

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
SouthCoast Community Foundation, Inc.  
New Bedford, Massachusetts

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

#### ***Opinion***

We have audited the accompanying financial statements of SouthCoast Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SouthCoast Community Foundation, Inc. as of December 31, 2022, and the change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2022 SouthCoast Community Foundation, Inc. adopted a recently issued accounting standard relating to the recognition of leases. The new standard requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SouthCoast Community Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

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

Board of Directors  
SouthCoast Community Foundation, Inc.

**Other Matter**

The financial statements as of December 31, 2021 of SouthCoast Community Foundation, Inc. were audited by other auditors whose report dated November 1, 2022, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

New Bedford, Massachusetts  
August 8, 2023

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 6,550,501	\$ 3,176,963
Pledges Receivable	-	20,000
Prepaid Expenses	52,025	33,872
Total Current Assets	6,602,526	3,230,835
<b>PROPERTY AND EQUIPMENT, NET</b>	18,532	22,438
<b>OTHER ASSETS</b>		
Investments	38,323,273	44,559,410
Beneficial Interest in Remainder Trust	4,314,513	5,309,082
Operating Right-of-Use Asset, Net	333,602	-
Intangible Assets, Net	15,075	25,904
Total Other Assets	42,986,463	49,894,396
Total Assets	\$ 49,607,521	\$ 53,147,669
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 186,728	\$ 21,743
Accrued Payroll and Related Costs	14,138	8,390
Agency Funds Held for Others	9,780	30,137
Grants Payable, Current	197,625	223,327
Current Lease Liability - Operating	65,094	-
Total Current Liabilities	473,365	283,597
<b>LONG-TERM LIABILITIES</b>		
Grants Payable, Noncurrent	111,641	163,750
Noncurrent Lease Liability - Operating	273,936	-
Agency Endowment Funds	885,621	1,042,143
Total Long-Term Liabilities	1,271,198	1,205,893
Total Liabilities	1,744,563	1,489,490
<b>NET ASSETS</b>		
Without Donor Restrictions	39,898,545	41,696,530
With Donor Restrictions	7,964,413	9,961,649
Total Net Assets	47,862,958	51,658,179
Total Liabilities and Net Assets	\$ 49,607,521	\$ 53,147,669

See accompanying Notes to Financial Statements.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND OTHER INCOME (LOSS)</b>			
Grants and Contributions	\$ 10,997,781	\$ 723,088	\$ 11,720,869
Special Fundraising Events, Net	117,781	-	117,781
Investment Loss	(5,575,101)	(600,244)	(6,175,345)
Change in Value of Beneficial Interest in Trusts	-	(994,569)	(994,569)
Other Income	3,714	-	3,714
Satisfaction of Donor Restrictions for Fund Expenses and Grants	1,089,628	(1,089,628)	-
Fund Administration Fees	35,883	(35,883)	-
Total Revenue, Support, and Other Income (Loss)	6,669,686	(1,997,236)	4,672,450
<b>EXPENSES</b>			
Program Services	7,203,104	-	7,203,104
Management and General	816,453	-	816,453
Fundraising	448,114	-	448,114
Total Expenses	8,467,671	-	8,467,671
<b>CHANGE IN NET ASSETS</b>	(1,797,985)	(1,997,236)	(3,795,221)
Net Assets - Beginning of Year	41,696,530	9,961,649	51,658,179
<b>NET ASSETS - END OF YEAR</b>	\$ 39,898,545	\$ 7,964,413	\$ 47,862,958

See accompanying Notes to Financial Statements.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND OTHER INCOME</b>			
Grants and Contributions	\$ 9,994,047	\$ 906,921	\$ 10,900,968
Special Fundraising Events, Net	146,800	-	146,800
Investment Return	3,980,830	466,975	4,447,805
Change in Value of Beneficial Interest in Trusts	-	336,078	336,078
Other Income	3,922	-	3,922
Satisfaction of Donor Restrictions for Fund			
Expenses and Grants	1,134,168	(1,134,168)	-
Fund Administration Fees	56,743	(56,743)	-
Total Revenue, Support, and Other Income	15,316,510	519,063	15,835,573
<b>EXPENSES</b>			
Program Services	8,996,821	-	8,996,821
Management and General	859,957	-	859,957
Fundraising	470,037	-	470,037
Total Expenses	10,326,815	-	10,326,815
<b>CHANGE IN NET ASSETS</b>	4,989,695	519,063	5,508,758
Net Assets - Beginning of Year	36,706,835	9,442,586	46,149,421
<b>NET ASSETS - END OF YEAR</b>	\$ 41,696,530	\$ 9,961,649	\$ 51,658,179

See accompanying Notes to Financial Statements.



