

**Evanston Community Foundation, Inc.
and Subsidiary**

Independent Auditor's Report, Consolidated Financial Statements and
Supplementary Information
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Evanston Community Foundation, Inc.
and Subsidiary
Evanston, Illinois

Opinion

We have audited the consolidated financial statements of Evanston Community Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flow for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Evanston Community Foundation, Inc. and Subsidiary 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 Consolidated Financial Statements section of our report. We are required to be independent of Evanston 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 opinion.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, in 2022, the entity adopted new accounting guidance regarding leases. Our opinion is not modified with respect to this matter.

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 Evanston Community Foundation, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that these 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 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 consolidated 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 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 Evanston 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Evanston 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed on the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations 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

Board of Directors
Evanston Community Foundation, Inc.
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procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

Oakbrook Terrace, Illinois
August 7, 2023

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,812,892	\$ 1,232,131
Accounts receivable		
Pledges receivable	105,840	156,809
Investment income receivable	33,609	9,886
Other receivables	98,187	77,733
Investments, at fair value	32,751,008	36,856,969
Prepaid expenses and other assets	6,879	17,025
Right-of-use assets - operating lease	164,541	-
Leasehold improvements, furniture and equipment, net	2,064	9,505
Total assets	\$ 34,975,020	\$ 38,360,058
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 64,412	\$ 90,100
Deferred revenue	17,250	15,450
Grants payable	247,300	199,725
Charitable gift annuities payable	2,688	4,125
Funds held as organization endowments	9,557,113	7,914,221
Operating lease liabilities	166,855	-
Total liabilities	10,055,618	8,223,621
NET ASSETS		
Without donor restrictions	12,618,768	15,492,037
With donor restrictions	12,300,634	14,644,400
Total net assets	24,919,402	30,136,437
Total liabilities and net assets	\$ 34,975,020	\$ 38,360,058

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Support revenue						
Board-designated endowment and field of interest contributions	\$ 79,261	\$ 2,925	\$ 82,186	\$ 75,004	\$ 8,520	\$ 83,524
Operating contributions	1,022,506	58,340	1,080,846	1,154,215	156,809	1,311,024
Other fund contributions	708,075	1,532,441	2,240,516	1,098,993	1,464,261	2,563,254
	<u>1,809,842</u>	<u>1,593,706</u>	<u>3,403,548</u>	<u>2,328,212</u>	<u>1,629,590</u>	<u>3,957,802</u>
Program revenue						
Tuition and fees plus event revenue - net	<u>(41,979)</u>	<u>-</u>	<u>(41,979)</u>	<u>(32,581)</u>	<u>-</u>	<u>(32,581)</u>
Investment return						
Interest and dividends	509,561	265,386	774,947	484,795	292,362	777,157
Realized gains (losses) on investments, net	(255,728)	(89,549)	(345,277)	515,987	315,440	831,427
Unrealized gains (losses) on investments, net	(3,655,593)	(2,186,053)	(5,841,646)	2,162,423	1,078,407	3,240,830
Funds held as organization endowments	1,268,683	-	1,268,683	(972,981)	-	(972,981)
	<u>(2,133,077)</u>	<u>(2,010,216)</u>	<u>(4,143,293)</u>	<u>2,190,224</u>	<u>1,686,209</u>	<u>3,876,433</u>
Net assets released from restrictions	<u>1,927,256</u>	<u>(1,927,256)</u>	<u>-</u>	<u>2,226,792</u>	<u>(2,226,792)</u>	<u>-</u>
Total revenues	<u>1,562,042</u>	<u>(2,343,766)</u>	<u>(781,724)</u>	<u>6,712,647</u>	<u>1,089,007</u>	<u>7,801,654</u>
EXPENSES						
Program services	<u>3,697,050</u>	<u>-</u>	<u>3,697,050</u>	<u>3,956,239</u>	<u>-</u>	<u>3,956,239</u>
Supporting services						
Management and general	442,603	-	442,603	396,023	-	396,023
Fund raising	295,658	-	295,658	161,322	-	161,322
	<u>738,261</u>	<u>-</u>	<u>738,261</u>	<u>557,345</u>	<u>-</u>	<u>557,345</u>
Total expenses	<u>4,435,311</u>	<u>-</u>	<u>4,435,311</u>	<u>4,513,584</u>	<u>-</u>	<u>4,513,584</u>
CHANGE IN NET ASSETS	<u>(2,873,269)</u>	<u>(2,343,766)</u>	<u>(5,217,035)</u>	<u>2,199,063</u>	<u>1,089,007</u>	<u>3,288,070</u>
Net assets, beginning of year	<u>15,492,037</u>	<u>14,644,400</u>	<u>30,136,437</u>	<u>13,292,974</u>	<u>13,555,393</u>	<u>26,848,367</u>
NET ASSETS, END OF YEAR	<u>\$ 12,618,768</u>	<u>\$ 12,300,634</u>	<u>\$ 24,919,402</u>	<u>\$ 15,492,037</u>	<u>\$ 14,644,400</u>	<u>\$ 30,136,437</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

