rent expense for the years ended June 30, 2022 and 2021 was \$92,871 and \$75,195, respectively. Effective July 1, 2021, the lease was amended to increase the square footage to 5,020 square feet. The future minimum lease payments are fixed and include an additional \$1.25 per square foot for electrical. The minimum required lease payments are as follows for the fiscal years ending June 30<sup>th</sup>:

|       |                   |
|-------|-------------------|
| 2023  | 99,145            |
| 2024  | 74,359            |
| Total | <u>\$ 173,504</u> |

**Essex County Community Foundation, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

**NOTE 16 – CONTINGENCY**

The Foundation continues to be impacted by COVID-19, which was characterized as a pandemic by the World Health Organization on March 11, 2020. Multiple jurisdictions in the U.S. declared a state of emergency and implemented enhanced screenings, quarantine requirements, and other restrictions. It is anticipated that the impacts from this pandemic will continue for some time. There has been no immediate impact to the Foundation's operations. Potential impacts may include disruptions or restrictions on our employees' ability to work, our donors' ability to contribute, our ability to fundraise, or our capacity to support program services. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

**NOTE 17 - SUBSEQUENT EVENTS**

ASC 855-10, "*Subsequent Events*," defines further disclosure requirements for events that occur after the consolidated statements of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Foundation's management has evaluated events subsequent to June 30, 2022 through September 28, 2022, which is the date the consolidated financial statements were available to be issued. There were no material events noted during this period that would either impact the results reflected in this report or the Foundation's results going forward.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on and Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
Essex County Community Foundation, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Essex County Community Foundation, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Essex County Community Foundation, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Essex County Community Foundation, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Essex County Community Foundation, Inc. and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Essex County Community Foundation, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Anstiss & Co., P.C.*

Anstiss & Co., P.C.  
Chelmsford, Massachusetts  
September 28, 2022

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Trustees of  
Essex County Community Foundation, Inc. and Subsidiary

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Essex County Community Foundation, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Essex County Community Foundation, Inc. and Subsidiary's major federal programs for the year ended June 30, 2022. Essex County Community Foundation, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Essex County Community Foundation, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Essex County Community Foundation, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Essex County Community Foundation, Inc. and Subsidiary's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Essex County Community Foundation, Inc. and Subsidiary's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Essex County Community Foundation, Inc. and Subsidiary's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Essex County Community Foundation, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Essex County Community Foundation, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Essex County Community Foundation, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Essex County Community Foundation, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anstiss & Co., P.C.*

Anstiss & Co., P.C.  
Chelmsford, Massachusetts  
September 28, 2022

**Essex County Community Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2022**

**Section I - Summary of Audit Results**

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                    ☐ yes       ☒ no
- Significant deficiency(ies) identified?               ☐ yes       ☒ none reported
- Noncompliance material to financial statements noted?       ☐ yes       ☒ none reported

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?                    ☐ yes       ☒ no
- Significant deficiency(ies) identified?               ☐ yes       ☒ none reported

Type of auditor's report issued on compliance over major programs: unmodified

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)?                    ☐ yes       ☒ no

Identification of major federal programs:

| Assistance Listing<br>Numbers | Name of Federal Program or Cluster   |
|-------------------------------|--|
| 14.228                        | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii. |

Dollar threshold used to distinguish between type A and type  
B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes       ☒ no

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2022**

| Federal Grantor/Pass-through<br>Grantor/Program or Cluster Title   | Assistance<br>Listing Number | Pass-through Entity<br>Identifying Number | Passed through<br>to Subrecipients | Total Federal<br>Expenditures |
|--|------------------------------|---|------------------------------------|-------------------------------|
| <b>Other Programs</b>  |                              |   |                                    |                               |
| U.S. Department of Housing and Urban Development   |                              |   |                                    |                               |
| Pass-through -- Commonwealth of Massachusetts Department<br>of Housing and Community Development           |                              |   |                                    |                               |
| * COVID-19 - Community Development Block<br>Grants/State's program and Non-Entitlement Grants in<br>Hawaii | 14.228                       | SCOCD322022821110000                      | \$ 692,007                         | \$ 817,024                    |
| Total Community Development Block Grants/State's program<br>and Non-Entitlement Grants in Hawaii           |                              |   | 692,007                            | 817,024                       |
| Total U.S. Department of Housing and Urban Development   |                              |   | \$ 692,007                         | 817,024                       |
| <b>Total Expenditures of Federal Awards</b>  |                              |   | <u>\$ 692,007</u>                  | <u>\$ 817,024</u>             |

See accompanying notes to schedule of expenditures of federal awards.

**Essex County Community Foundation, Inc. and Subsidiary**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2022**

**Notes to the Schedule of Expenditures of Federal Awards**

**1. Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the grant activity of Essex County Community Foundation, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Essex County Community Foundation, Inc. and Subsidiary it is not intended to and does not present the financial position, changes in net assets, or cash flows of Essex County Community Foundation, Inc. and Subsidiary.

**2. Significant Accounting Policies:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate:**

Essex County Community Foundation, Inc. and Subsidiary has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

\* Major Program