**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services	Management and General		Fundraising		Total
		Fund Services	Operations	Fund Services	Operations	
Grants	\$ 5,097,651	\$ -	\$ -	\$ -	\$ -	\$ 5,097,651
Salaries and Wages	429,165	252,450	239,828	164,092	176,715	1,262,250
Payroll Taxes	38,254	22,502	21,377	14,627	15,752	112,512
Employee Benefits	44,003	25,884	24,589	16,824	18,119	129,419
Consultants and Professional Fees	1,364,567	-	83,603	-	-	1,448,170
Expenses for Fiscally Sponsored Projects	12,131	-	-	-	-	12,131
Occupancy Costs	32,905	19,240	18,278	12,506	13,468	96,397
Staff Travel and Mileage	3,622	-	21,486	-	-	25,108
Insurance	-	-	8,175	-	-	8,175
Outreach, Marketing, and Advertising	30,431	-	5,330	-	-	35,761
Cost of Direct Benefits to Donors	-	-	-	-	99,203	99,203
Printing and Postage	3,390	-	5,123	-	-	8,513
Office Supplies and Expense	65,083	-	7,983	-	-	73,066
Equipment Rental and Repairs	11,431	9,894	9,399	6,431	6,926	44,081
Depreciation and Amortization Expense	8,249	1,965	1,867	1,278	1,376	14,735
Dues and Subscriptions	44,059	-	21,574	-	-	65,633
Meetings and Conferences	8,163	-	15,906	-	-	24,069
Bad Debt Expense	10,000	-	-	-	-	10,000
Total Expenses by Function	7,203,104	331,935	484,518	215,758	331,559	8,566,874
Less: Cost of Direct Benefits to Donors	-	-	-	-	(99,203)	(99,203)
Total Expenses per Statement of Activities	\$ 7,203,104	\$ 331,935	\$ 484,518	\$ 215,758	\$ 232,356	\$ 8,467,671
	<b>85%</b>	<b>4%</b>	<b>6%</b>	<b>3%</b>	<b>3%</b>	<b>100%</b>

See accompanying Notes to Financial Statements.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services	Management and General		Fundraising		Total
		Fund Services	Operations	Fund Services	Operations	
Grants	\$ 6,091,771	\$ -	\$ -	\$ -	\$ -	\$ 6,091,771
Salaries and Wages	462,165	271,862	258,269	176,710	190,303	1,359,309
Payroll Taxes	38,229	22,487	21,363	14,617	15,741	112,437
Employee Benefits	31,535	18,550	17,622	12,057	12,985	92,749
Consultants and Professional Fees	2,016,773	-	109,383	-	-	2,126,156
Expenses for Fiscally Sponsored Projects	100,659	-	-	-	-	100,659
Occupancy Costs	29,891	17,583	16,704	11,429	12,308	87,915
Staff Travel and Mileage	738	-	4,378	-	-	5,116
Insurance	-	-	7,917	-	-	7,917
Outreach, Marketing, and Advertising	32,173	-	5,635	-	-	37,808
Cost of Direct Benefits to Donors	-	-	-	-	68,409	68,409
Printing and Postage	3,140	-	4,747	-	-	7,887
Office Supplies and Expense	114,616	-	16,746	-	-	131,362
Equipment Rental and Repairs	24,761	14,565	13,837	9,467	10,196	72,826
Depreciation and Amortization Expense	5,319	3,129	2,972	2,034	2,190	15,644
Dues and Subscriptions	40,324	-	22,997	-	-	63,321
Meetings and Conferences	4,727	-	9,211	-	-	13,938
Total Expenses by Function	8,996,821	348,176	511,781	226,314	312,132	10,395,224
Less: Cost of Direct Benefits to Donors	-	-	-	-	(68,409)	(68,409)
Total Expenses per Statement of Activities	\$ 8,996,821	\$ 348,176	\$ 511,781	\$ 226,314	\$ 243,723	\$ 10,326,815
	<b>87%</b>	<b>3%</b>	<b>5%</b>	<b>2%</b>	<b>2%</b>	<b>100%</b>