		Supporting Services			
	Program Services	Management and General	Fund Raising	Total	Total
Personnel					
Salaries	\$ 653,897	\$ 256,319	\$ 128,867	\$ 385,186	\$ 1,039,083
Payroll taxes and benefits	118,358	67,043	19,118	86,161	204,519
Staff and board expenses	<u>37,079</u>	<u>36,153</u>	<u>8,140</u>	<u>44,293</u>	<u>81,372</u>
Total personnel	809,334	359,515	156,125	515,640	1,324,974
Annual report and publications	23,393	-	5,848	5,848	29,241
Program and community engagement expense	31,981	-	-	-	31,981
Communications	25,486	1,702	23,827	25,529	51,015
Dues and subscriptions	8,892	3,153	3,676	6,829	15,721
Occupancy expenses	75,279	34,812	12,535	47,347	122,626
Office expenses and supplies	23,667	10,491	4,022	14,513	38,180
Postage and printing	4,217	1,055	3,820	4,875	9,092
Professional fees	80,531	29,763	85,044	114,807	195,338
Depreciation and amortization	<u>4,568</u>	<u>2,112</u>	<u>761</u>	<u>2,873</u>	<u>7,441</u>
Total operating expenses	<u>1,087,348</u>	<u>442,603</u>	<u>295,658</u>	<u>738,261</u>	<u>1,825,609</u>
Donor advised grants	392,985	-	-	-	392,985
Foundation grants awarded	1,463,200	-	-	-	1,463,200
Fiscal sponsorship grants and expenses	<u>753,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>753,517</u>
Total grants and fiscal sponsorship expenses	<u>2,609,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,609,702</u>
Total functional expenses	<u>\$ 3,697,050</u>	<u>\$ 442,603</u>	<u>\$ 295,658</u>	<u>\$ 738,261</u>	<u>\$ 4,435,311</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

		Supporting Services			
	Program Services	Management and General	Fund Raising	Total	Total
Personnel					
Salaries	\$ 603,841	\$ 194,501	\$ 82,973	\$ 277,474	\$ 881,315
Payroll taxes and benefits	92,589	33,944	11,470	45,414	138,003
Staff and board expenses	<u>31,521</u>	<u>34,343</u>	<u>6,922</u>	<u>41,265</u>	<u>72,786</u>
Total personnel	727,951	262,788	101,365	364,153	1,092,104
Annual report and newsletters	23,921	-	5,980	5,980	29,901
Program and community engagement expense	21,035	-	-	-	21,035
Communications	23,870	1,740	29,018	30,758	54,628
Dues and subscriptions	6,683	2,176	2,150	4,326	11,009
Occupancy expenses	76,450	25,589	8,873	34,462	110,912
Office expenses and supplies	13,786	14,914	5,066	19,980	33,766
Postage and printing	4,252	2,003	3,277	5,280	9,532
Professional fees	77,578	83,464	4,432	87,896	165,474
Depreciation and amortization	<u>10,005</u>	<u>3,349</u>	<u>1,161</u>	<u>4,510</u>	<u>14,515</u>
Total operating expenses	<u>985,531</u>	<u>396,023</u>	<u>161,322</u>	<u>557,345</u>	<u>1,542,876</u>
Donor advised grants	568,551	-	-	-	568,551
Foundation grants awarded	1,621,487	-	-	-	1,621,487
Fiscal sponsorship grants and expenses	<u>780,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,670</u>
Total grants and fiscal sponsorship expenses	<u>2,970,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,970,708</u>
Total functional expenses	<u>\$ 3,956,239</u>	<u>\$ 396,023</u>	<u>\$ 161,322</u>	<u>\$ 557,345</u>	<u>\$ 4,513,584</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,217,035)	\$ 3,288,070
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net investment (gains) losses	6,186,923	(4,072,257)
Depreciation and amortization	7,441	14,515
Stock gifts donated to investment account	(192,512)	(1,061,717)
(Increase) decrease in:		
Pledges receivable	50,969	(123,059)
Investment income receivable	(23,723)	(5,311)
Other receivables	(20,454)	(14,370)
Prepaid expenses and other assets	10,146	123,735
Noncash operating lease expense	97,364	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(25,688)	1,640
Deferred revenue	1,800	(1,439)
Grants payable	47,575	154,960
Charitable gift annuities payable	(1,437)	(1,438)
Funds held as organization endowments	1,642,892	1,087,155
Operating lease liabilities	(95,050)	-
Net cash (used in) provided by operating activities	<u>2,469,211</u>	<u>(609,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	5,292,584	5,234,867
Purchase of investments	<u>(7,181,034)</u>	<u>(6,082,279)</u>
Net cash used in investing activities	<u>(1,888,450)</u>	<u>(847,412)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	580,761	(1,456,928)
Cash and cash equivalents		
Beginning of year	<u>1,232,131</u>	<u>2,689,059</u>
End of year	<u><u>\$ 1,812,892</u></u>	<u><u>\$ 1,232,131</u></u>

