

Community Foundation of the Brazos Valley
Financial Statements
with
Independent Auditor's Report
December 31, 2022 and 2021



CERTIFIED PUBLIC ACCOUNTANTS/BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Community Foundation of the Brazos Valley

Opinion

We have audited the financial statements of Community Foundation of the Brazos Valley (a Texas Non-Profit Corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation of the Brazos Valley as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of the Brazos Valley 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.

2021 Financial Statements Restated

As discussed in Note 9 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. 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 Community Foundation of the Brazos Valley's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of the Brazos Valley'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 Community Foundation of the Brazos Valley'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.

Brenham, Texas
July 7, 2023



COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Financial Position
December 31, 2022 and 2021

ASSETS	2022	2021
Cash and equivalents	\$ 854,941	\$ 890,777
Investments, at fair value	10,589,469	11,964,760
Prepaid expenses	6,382	25
Total current assets	11,450,792	12,855,562
Property and equipment:		
Furniture, fixtures, and equipment	7,357	7,357
Less: Accumulated depreciation	(7,332)	(7,332)
Net property and equipment	25	25
Other Assets:		
Operating lease right-of use asset	20,168	-
Total other assets	20,168	-
Total assets	\$ 11,470,985	\$ 12,855,587
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses	\$ 560	\$ 3,739
Grants payable	22,145	-
Agency endowments	855,825	930,154
Current portion of operating lease obligation	10,829	-
Total current liabilities	889,359	933,893
Operating lease obligation, net of current portion	9,565	-
Total liabilities	898,924	933,893
Net assets:		
Without donor restrictions	10,572,061	11,921,694
Total net assets	10,572,061	11,921,694
Total liabilities and net assets	\$ 11,470,985	\$ 12,855,587

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
<u>Public support and revenues</u>		
Contributions	\$ 272,694	\$ 863,354
In-kind contributions - securities	35,505	116,491
Investment income/ (loss)	(1,324,275)	1,491,059
Special events	164,865	80,760
Brazos Valley Gives registration fees	20,950	20,300
In-kind contributions - tribute luncheon	3,000	1,800
In-kind contributions - other	7,653	1,296
Other	8,793	8,838
Total unrestricted public support and revenues	(810,815)	2,583,898
<u>Expenses</u>		
Program services:		
Grants to organizations	271,324	209,264
Scholarships	71,028	46,665
Special events	97,622	70,942
Support services:		
Administrative expenses	98,844	80,820
Total expenses	538,818	407,691
Increase (decrease) in net assets	(1,349,633)	2,176,207
Net assets - beginning of year	11,921,694	9,745,487
Net assets - end of year	\$ 10,572,061	\$ 11,921,694

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services			Supporting Services	Total
	Grants to Organizations	Scholarships	Special Events	Administrative Expenses	
Contract labor	\$ -	\$ -	\$ -	\$ 24,000	\$ 24,000
Software fees	8,458	618	16	268	9,360
Grants to organizations	207,259	-	-	-	207,259
Insurance	-	-	-	2,071	2,071
Investment management fees	42,285	3,088	80	1,338	46,791
Marketing	-	-	16,659	9,498	26,157
Meals	-	-	-	1,251	1,251
Membership fees	-	-	-	1,325	1,325
Office supplies	-	-	1,224	4,427	5,651
Other	-	-	-	1,100	1,100
Postage	-	-	249	1,130	1,379
Printing	-	-	487	687	1,174
Professional fees	-	-	-	11,836	11,836
Rent	-	-	-	11,483	11,483
Salaries and payroll expenses	13,322	13,322	35,524	26,643	88,811
Scholarships	-	54,000	-	-	54,000
Telephone	-	-	-	1,134	1,134
Travel	-	-	-	653	653
Tribute luncheon expenses	-	-	43,383	-	43,383
	<u>\$ 271,324</u>	<u>\$ 71,028</u>	<u>\$ 97,622</u>	<u>\$ 98,844</u>	<u>\$ 538,818</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services			Supporting Services	Total
	Grants to Organizations	Scholarships	Special Events	Administrative Expenses	
Contract labor	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000
Software fees	11,165	904	18	663	12,750
Grants to organizations	145,240	-	-	-	145,240
Insurance	-	-	-	4,135	4,135
Investment management fees	40,910	3,312	65	2,429	46,716
Marketing	-	-	16,480	934	17,414
Meals	-	-	-	481	481
Membership fees	-	-	-	1,375	1,375
Office supplies	-	-	-	5,023	5,023
Other	-	-	-	1,291	1,291
Postage	-	-	-	801	801
Printing	-	-	-	1,199	1,199
Professional fees	-	-	-	10,269	10,269
Rent	-	-	-	8,312	8,312
Salaries and payroll expenses	11,949	11,949	31,864	23,899	79,661
Scholarships	-	30,500	-	-	30,500
Telephone	-	-	-	1,088	1,088
Travel	-	-	-	921	921
Tribute luncheon expenses	-	-	22,515	-	22,515
	<u>\$ 209,264</u>	<u>\$ 46,665</u>	<u>\$ 70,942</u>	<u>\$ 80,820</u>	<u>\$ 407,691</u>