See accompanying Notes to Financial Statements.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (3,795,221)	\$ 5,508,758
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Contributions Restricted for Long-Term Purposes	(6,796)	(135,231)
Realized and Unrealized (Gain) Loss on Operating Investments	6,236,137	(4,552,420)
Donated Stock	(163,364)	(484,218)
Noncash Lease Expense	(5,428)	-
(Increase) Decrease of Beneficial Interest in Remainder Trusts	994,569	(336,078)
Depreciation and Amortization	14,735	15,644
Bad Debt	10,000	-
Changes in Operating Assets and Liabilities:		
Pledges Receivable, Current	(20,000)	20,000
Prepaid Expenses	18,153	(2,062)
Accounts Payable	(164,985)	(58,257)
Accrued Payroll and Related Costs	(5,748)	2,262
Agency Funds Held for Others	20,357	-
Conditional Grant Advance	-	(162,000)
Grants Payable	77,811	214,827
Agency Endowment Funds	156,522	100,083
Net Cash Provided by Operating Activities	3,366,742	131,308
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions Restricted for Long-Term Purposes	6,796	135,231
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,373,538	266,539
Cash and Cash Equivalents - Beginning of Year	3,176,963	2,910,424
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 6,550,501	\$ 3,176,963

See accompanying Notes to Financial Statements.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 PRINCIPAL ACTIVITIES OF THE ORGANIZATION AND PROGRAM SERVICES**

**Organization**

The SouthCoast Community Foundation, Inc. (the Foundation) was incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Foundation has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to the Foundation qualify for the maximum charitable deduction for federal income tax purposes. The Foundation is primarily funded through contributions and pledges from the general public. Contributions are made to various types of funds as noted below.

**Education**

The Foundation manages 81 educational funds, including 65 scholarship funds, 4 educational funds for individual schools and programs, and 12 other funds that include education as an area of interest. Areas of particular concern for the Foundation are college/career readiness and early childhood education.

**Arts and Culture**

The Foundation supports a range of initiatives in support of the arts and culture within the region. The Foundation has embarked on a Creative Commonwealth Initiative that, in partnership with other foundations, seeks to elevate the arts and creative expression in New Bedford and Fall River. The Foundation also sponsors Art History Architecture (AHA) the acclaimed monthly arts and culture nights in downtown New Bedford.

**Economic Opportunity**

The Foundation works to remove the obstacles to economic engagement through a variety of means including the Polaroid Fund, providing assistance to recent immigrants and others for whom English is a second language, as well as to develop workforce skills.

Mayflower Wind was awarded a contract to supply Massachusetts with offshore wind energy and includes a significant commitment to local workforce and economic development through their newly created fund with the SouthCoast Community Foundation, Inc. Over the next 10 years, the Mayflower Fund will receive a total of \$27 million toward inclusive, equitable, and diverse employment, training, and supply chain opportunities related to the offshore wind industry in the Southeastern Massachusetts region.

**Capacity Building**

The development and strength of the nonprofit sector is central to the Foundation's mission of improving the quality of life in our region through philanthropy. Throughout its history the Foundation has provided training and technical assistance to nonprofits as well as individuals and groups seeking to establish such entities.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 PRINCIPAL ACTIVITIES OF THE ORGANIZATION AND PROGRAM SERVICES  
(CONTINUED)**

**Advisors for Philanthropy**

The goal as a Community Foundation is to provide professional advisors and their clients with a range of giving options and professional oversight that will help donors meet their philanthropic and financial goals.

**Grantmaking**

As part of the Foundation's mission, grants are awarded which have been used to support youth programs, expand economic opportunities, increase educational attainment, promote sustainability, and invest in the arts.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the Foundation, and notes thereto, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for financial reporting.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among companies by requiring the recognition of right-of use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The Foundation has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the ROU assets.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements for those assets. The new standard is effective for annual reporting periods beginning after June 15, 2021. The amendments have been applied on a retrospective basis.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Foundation considers all cash and short-term, interest bearing highly liquid investments with original maturities of three months or less, as cash and cash equivalents. For purposes of these financial statements, cash held at brokerage firms are reported as investments.

**Pledges Receivable**

Pledges Receivable represents unconditional, multi-year promises to give. Receivables are reported at their net realizable value and classified as current if they are scheduled for payment within one year, and noncurrent when the expected payment date exceeds one year. Management determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off against the allowance when deemed uncollectible. The Foundation has adjusted for all known uncollectible amounts and an allowance for uncollectible amounts was not considered necessary at year ended December 31, 2022 and 2021, respectively.

**Property and Equipment**

The Foundation records property and equipment additions over \$1,000 at cost, if purchased, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

**Investments**

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Investments are classified as either short-term or long-term, depending upon the underlying intentions. Cash and cash equivalents held in investment portfolios are reported as investments for purposes of these financial statements.

Interest and dividends on investments are recognized when earned. Realized and unrealized gains and losses are recognized as incurred or based on market value changes during the period. Both external and direct internal investment expenses are netted against the investment return.