NOTE 1 – ORGANIZATION ACTIVITIES

Evanston Community Foundation, Inc. (“ECF”) was established in 1986 to address our community’s long term challenges and unforeseeable future needs. Our founders saw the opportunity to realize Evanston’s potential to thrive as a vibrant, equitable and inclusive community. Together with our donors, partners and volunteers, we are committed to a better future for Evanston. We listen to the community, respond to the needs of our nonprofit partners, and engage our donors in our work. ECF is an Illinois nonprofit corporation and a federally tax-exempt organization under Section 501c3 of the Internal Revenue Code.

ECF builds endowments for the future, while providing resources for the present. We are a catalyst for growth and change, taking on community issues by collaborating and connecting with partners throughout Evanston and beyond. ECF supports donors in achieving their philanthropic goals, providing expertise, local knowledge and a range of giving options for both the short- and long-term. ECF strengthens Evanston’s nonprofit organizations through innovative grantmaking and ongoing engagement with grantees, adapting our grant offerings and assessing their effectiveness. Our Leadership Evanston programs build leadership capacity for Evanston and expand civic engagement. Through the intersection of these activities, ECF fosters collaborative community leadership and encourages local charitable giving.

Taken together, the programs of ECF and its controlled subsidiary Evanston Cradle to Career, LLC (collectively referred to as the “Foundation”) increase the capacity and impact of our community’s nonprofits and further the commitments articulated in ECF’s strategic plan. We view our work through the lens of “Ubuntu”, which means “I am because you are.” Through this lens and our strategic plan, we will:

- Elevate underrepresented voices in Evanston
- Build a just, resilient, and healthy community in Evanston
- Amplify the collective power of the nonprofit sector
- Strengthen ECF

Our experience in 2020 with the COVID-19 pandemic taught us new ways to think about investing in our community. In 2021, we wound down our Rapid Response Fund grantmaking, and created new grant programs focused on equitable innovation, nonprofit growth and sustainability, cohort learning, and collective and enduring initiatives. In 2022, we continued to listen to our community, and will continue to strategically align grants and programs to meet the need of Evanston.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Evanston Community Foundation, Inc. and its controlled subsidiary Evanston Cradle to Career, LLC. All material inter-organizational accounts and transactions have been eliminated in consolidation. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING

For internal purposes and in order to comply with restrictions donors place on contributions or designations made by the Foundation's Board of Directors ("the Board"), the principles of fund accounting are used. The Foundation has established separate funds for significant contributions intended for specific use, either as directed by the donor or as determined by the Board. At the inception of a fund, the Foundation and the donor execute an agreement defining the spending policy and providing for the allocation of investment returns and accounting and investment expenses. In addition, fund agreements provide for the Foundation to assess an annual fee for fund support services.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NET ASSET CLASSIFICATIONS

Net assets are classified according to the Foundation's governing documents and, depending on the specific terms of fund agreements with the donor, may be recorded as net assets with donor restrictions or without donor restrictions.

Net assets without donor restrictions are those assets that are not subject to donor-imposed stipulations plus those resources for which temporary, donor-imposed stipulations have been satisfied. Net assets without donor restrictions may also be designated for specific purposes by action of the Board.

Donor Advised Funds are established by the Board with contributions received from individual donors and are governed by agreements that allow the donors to recommend distributions to eligible 501(c)(3) charitable organizations. Although donors retain the right to request distributions to specified organizations or organizations to be named in the future, the Board is not obligated to comply with the donor distribution request and therefore these funds are almost always considered without donor restrictions. Donor Advised Funds may also be restricted as to purpose.

Net assets with donor restrictions are subject to donor or grantor-imposed restrictions. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in financial institutions and money market funds, and includes \$925,044 and \$181,095 held in a custodial investment account at December 31, 2022 and 2021, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECEIVABLES

Receivables consist of pledges, contributions and accrued investment income, and are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Unconditional promises to give or pledges expected to be collected within one year are recorded at net realizable value at the date of receipt. To the extent there are any unconditional promises to give expected to be collected in future years, those are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates determined to be applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. Management considers receivables to be collectible at December 31, 2022 and 2021. Accordingly, no allowance for doubtful accounts is required. The preponderance of pledges receivable at December 31, 2022 and 2021, were due within one year.