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,349,633)	\$ 2,176,207
Adjustments to reconcile to net cash provided by operating activities:		
Net (gain) loss on investments	1,696,489	(1,065,751)
Non cash contributions	(41,862)	(116,491)
Increase (decrease) in cash resulting from changes in assets and liabilities:		
Accrued expenses	(3,179)	991
Grants payable	22,145	-
Agency funds	(74,329)	101,709
Net cash provided by operating activities	249,631	1,096,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,517,597)	(2,544,128)
Proceeds from the sale of investments	1,232,130	1,473,349
Net cash provided (used) by investing activities	(285,467)	(1,070,779)
Net increase (decrease) in cash and equivalents	(35,836)	25,886
Cash and equivalents at beginning of year	890,777	864,891
Cash and equivalents at end of year	\$ 854,941	\$ 890,777
Supplemental cash flow information		
Right of use asset acquired with operating lease liability	\$ 28,978	\$ -

See accompanying notes to financial statements.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

1. Summary of significant accounting policies

History

Community Foundation of the Brazos Valley ("the Foundation") is a public, not for profit 501(c)(3) organization. The Foundation was originally organized on January 9, 2003 under the name Brazos Community Foundation d.b.a. Community Foundation of the Brazos Valley. The Foundation changed its name to Community Foundation of the Brazos Valley effective December 5, 2018.

Mission

Community Foundation of the Brazos Valley is dedicated to improving the quality of life in the Brazos Valley through the development of philanthropic giving, responsible grant making, professional stewardship and collaborative leadership.

Basis of accounting

The financial statements of the Community Foundation of the Brazos Valley have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Because the Foundation follows Generally Accepted Accounting Principles for financial statements of not for profit organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions. These classes are as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

With donor restrictions - Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Programs

Programs are established to comply with the intent of the donor. All contributions, which contain restrictions, are classified as net assets with donor restrictions. These amounts are tracked, by the individual programs, until fully expended. The individual programs are classified in the note which provides details on net assets with donor restrictions.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

1. Summary of significant accounting policies - continued

Categories of major programs, during the period covered by these financial statements were:

1. Scholarships for students attending area colleges
2. Various programs and activities of charitable organizations in the Brazos Valley

Cash and Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and other highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. It is the Foundation's policy to immediately sell donated marketable securities upon receipt.

Contributed Services

Certain contributed services related to special events meeting the requirements for recognition have been recorded in the financial statements as in-kind contributions. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services and have not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Expenditures for additions, major renewal, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. The Foundation's capitalization threshold is \$500. Depreciation is computed on the straight-line method over estimated useful lives.

Advertising Costs

Advertising costs are expensed as incurred.

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

1. Summary of significant accounting policies - continued

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation has no unrelated business income. The tax years ending December 31, 2019 and later remain subject to examination.

2. Cash and equivalents

Cash and equivalents consist of checking accounts at local financial institutions and brokerage fund deposits and money market accounts with original maturities less than three months. Deposits exceed Federal Depository Insurance Corporation (FDIC) limits by approximately \$535,000 as of December 31, 2022.

3. Investments

The Foundation carries investments at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820-10-65, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs have the highest priority and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Fair value estimates as of December 31, 2022 and 2021 are as follows:

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

3. Investments - continued

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022</u>				
Exchange traded funds	\$ 870,823	\$ 870,823	\$ -	\$ -
Mutual funds	9,718,646	9,718,646	-	-
	<u>\$ 10,589,469</u>	<u>\$ 10,589,469</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>				
Exchange traded funds	\$ 981,061	\$ 981,061	\$ -	\$ -
Mutual funds	10,983,699	10,983,699	-	-
	<u>\$ 11,964,760</u>	<u>\$ 11,964,760</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Investment return consists of the following:

	2022	2021
Interest and dividend income	\$ 372,214	\$ 425,308
Net gain (loss) on investments	(1,696,489)	1,065,751
	<u>\$ (1,324,275)</u>	<u>\$ 1,491,059</u>

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

4. Net Assets

Included in net assets without donor restrictions is approximately \$6,958,000 and \$8,058,000 of donor-advised funds as of December 31, 2022 and 2021, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the Foundation has variance power; that is, the ultimate discretion of the

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

use of these funds lies with the Board of Trustees. Thus such funds represent net assets without donor restrictions to the Foundation.