**Beneficial Interest Remainder Trusts**

For charitable trusts of which the Foundation is not the trustee, contributions are recognized in the year the Foundation becomes aware of the existence of the agreement. The Foundation's Beneficial Interest in Remainder Trust is reported at fair value, which is estimated as SCCF's ownership percentage of the underlying trust assets and is classified within Level 3 of the fair value hierarchy.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Beneficial Interest Remainder Trusts (Continued)**

The Change in Value of Beneficial Interest in Remainder Trusts is reported as a valuation adjustment with an increase or decrease in net assets with donor restrictions. Proceeds received at the ultimate distribution of the remainder trust are offset against the Beneficial Interest in Remainder Trust, an asset in the accompanying Statements of Financial Position.

**Leases**

The Foundation leases office space and office equipment under annual operating lease agreements. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets, current lease liability – operating and noncurrent lease liability – operating in the statement of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**Intangible Assets**

The Foundation amortizes intangible assets on a straight-line basis over their estimated useful lives. Intangible Assets consists of computer software and website costs with a combined original cost of \$91,460 and are presented net of accumulated amortization of \$76,385 and \$66,156 as of December 31, 2022 and 2021, respectively. The estimated useful life of these assets is three to five years. Amortization Expense was \$6,497 and \$10,497 as of December 31, 2022 and 2021, respectively.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Agency Funds**

As required by GAAP, if a nonprofit organization establishes with its own funds, a fund at the Foundation for its own benefit, the transfer of assets to the Foundation is not considered contribution revenue to the Foundation and is accounted for as a liability. Funds of this nature are reported as Agency Endowment Funds, a noncurrent liability in the accompanying Statements of Financial Position. Additionally, the Foundation will periodically hold and administer funds for another public charity. In such arrangements, the donor organization places funds with the Foundation and directs the Foundation to disburse funds from time to time on the organization's behalf. These funds are reported as Agency Funds Held for Others, a current liability in the accompanying Statements of Financial Position.

**Charitable Gift Annuity Payable**

The Foundation is a party to a split-interest agreement that provides an annuity payment to a beneficiary, and upon the beneficiary's death, the remaining principal is transferred to the Foundation. The Foundation records contribution revenue derived from charitable gift annuities based on the fair value of assets associated with the instrument and the present value of the amount expected to be paid to beneficiaries under the arrangement. This requires the use of life-expectancy estimates and discounting cash flows in determining the amount to be recorded.

**Grant Payable**

The Foundation has committed to several multi-year grants payable. The liability arising from multi-year commitments which is expected to be paid within one year of the statement of financial position date is classified as current. The remaining future obligation is categorized as noncurrent on the statement of financial position.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for specific purposes.

*Net Assets With Donor Restrictions* - Net assets subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions may be perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

GAAP provides that if the governing body of the Foundation has the unilateral power to redirect the use of donor contributions to another beneficiary, such contributions should be classified as net assets without donor restrictions. The board of directors of the Foundation has the ability known as variance power; however, the Board would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, these financial statements report certain funds as net assets with donor restrictions regardless of ultimate variance power. The Foundation held the following types of funds for the years presented:

*Donor-Advised and Committee-Advised Funds* - Funds established through a formal agreement with the Foundation and the donor whereby the donor may advise the charity on the treatment of the fund and recommend grants from their accounts. During the years presented, the Foundation managed 60 committee-advised and donor-advised funds.

*Donor-Designated Funds - Endowed and Non-Endowed* - Funds established through a formal agreement with the Foundation whereby the donor has specified that the funds should go to a specific organization or group. Some funds were established through a formal endowment agreement with a donor whereby the donor has requested that the original corpus, and any additional contributions to the corpus, be held in perpetuity.

*Field of Interest Funds - Endowed and Non-Endowed* - Funds established through a formal agreement with the Foundation whereby the donor identifies one (or more) areas of community interest. During the years presented, the Foundation had a single field of interest fund; the Distribution Committee of the Foundation selected the most appropriate programs within the field specified by the donor and advised the donor on disbursement of these funds.

*Scholarship Funds* - Scholarship funds are accepted by the Foundation to develop support of, and participation in, the philanthropic interests and activities of the Foundation and the greater Southeastern Massachusetts community. SouthCoast Community Foundation, Inc. (SCCF) currently manages 63 scholarship funds. They are a means of encouraging endowment support, stimulating interchange of ideas between donors and the Foundation, promoting educational opportunity and providing funds to extend the charitable programs of the Foundation.