INVESTMENTS AND SPENDING POLICY

The Foundation has an Investment and Spending Policy to preserve, in perpetuity, the purchasing power of its assets while providing a growing stream of income to fund grants and programs, and to support its operations (see Note 6). Investments are stated at fair market value primarily based on quoted market prices. Investment income is recorded on the accrual basis; purchases and sales of investments are reflected on a trade-date basis. Unrealized gains or losses are based on the change in market value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in market value of the assets from the date acquired to the date of sale. Investment revenues are reported net of related investment expenses in the consolidated statements of activities and changes in net assets.

The Foundation's articles of incorporation and fund agreements provide for distributions from the endowed funds of the Foundation in accordance with the Investment and Spending Policy. The policy provides for spending a maximum of 6% and a minimum of 3.5% of the three-year moving average of the fund market value. The Board determines the percentage to be used for the spending objective as part of the budget process. The policy also provides for the Foundation to spend funds which do not affect the Board-designated endowment funds, such as contributions for current grantmaking, programs or administrative expenses; income from fees and tuition; grants from donor advised funds; distributions from organization funds, and charitable gift annuity payments; as well as other amounts determined by the Board to be allocated to the budget.

LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment are recorded at cost and depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized over the shorter of the term of the lease or estimated useful life. Major renewals and betterments of \$3,500 or more which extend the useful life of an asset are capitalized, while routine maintenance and repairs are expensed as incurred. The estimated useful lives of the various classes of assets are as follows:

- Computers, software and website - 3 years
- Leasehold improvements - 5 years
- Office equipment - 3-5 years
- Furniture - 7 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED REVENUE

Tuition revenue is deferred and recognized over the periods to which the tuition relates.

CONTRIBUTIONS

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

RECOGNITION OF SUPPORT AND REVENUE

Contributions from individuals, corporate donors, donor advised funds, other nonprofits and private foundations are recognized as support revenue. All contributions and private grants are classified as without donor restrictions unless specifically restricted by the donor or by laws and regulations.

Contributions primarily consist of cash and securities received from donors. Securities and other assets received as contributions are recorded at fair market value at the date of gift.

Tuition, fees and events are recognized during the period they are earned and are reflected net of scholarships and related expenses of \$102,754 in 2022 and \$86,625 in 2021.

CONTRIBUTED GOODS AND SERVICES

The Foundation occasionally receives donated goods and services for its events, meetings and programs. In 2022 and 2021, the Foundation received and recorded in-kind donations with a value of \$4,200 and \$14,350, respectively. In addition, numerous unpaid volunteers and members of the Foundation's Board of Directors make significant contributions of their time to the Foundation and its programs. The value of these services is not reflected in these consolidated financial statements since they do not meet the criteria for recognition.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are charged directly to programs, management and general, or fundraising categories based upon specific identification where possible. The majority of other costs, including salaries, benefits, payroll taxes, occupancy and office expenses have been allocated to the programs and supporting services on the basis of time and effort estimates.

GRANT EXPENSE

Grants made are recorded in the year that the funds are authorized by the Board of Directors. Funds authorized but not disbursed are reported in the consolidated statements of financial position as grants payable.

NOTE 3 – TAX STATUS

The Foundation is an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the state law. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Foundation recognizes the consolidated financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation has no on-going federal or state income tax audits.

NOTE 4 – FISCAL SPONSORSHIP

On July 1, 2017, the Foundation became the fiscal sponsor for Evanston Cradle to Career (“EC2C”). Evanston Township High School, the former fiscal sponsor for EC2C, transferred the net assets of \$351,405 of EC2C to the Foundation in July 2017 to capitalize Evanston Cradle to Career, LLC. Additionally, all of the employees of EC2C, as well as EC2C’s contracts and agreements, were transferred to the Foundation. There was no consideration transferred for this transaction. This change in control is an effort to fulfill EC2C’s mission under a governance structure that is effective for the collective member organizations.

NOTE 5 – CONCENTRATIONS AND UNCERTAINTIES

In 2022 and 2021, five donors provided approximately 40%, respectively, of total support revenues.

The Foundation maintains cash in bank deposit and money market accounts which, at times, may exceed 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 and cash equivalents. As of December 31, 2022, the Foundation had funds in excess of insured limits of approximately \$669,000.