Net assets with donor restrictions are net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specific purpose. All net assets with donor restriction of this Foundation are based on purpose restrictions.

5. Agency Endowment Funds

Financial accounting standards require that if a not-for-profit organization transfers assets to a recipient organization and specifies itself or its affiliate as the beneficiary, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these funds as agency endowment funds. These funds are presented as a liability in the Statement of Financial Position.

The agency endowment funds held at December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Aggieland Pregnancy Outreach	\$ 16,311	\$ 18,812
Arts Council of Brazos Valley	9,613	11,087
Boys and Girls Club of Brazos Valley Endowment	44,958	51,851
Boys and Girls Club of Brazos Valley Building Campaign	55,517	64,029
Boys and Girls Club of Washington County Sustaining Endowment	60,645	34,360
Brazos Valley Breast Cancer Support dba Pink Alliance	125,728	127,567
Brazos Valley Chorale	13,022	15,019
Brazos Valley Council of Alcohol & Substance Abuse	7,791	9,009
Brazos Valley Food Bank	92,611	106,811
Brazos Valley Museum of Natural History	23,816	27,467
Children's Museum of Brazos Valley	14,757	16,384
Mobility Worldwide Brazos Valley	45,067	48,719
Scotty's House	34,115	39,345
St. Andrews Episcopal/Cherry	12,254	14,133
St. Andrews Episcopal/Plass	59,769	68,933
Still Creek Ranch	12,106	13,962
The Theatre Company	55,316	63,797
Unity Theatre	172,429	198,869
	\$ 855,825	\$ 930,154

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

6. Special events

The Foundation hosts an annual luncheon honoring inspirational leaders in the community. Revenues from the luncheon serves as additional support source for the operational needs of the Foundation. The income and expenses related to the event for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Revenues and contributions	\$ 164,865	\$ 80,760
In-kind contributions	3,000	1,800
Direct expenses - in-kind	(3,000)	(1,800)
Direct expenses - other	(40,383)	(20,715)
Allocation of payroll and other expenses	(19,818)	(16,015)
	<u>\$ 104,664</u>	<u>\$ 44,030</u>

The Foundation hosts an annual day of giving for the Brazos Valley. Revenues are passed through to donors' charities of choice. The Foundation acts as an intermediary for the nonprofit organizations that choose to participate. The activity related to the event for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Revenues and contributions	\$ 847,740	\$ 667,303
Less: amounts remitted to recipient organizations	(826,790)	\$ (647,003)
Direct expenses	(16,659)	(16,480)
	<u>\$ 4,291</u>	<u>\$ 3,820</u>

7. Commitments

In 2020, the Foundation entered into an agreement for access and use of its accounting software. The fee for 2022 is \$9,360. The Foundation renewed the agreement in 2023 for a one-year term for a fee of \$11,500.

8. Operating lease obligation

In 2021, the Foundation entered into a three-year agreement for office space. The lease agreement expires November 1, 2024.

Effective January 1, 2022, the Foundation adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Foundation has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Foundation accounted for its existing lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the

COMMUNITY FOUNDATION OF THE BRAZOS VALLEY
Notes to the Financial Statements
December 31, 2022 and 2021

definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, a lease liability at the carrying amount of the operating lease obligation on December 31, 2021, of \$29,016 and a right-of-use asset at the carrying amount of the operating lease asset of \$28,978.

The Foundation's future payments as of December 31, 2022 are as follows:

For the Fiscal Year ending December 31	
2023	\$ 12,455
2024	8,755
	<u>21,210</u>
Less amount representing interest	\$ 816
Present value of minimum lease payments	<u>20,394</u>
Current portion	<u>(10,829)</u>
Long term portion	<u><u>\$ 9,565</u></u>

For the year ending December 31, 2022, total lease cost was \$11,446.

9. Prior period adjustment

The 2021 financial statements included an overstatement of contributions and grants to organizations in the amount of \$647,003, related to the Brazos Valley Gives special event. As the Foundation serves as an intermediary with no variance power granted by the donors, no contribution revenue or expense for grants to organizations should be recognized. There was no adjustment to assets and liabilities as of December 31, 2021 and no adjustment to the change in net assets for the year ended December 31, 2021.

10. Subsequent events

Management has evaluated all subsequent events through July 7, 2023, the date on which the financial statements were available to be issued. No additional modifications or disclosures were deemed necessary.