*Fiscal Sponsorship and Fiscal Agency Funds* - During the years presented, the SCCF acted as a fiscal sponsor for several local groups (the sponsorees). As SCCF retains ultimate variance power over these contributions, amounts received on behalf of the sponsoree are treated as contributions with donor restrictions to SCCF and expenses paid on behalf of the group are treated as expenses of the Foundation. SCCF also has several fiscal agency funds whereby the Foundation holds and administers funds on behalf of other charitable organizations. In accordance with GAAP, these funds are reported as Agency Funds Held for Others in the accompanying Statements of Financial Position.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*Agency Endowed Funds* - A number of Southcoast nonprofit organizations have entrusted the Foundation with management of their endowments and receive regular grant distributions from their fund.

**Revenue and Revenue Recognition**

The Foundation receives grants and contributions from various donors and grantors, including unconditional promises to give, that are recognized as revenue in the period received. Conditional grants, contributions, and promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Foundation received the following conditional grants below from the Commonwealth of Massachusetts:

In August 2021, the Foundation was awarded a Massachusetts Community Block Grant for \$2,986,186. This grant is conditional upon qualifying expenditures and is expected to be disbursed in 2022 and 2023. During fiscal year 2022, \$280,952 was recognized in the accompanying financial statements as conditions of the funding was met. \$2,705,234, which represents the remaining portion of the grant funds, has not been recognized as conditions of the funding was not met of December 31, 2022.

In October 2021, the Foundation received a \$250,000 conditional grant from the Commonwealth of Massachusetts. Per the terms and conditions of the grant program, the Foundation received the first 50% of the award in 2021, and the second 50% was conditional upon providing the cost reimbursement invoices and final progress reports which are due by June 30, 2022. As of December 31, 2022, the \$125,000 was recognized in the accompanying financial statements as the conditions upon which the funding depends have been met.

Fundraising event proceeds is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Foundation recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Foundation recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

**Contributed Nonfinancial Assets**

The Foundation maintains a policy whereby the value of donated goods and services which require a specialized skills and which would have otherwise been purchased by the Foundation, are recognized on the statement of activities and are listed as expenses on the statement of functional expenses. There were no contributed nonfinancial assets during 2022 or 2021.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function.

Accordingly, expenses that are common to several functions are allocated based upon space and employee time and effort usage. Additionally, functional expenses have been further sub-classified as pertaining to Fund Services, which reflects fundraising and administrative activities conducted on behalf of other funds and fiscally sponsored projects, while supporting services designated as applicable to operations represents those activities which are specific to the Foundation.

**Grants Expense**

The Foundation recognizes a grant expense for grants to charities and for scholarships at the time the board of directors approves the award, and all significant conditions are met. Grants and other distributions on behalf of funds awarded to area nonprofits totaled \$4,460,490 and \$5,598,720 and scholarships awarded to area students amounted to \$637,161 and \$493,050 for the years ended December 31, 2022 and 2021, respectively. The Foundation's scholarship awards will frequently have a condition that the student provide a transcript and/or meet other requirements prior to release of the funds.

Following this policy, as of December 31, 2022, the Foundation had awarded \$576,916 in scholarships that were conditional upon receipt of transcripts and, therefore, have not been recognized in the accompanying financial statements. The scholarship awards will be recognized as expenses when the conditions have been met and the funds are obligated for distribution.

**Advertising**

The Foundation uses print advertising and other media to promote its programs and events. Advertising costs are expensed as incurred in the statement of activities.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

Management has evaluated subsequent events through August 8, 2023, which is the date the financial statements were available to be issued.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The following table reflects the Foundations financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment.

	2022	2021
Cash and Cash Equivalents	\$ 6,550,501	\$ 3,176,963
Pledges Receivable	-	20,000
Investments	38,323,273	44,559,410
Beneficial Interest in Remainder Trust	4,314,513	5,309,082
Total Financial Assets	49,188,287	53,065,455
 Less: Amounts Not Available to be Used Within One Year:		
Board Designated Operating Reserve Fund	(437,086)	(531,139)
Cash and Investments Held for Funds	(38,323,273)	(44,559,410)
Appropriations	(4,314,513)	(5,309,082)
Total	(43,074,872)	(50,399,631)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 6,113,415	\$ 2,665,824

In addition to these funds available for general expenditures, the Foundation charges an administrative fee to all funds based on the funds' average balance for the month of the fee to cover general expenditures. The administrative fee ranges from .75% - 1.5% and are assessed monthly. Estimated administrative fees available for general expenditures during 2022 are \$641,000.