The invested assets of the Foundation are held in a custodial account of a major financial institution that maintains private insurance in an amount exceeding the Foundation’s assets to cover any potential fiduciary loss. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Foundation and the amounts reported in the consolidated statements of financial position and activities and changes in net assets. The Foundation has a diversified investment portfolio designed to fulfill investment objectives and minimize market risk.

In March 2020, the World Health Organization formally declared the outbreak of a novel strain of coronavirus (COVID-19) to constitute a global pandemic. The pandemic had long-term impact on organizations, bringing about financial market volatility, as evidenced by these 2022 financial statements.

NOTE 6 – INVESTMENTS

The Foundation's objective is to achieve over time an annual total return that exceeds budgeted spending plus an amount equal to the increase in the Consumer Price Index during the preceding year. The current spending policy is to distribute an amount equal to 5% of a moving three-year average of the Foundation's endowed fund balances. The Foundation's Board of Directors approves the spending policy each year, within the range of 3.5% to 6%.

The investment policy has guidelines regarding both percentage allocations to asset classes as well as to holdings within asset classes. The Foundation's Board has adopted the following asset allocation strategy to achieve its investment objective. The 2022 and 2021 portfolios were within policy guidelines.

	Overall Asset Allocation	Intra Asset-Class Allocation		
		Domestic Markets	Foreign Including Emerging Markets	Other Categories
Equities	45-65%	min. 30%	max. 20%	
Fixed income	15-35%	min. 15%	max. 10%	
Other*	0-20%			max. of 10% in any of 4 subcategories*

*Other may include investments in real estate, commodity indexes, hedge funds or private equity; up to 50% of the other segment may be allocated to illiquid alternative investments.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

RECURRING MEASUREMENTS

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
December 31, 2022					
Equity mutual funds					
Domestic	\$ 15,735,232	\$ 15,735,232	\$ -	\$ -	\$ -
International	3,694,733	3,694,733	-	-	-
Fixed income mutual funds					
Domestic	4,488,753	4,488,753	-	-	-
U.S. Treasury obligations	5,079,221	5,079,221	-	-	-
Other	<u>3,753,069</u>	<u>2,962,941</u>	<u>-</u>	<u>-</u>	<u>790,128</u>
Total	<u>\$ 32,751,008</u>	<u>\$ 31,960,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,128</u>
December 31, 2021					
Equity mutual funds					
Domestic	\$ 19,099,445	\$ 19,099,445	\$ -	\$ -	\$ -
International	5,726,771	5,726,771	-	-	-
Fixed income mutual funds					
Domestic	5,171,026	5,171,026	-	-	-
U.S. Treasury obligations	3,175,335	3,175,335	-	-	-
Other	<u>3,684,392</u>	<u>3,184,987</u>	<u>-</u>	<u>-</u>	<u>499,405</u>
Total	<u>\$ 36,856,969</u>	<u>\$ 36,357,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,405</u>

- (A) Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient, have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2022 and 2021.

NOTE 7 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

INVESTMENTS

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities if any are classified in Level 2 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ALTERNATIVE INVESTMENTS

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Fair Value Estimated Using NAV (or its Equivalent)			
	Fair Value	Unfunded Commitment*	Redemption Frequency	Redemption Period Notice
December 31, 2021				
Investment in real estate limited partnership	\$ 790,128	\$ 750,414	(A)	(A)
December 31, 2020				
Investment in real estate limited partnership	\$ 499,405	\$ 565,776	(A)	(A)

* Investment period for this initial fund ran through September 22, 2021. The investment term runs through March 22, 2026, subject to two one-year extensions. The investment period for a second fund runs through November 4, 2024. Its investment term runs through May 4, 2029, and subject to two one-year extensions.

- (A) This class comprises two real estate funds that invest primarily in U.S. commercial, hospitality, industrial and residential real estate. The fair values of the investment in this class have been estimated using the net asset value per share of the investment. This investment can never be redeemed. Distributions from the fund will be made as the underlying investments of the fund are liquidated.

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NOTE 8 – LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT

Leasehold improvements, furniture and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Computers, software and website	\$ 115,603	\$ 196,404
Leasehold improvements	53,445	53,445
Office equipment	9,666	9,666
Furniture	3,403	3,403
	182,117	262,918
Less: accumulated depreciation and amortization	180,053	253,413
	<u>\$ 2,064</u>	<u>\$ 9,505</u>

Depreciation and amortization expense was \$7,441 in 2022 and \$14,515 in 2021.

NOTE 9 – FUNDS HELD AS ORGANIZATION ENDOWMENTS

Funds held as organization endowments represent assets of other nonprofit organizations that have been conveyed to the Foundation to establish funds for the benefit of the organizations. The assets become a part of the Foundation's investment portfolio, and receive an allocation of investment returns, as well as of investment and accounting expenses. These funds are also assessed an administrative fee.