The Foundation manages its cash available for grant purposes by reviewing cash needs on a quarterly basis. Funds are invested in the Foundation's investment pool which holds a diversity mix of marketable, liquid, equity, and fixed income funds along with cash instruments. This allocation is designated to achieve the dual objective of growing the corpus of the pool for the future while providing necessary liquidity for grants and operational purposes.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)**

The amount available for granting is determined on an annual basis. This amount is calculated according to the Foundation's spending policy, which is currently 4% of the funds' average quarterly market value over the preceding 20 quarters. To protect the value of an endowment funds and not consume principal, no grant distributions are made that will cause such a fund value to dip below the amounts contributed to the fund.

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ 33,632	\$ 33,632
Equipment	<u>21,380</u>	<u>21,380</u>
Subtotal	55,012	55,012
Less: Accumulated Depreciation and Amortization	<u>(36,480)</u>	<u>(32,574)</u>
Total Property and Equipment	<u><u>\$ 18,532</u></u>	<u><u>\$ 22,438</u></u>

**NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
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**NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets valued using the net asset value practical expedient are not required to be reported within the hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

*Mutual Funds, Equity Securities, Preferred Stock, and Exchange-Traded Funds*– Valued at the quoted price of shares reported in the active market in which funds are traded.

*Beneficial Interest in Remainder Trust* – Valued at the Foundation's proportional interest in the fair value of the underlying trust assets on the last business day of the fiscal year.

The following tables summarize fair value measurements for financial assets measured at fair value on a recurring basis at December 31:

	Total	Level 1	Level 2	Level 3
<u>December 31, 2022</u>				
Mutual Funds	\$ 33,926,535	\$ 33,926,535	\$ -	\$ -
Equity Securities	2,351,331	2,351,331	-	-
Preferred Stock	202,796	202,796	-	-
Exchange-Traded REIT's	78,417	78,417	-	-
Beneficial Interest in Remainder Trust	4,314,513	-	-	4,314,513
Total	<u>\$ 40,873,592</u>	<u>\$ 36,559,079</u>	<u>\$ -</u>	<u>\$ 4,314,513</u>
<u>December 31, 2021</u>				
Mutual Funds	\$ 36,536,076	\$ 36,536,076	\$ -	\$ -
Equity Securities	1,571,183	1,571,183	-	-
Preferred Stock	202,929	202,929	-	-
Exchange-Traded REIT's	188,917	188,917	-	-
Beneficial Interest in Remainder Trust	5,309,082	-	-	5,309,082
Total	<u>\$ 43,808,187</u>	<u>\$ 38,499,105</u>	<u>\$ -</u>	<u>\$ 5,309,082</u>

**NOTE 6 BENEFICIAL INTEREST IN REMAINDER TRUST**

The following schedule summarizes the change in the Beneficial Interest in Remainder Trust for the years ended December 31:

Balance as of January 1, 2021	\$ 4,973,004
Increase in Value of Beneficial Interest	<u>336,078</u>
Balance as of December 31, 2021	5,309,082
Decrease in Value of Beneficial Interest	<u>(994,569)</u>
Balance as of December 31, 2022	<u>\$ 4,314,513</u>

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 LEASES**

The Foundation leases their office and program facility and office equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028. The facility lease agreement provides for escalating rent payments over the term of the lease and for a renewal option, which was included in the ROU asset and liability. Lease costs for the year ended December 31, 2022 was approximately \$72,200 and is included in Occupancy Costs in the accompanying Statement of Functional Expenses.

The following table provides quantitative information concerning the Foundation's leases as of and for the year ended December 31, 2022.

Lease Cost:	
Operating Lease Cost	<u>\$ 72,155</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 66,726
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 401,117
Weighted-Average Remaining Lease Term - Operating Leases	4.7 Years
Weighted-Average Discount Rate - Operating Leases	1.26%

The Foundation classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 68,931
2024	71,217
2025	73,578
2026	76,020
2027	59,358
Thereafter	313
Total Lease Payments	<u>349,417</u>
Less: Interest	<u>(10,387)</u>
Present Value of Lease Liabilities	<u>\$ 339,030</u>
Short-Term Lease Liabilities	\$ 65,094
Long-Term Lease Liabilities	273,936
Total	<u>\$ 339,030</u>

Under the accounting standard in effect during 2021, the Foundation reported rent expense of approximately \$66,000 for the year ended December 31, 2021, which is included in Occupancy Costs in the accompanying Statement of Functional Expenses.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 CHARITABLE GIFT ANNUITY**

The Foundation is the recipient of a charitable gift annuity. Investment earnings on the annuity, which are considered net assets with donor restrictions, are used to meet current or future obligations. As of December 31, 2022 and 2021, the Foundation has accumulated funds of \$1,653 and \$2,558 to meet the minimum future annuity obligation of \$-0-. The Foundation's obligations under split-interest agreements, such as charitable gift annuities, are nonrecurring fair value measurements. These instruments are initially recorded at the present value of future cash flows with a discounted rate adjusted for market conditions to determine fair value. Annuity obligations are valued using other observable outputs that are significant to their fair value, including age, frequency of distributions, life expectancy, and discount rate. In computing the present value of annuity payments, the Foundation uses a discount rate of 2.2% for the term of the annuity.