The Foundation currently holds 44 funds from 26 organizations. The fair value of these funds was \$9,557,113 at December 31, 2022, and \$7,914,221 at December 31, 2021. The Foundation may receive contributions to these funds, and the organizations receive periodic distributions from the funds. Total contributions received were \$4,218,283 in 2022 and \$226,418 in 2021. Total distributions were \$1,306,574 in 2022 and \$112,152 in 2021.

In accordance with U.S. generally accepted accounting principles, these assets are reported in the consolidated statements of financial position as a liability entitled *Funds held as organization endowments*. Accordingly, such assets received by the Foundation are not included in the consolidated statements of activities and changes in net assets as contributions to the Foundation.

NOTE 10 – ENDOWMENT FUNDS

The composition of Endowment Funds by type of fund as of December 31, 2022 and 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Board-designated endowments	\$ 9,076,019	\$ -	\$ 9,076,019
Board-directed field of interest endowment funds	-	11,801,590	11,801,590
Donor-designated endowment funds	-	1,296,541	1,296,541
	<u>\$ 9,076,019</u>	<u>\$ 13,098,131</u>	<u>\$ 22,174,150</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 10 – ENDOWMENT FUNDS (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2022			
Board-designated endowments	\$ 7,465,614	\$ -	\$ 7,465,614
Board-directed field of interest endowment funds	-	9,513,686	9,513,686
Donor-designated endowment funds	-	1,062,712	1,062,712
	<u>\$ 7,465,614</u>	<u>\$ 10,576,398</u>	<u>\$ 18,042,012</u>

Changes in Endowment Net Assets for the years ended December 31, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020	\$ 8,141,846	\$ 11,846,604	\$ 19,988,450
Contributions	75,254	66,763	142,017
Interest and dividends	183,743	304,368	488,111
Net realized gains	195,565	328,393	523,958
Net unrealized gains	819,585	1,122,691	1,942,276
Amounts released for expenditure	<u>(339,974)</u>	<u>(570,688)</u>	<u>(910,662)</u>
December 31, 2021	9,076,019	13,098,131	22,174,150
Contributions	79,260	46,500	125,760
Interest and dividends	195,627	250,898	446,525
Net realized losses	(98,177)	(84,660)	(182,837)
Net unrealized losses	(1,403,432)	(2,066,712)	(3,470,144)
Amounts released for expenditure	<u>(383,683)</u>	<u>(667,759)</u>	<u>(1,051,442)</u>
December 31, 2022	<u>\$ 7,465,614</u>	<u>\$ 10,576,398</u>	<u>\$ 18,042,012</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
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NOTE 11 – NET ASSETS

Accounting policies related to Net Assets are presented in Note 2. Information regarding the two categories of net assets is as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2022 and 2021, consist of:

	<u>2022</u>	<u>2021</u>
Endowed Funds		
Board-designated endowed Fund for Evanston	\$ 4,474,057	\$ 5,473,711
Board-designated Endowed Foundation and Leadership Funds	<u>2,991,557</u>	<u>3,602,308</u>
Total Endowed Funds	<u>7,465,614</u>	<u>9,076,019</u>
Unendowed Funds		
General Operating Fund	(112,171)	393,134
Donor Advised Funds	<u>5,265,325</u>	<u>6,022,884</u>
Total Unendowed Funds	<u>5,153,154</u>	<u>6,416,018</u>
	<u>\$ 12,618,768</u>	<u>\$ 15,492,037</u>

The Board-designated endowed Fund for Evanston, the Foundation Fund, as well as the Leadership Fund, have been designated by the Board to grow in perpetuity while generating annual spending allowances to support Foundation operations, grantmaking and programs. The General Operating Fund, also known as the Annual Fund, was established in 2000 to fund the Foundation's day-to-day operations. In 2020, the Board approved a \$160,000 loan from the organization endowment, to be allocated towards grantmaking. In 2022, this balance was used, resulting in a negative year end balance for the General Operating Fund.

In 2022, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$561,845, with \$392,985 paid to other charitable organizations, and a total of \$168,860 transferred to other funds of the Foundation. In 2021, the Board approved, as requested, spending from Donor Advised Funds in the amount of \$639,806, with \$568,551 paid to other charitable organizations, and a total of \$71,255 transferred to other funds of the Foundation.