**NOTE 9 AGENCY FUNDS**

The following schedule summarizes the activity within Agency Funds Held for Others for the years ended December 31:

	2022	2021
Agency Funds Held for Others, January 1	\$ 30,137	\$ 30,137
Expenditures on Behalf of Others	(20,356)	-
Agency Funds Held for Others, December 31	\$ 9,781	\$ 30,137

The following schedule summarizes the activity within Agency Endowment Funds for the years ended December 31:

	2022	2021
Agency Endowment Funds, January 1	\$ 1,042,143	\$ 942,060
Investment Return (Loss), Net	(143,672)	106,690
Additions to Fund	-	25,000
SCCF Fees	(7,915)	(8,197)
Grants and Expenditures	(4,935)	(23,410)
Agency Endowment Funds , December 31	\$ 885,621	\$ 1,042,143



**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consists of unexpended donor designated grants and contributions with the following restrictions as of December 31:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Grants and Scholarships	\$ 725,263	\$ 919,511
Technology Infrastructure Improvements	14,400	14,923
Accumulated Gains on Endowment Funds	114,575	511,002
Charity Gift Annuity	1,653	2,558
Total	855,891	1,447,994
Subject to the Passage of Time:		
Pledges Receivable	-	20,000
Assets Held Under Split-Interest Agreements	4,314,513	5,309,082
Total	4,314,513	5,329,082
Subject to Endowment Spending Policy and Appropriation:		
Accumulated Gains and Term Endowments	578,402	975,762
Endowment Funds Restricted in Perpetuity	2,215,607	2,208,811
Total	2,794,009	3,184,573
Total Net Assets With Donor Restrictions	\$ 7,964,413	\$ 9,961,649

**NOTE 11 ENDOWMENT**

Many of the Foundation's funds are established as endowment funds with the earnings and appreciation either available for general giving or restricted for specific purposes by the endowment agreement.

**Interpretation of Relevant Law**

As required by the Commonwealth of Massachusetts, the Foundation follows the guidance of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes law for the management of investment of endowment funds with donor restrictions. The board of directors' interpretation of state law is that the Foundation, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

In accordance with UPMIFA, the Foundation considers the following factors in making a determination of whether to invest or appropriate endowment funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment funds with donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation reports the original corpus of the initial and subsequent gift amounts donated to the endowment as restricted in perpetuity, a component of net assets with donor restrictions. Income and appreciation earned on endowment investments are classified as net assets with donor restrictions until appropriated for expenditure by the board of directors based on the above criteria.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level of the original corpus. Deficiencies of this nature are reported in net assets with donor restrictions. There were no significant deficiencies of this nature as of December 31, 2022 and 2021.

The Foundation's endowment funds consist of both funds with donor restrictions and a Board-Designated endowment fund. The Foundation also holds "spending-policy" funds which are treated similar to endowment funds. The Foundation has adopted investment and spending policies for endowment assets, and funds functioning as endowment, that attempt to provide a predictable stream of funding for programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the board of directors, the endowment is to maintain its purchasing power by generating a total return, net of fees, that exceeds the spending rate over the long-term. For a majority of funds held during the years presented, the spending rate on the endowment funds and funds held under "spending policy agreements" is 4% of the average market value of the fund's trailing 20 quarters.

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 constraints.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

The net asset composition of the endowment is as follows as of December 31:

December 31, 2022	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 437,086	\$ -	\$ 437,086
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	2,215,607	2,215,607
Accumulated Investment Gains	-	692,977	692,977
Total	<u>\$ 437,086</u>	<u>\$ 2,908,584</u>	<u>\$ 3,345,670</u>
December 31, 2021			
Board-Designated Endowment Funds	\$ 531,139	\$ -	\$ 531,139
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	2,208,811	2,208,811
Accumulated Investment Gains	-	1,486,764	1,486,764
Total	<u>\$ 531,139</u>	<u>\$ 3,695,575</u>	<u>\$ 4,226,714</u>

The following schedule summarizes the change in endowment net assets for the years ended December 31:

December 31, 2022	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 531,139	\$ 3,695,575	\$ 4,226,714
Investment Return, Net	(72,888)	(496,267)	(569,155)
Contributions	4,160	6,796	10,956
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(297,520)	(297,520)
Other Changes:			
Distribution from Board-Designated Pursuant to Distribution Policy	(25,325)	-	(25,325)
Endowment Net Assets - End of Year	<u>\$ 437,086</u>	<u>\$ 2,908,584</u>	<u>\$ 3,345,670</u>

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

December 31, 2021	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 502,763	\$ 3,336,821	\$ 3,839,584
Investment Return, Net	57,382	373,766	431,148
Contributions	15,600	135,231	150,831
Appropriation of Endowment Assets			
Pursuant to Spending-Rate Policy	-	(150,243)	(150,243)
Other Changes:			
Distribution from Board-Designated			
Pursuant to Distribution Policy	(44,606)	-	(44,606)
Endowment Net Assets - End of Year	<u>\$ 531,139</u>	<u>\$ 3,695,575</u>	<u>\$ 4,226,714</u>

**NOTE 12 EMPLOYEE BENEFITS**

The Foundation maintains a qualified 401(k) retirement savings plan (the Plan). The Plan allows eligible employees of the Foundation to defer a percentage of their earnings from current taxation. Under the Plan, the Foundation makes a matching contribution of up to 4% of gross salary for each eligible employee who contributes to the plan. For the years ended December 31, 2022 and 2021, the employer contributions to the Plan were \$31,759 and \$30,128, respectively, and are included in Employee Benefits on the accompanying Statement of Functional Expenses.

**NOTE 13 CONCENTRATIONS OF RISK**

**Cash**

The Foundation maintains cash balances at various federally insured financial institutions. The Foundations credit risk with respect to such balances is all amounts on deposit in excess of federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. In addition, the banks are members of the Depositors Insurance Fund which insures in full cash balances in excess of federally insured limits.

**Investments**

The Foundation invests or holds a variety of investment securities, including money market funds, mutual funds, and preferred stocks and bonds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments; however, the Foundation's investments do not represent significant concentrations of market risk considering the Foundation's portfolio is widely diversified among issuers. The brokerage services are a member of the Securities Investor Protection Corporation which protects securities customers of its members up to \$500,000, including \$250,000 for claims of cash.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 CONCENTRATIONS OF RISK (CONTINUED)**

**Funds**

For the years ended December 31, 2022 and 2021, one Donor-Advised Fund accounted for 20% and 20%, respectively, of the total net assets of the Foundation.

For the year ended December 31, 2022 and 2021, the activity in the SouthCoast Emergency Response Fund accounted for 14% and 14%, of total revenue, respectively, and 27% and 27% of total expenses, respectively.

**NOTE 14 PAYCHECK PROTECTION PROGRAM**

The Foundation received a loan in the amount of \$162,000 from BayCoast Bank through the Paycheck Protection Program established by the U.S. Cares Act (the PPP Loan) on April 7, 2020. The PPP Loan was forgivable by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreements and the CARES Act. Therefore, the Foundation has classified the loan as a conditional contribution for accounting purposes. On October 5, 2021, the SBA fully forgave the loan and therefore, the Foundation recognized \$162,000 of contribution revenue related to this agreement during the year ended December 31, 2021 as *Grants and Contributions* in the 2021 Statement of Activities.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

**NOTE 15 RELATED PARTY TRANSACTIONS**

Three board members serve as officers or directors of various local banking institutions with which the Foundation has depository relationships.

One of the bank officers is also an officer of a subsidiary of that bank to which the Foundation paid \$18,813 and \$19,879 as of December 31, 2022 and 2021, respectively, in investment management fees.

One board member is the Executive Director of NorthStar Learning Center whose organization received grants totaling \$602,642 and \$342,350 as of December 31, 2022 and 2021, respectively.

One board member is the Executive Director of the YWCA of Southeastern Massachusetts which received grants totaling \$28,360 and \$99,000 from the Foundation as of December 31, 2022 and 2021, respectively.

One board member is the former Chief Operating Officer of Southcoast Health System which received grants totaling \$45,000 and \$725 from the Foundation as of December 31, 2022 and 2021, respectively.

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 RELATED PARTY TRANSACTIONS (CONTINUED)**

One director is the Executive Director for a private foundation from whom the Foundation received \$25,715 and \$67,330 as of December 31, 2022 and 2021, respectively in grant support.

One board member is the Treasurer at the New Bedford Historical Society which received grants totaling \$2,500 from the Foundation as of December 31, 2021.

A catering company owned by a trustee was paid \$1,700 as of December 31, 2021 to provide services for a fundraising event.