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 11 – NET ASSETS (Continued)

NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021, are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Donor advised funds		
Friends of the Arts Fund	\$ 28,807	\$ 34,168
Jon Kimmel Memorial Fund	41,698	48,994
Avi Kurganoff Memorial Fund	61,403	73,148
David Mulder Mental Health Fund	326,684	379,631
Hazel E. Smart Memorial Fund	25,376	31,285
Samuel Isaac Wiener Memorial Fund	61,376	72,580
	<u>545,344</u>	<u>639,806</u>
Other restricted funds for specified purpose:		
Acorn Spendable	500	500
Building the Future	10	10
Charitable Gift Annuities	40,460	51,062
Citizens' Greener Evanston Fund for Evanston Trees	31,244	25,631
Climate Action Fund	11,318	11,023
Evanston Cradle to Career	481,311	484,915
Evanston Gun Buyback Fund	243	195
Evanston Children's Savings Fund	639	16,339
Evanston Reparations Community Fund	385,814	140,048
Foster Center Our Place Project Fund	6,187	6,074
PTA Equity Project Fund	19,076	13,859
	<u>976,802</u>	<u>749,656</u>
	<u>1,522,146</u>	<u>1,389,462</u>
Subject to passage of time:		
Gifts and promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>202,090</u>	<u>156,807</u>
Endowments		
Subject to endowment spending policy and distribution for specified purpose:		
Restricted by donors for		
Beatty Family Scholarship Fund	99,918	121,892
William K. Beatty Medical History Scholarship Fund	85,533	103,364
Virginia L. and William Beatty Volunteer Service Award Fund	67,305	82,969
Chicago Urban Youth Scholarship Fund	406,676	503,358
Evanston Men Promise Award Fund	25,772	22,557
Foster Reading Center Fund	122,205	151,759
Fund for Curt's Café	24,005	28,459

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 11 – NET ASSETS (Continued)

	<u>2022</u>	<u>2021</u>
Grandmother Park Fund	\$ 21,418	\$ 27,962
Susan Willis Heiberger Memorial Garden Fund	28,756	34,163
Bruce E. Mitchell Short Story Fund	29,803	36,690
Chuck Remen Memorial Fund	30,498	36,863
Norman W. Thomas Jr. Scholarship Fund	30,234	36,397
Rose and Andy Thomas Jr. Scholarship Fund	56,754	68,652
YWCA Evanston/North Shore Education Fund	<u>33,835</u>	<u>41,456</u>
	<u>1,062,712</u>	<u>1,296,541</u>
Subject to NFP endowment spending policy and distribution for specified purpose:		
Acorn Fund	45,026	55,593
Anderson Fund	29,192	29,192
Shawn Patrick Afryl #56 Shoe Fund	28,264	33,837
All Our Sons Fund	240,063	296,742
Arts in Community Fund	229,618	283,130
Balkcom Family Fund for Literacy and Affordable Housing	50,905	62,874
Communityworks Fund	7,057,992	8,777,458
Cultural Diversity Fund	32,045	39,506
EDN Fund for Early Childhood	267,296	329,762
Leonard Fisher Fund for Nursing Education	86,103	101,538
Fund for Women and Girls	355,831	439,760
Green Communities Fund	47,423	58,621
Leadership Fund	558,573	694,186
Lydia Martin Memorial Fund for Children and the Arts	57,417	70,970
Lorraine Hairston Morton Fund for Youth	37,706	46,571
Sara Schastok Fund for Communityworks	142,014	175,440
Sweers Fund for Children and the Arts	105,796	130,452
YEA! Harvey Pranian Legacy Fund for the Arts	52,439	64,728
Faith Vilas Fund for Youth	<u>89,983</u>	<u>111,230</u>
	<u>9,513,686</u>	<u>11,801,590</u>
Total endowments	<u>10,576,398</u>	<u>13,098,131</u>
Total net assets with donor restrictions	<u>\$ 12,300,634</u>	<u>\$ 14,644,400</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 11 – NET ASSETS (Continued)

NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31, 2022 and 2021, as follows:

	2022	2021
Expiration of time restrictions	\$ 96,809	\$ 31,250
Satisfaction of purpose restrictions		
Donor advised funds		
Jon Kimmel Memorial Fund	1,800	1,650
Avi Kurganoff Memorial Fund	1,611	1,307
David Mulder Mental Health Fund	13,589	33
Hazel E. Smart Memorial Fund	1,141	1,100
Samuel Isaac Wiener Memorial Fund	15,091	83
Other restricted funds for specified purpose		
Building the Future	-	743
Charitable Gift Annuities, Other	2,000	2,000
Children's Savings Accounts Fund	16,000	-
Fund for Evanston Trees	2	6,301
Climate Action Fund	5	-
Evanston Community Rapid Response Fund	-	500,879
Evanston Cradle to Career	785,516	769,230
Evanston Gun Buyback Fund	-	4,728
Evanston Reparations Community Fund	-	-
Other, including anonymous fund for leadership development	-	3,277.00
PTA Equity Project Fund	461,335	483,574
	<u>1,298,090</u>	<u>1,774,905</u>
Restricted purpose spending policy distributions		
Beatty Family Scholarship Fund	3,000	3,000
William K. Beatty Medical History Scholarship Fund	1,500	1,500
Virginia L. and William Beatty Volunteer Service Award Fund	2,500	2,000
Chicago Urban Youth Scholarship Fund	9,800	12,711
Evanston Men Promise Award Fund	2,000	1,000
Foster Reading Center Fund	5,580	8,642
Fund for Curt's Café	-	2
Grandmother Park Fund	2,329	1,207
Susan Willis Heiberger Memorial Garden Fund	-	1,135
Bruce E. Mitchell Short Story Fund	1,200	1,200
Chuck Remen Memorial Fund	1,329	2,206.00
Norman W. Thomas Jr. Scholarship Fund	1,011	1,000
Rose and Andy Thomas Jr. Scholarship Fund	1,503	2,252
YWCA Evanston/North Shore Education Fund	1,200	1,000
	<u>32,952</u>	<u>38,855</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 11 – NET ASSETS (Continued)

	<u>2022</u>	<u>2021</u>
Board directed, restricted purpose spending policy distributions		
Acorn Fund	\$ 1,980	\$ -
Shawn Patrick Afryl #56 Shoe Fund	1,186	971
All Our Sons Fund	10,880	9,816
Arts in Community Fund	9,790	8,732
Balkcom Family Fund for Literacy and Affordable Housing	2,260	2,037
Communityworks Fund	352,054	240,103
Cultural Diversity Fund	1,450	1,309
EDN Fund for Early Childhood	12,070	10,939
Faith Vilas Fund for Youth	4,080	3,687
Fund for Women and Girls	16,160	14,631
Green Communities Fund	2,150	1,939
Leadership Fund	67,815	74,116
Lydia Martin Memorial Fund for Children and the Arts	2,600	2,352
Lorraine Hairston Morton Fund for Youth	1,700	1,530
Sara Schastok Fund for Communityworks	6,450	5,897
Sweers Fund for Children and the Arts	4,490	3,723
YEA! Harvey Pranian Legacy Fund for the Arts	<u>2,290</u>	<u>-</u>
	<u>499,405</u>	<u>381,782</u>
Total releases	<u>\$ 1,927,256</u>	<u>\$ 2,226,792</u>

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 12 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year as of December 31, 2022 and 2021, comprise the following:

	Financial Assets	Financial Liquidity
December 31, 2022		
Cash and cash equivalents	\$ 1,812,892	\$ 1,812,892
Receivables		
Pledges receivable	105,840	105,840
Investment income receivable	33,609	33,609
Other receivables	98,187	98,187
Investments, at fair value	<u>32,751,008</u>	<u>19,660,246</u>
	<u>\$ 34,801,536</u>	<u>\$ 21,710,774</u>
December 31, 2021		
Cash and cash equivalents	\$ 1,232,131	\$ 1,232,131
Receivables		
Pledges receivable	156,809	156,809
Investment income receivable	9,886	9,886
Other receivables	77,733	77,733
Investments, at fair value	<u>36,856,969</u>	<u>21,713,164</u>
	<u>\$ 38,333,528</u>	<u>\$ 23,189,723</u>

The Foundation regularly monitors liquidity to support spending for operations, grants and other mission related activities, as well as to meet the distribution requirements of net assets with donor restrictions. Significant unrestricted donor contributions for current spending are received annually and are available to meet cash needs for general expenditures. For the years ended December 31, 2022 and 2021, operating contributions of \$1,022,506 and \$1,154,215, respectively, were added to financial assets available to meet cash needs for general expenditures within one year.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as unrestricted endowments. Annual spending from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

The Board-designated, unrestricted endowment of \$7,465,614 and \$9,076,019 as of December 31, 2022 and 2021, respectively, is subject to an annual spending rate, currently 5% percent of the three-year average fund balances, as described in Note 2 – Investments and Spending Policy. Although the Foundation does not intend to spend from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval process), these amounts could be made available if necessary.

The Foundation manages its liquidity by operating within a prudent range of financial soundness and stability. The Foundation maintains adequate cash and short-term investments to fund near-term operating needs and a prudent level of illiquid investment in its portfolio to provide reasonable assurance that longer-term obligations will be discharged.

NOTE 13 – OPERATING LEASES

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

The Foundation adopted Topic 842 on January 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Foundation elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Foundation has lease agreements with nonlease components that relate to the lease components. The Foundation elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases. Also, the Foundation elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$261,905 each at January 1, 2022. The adoption of this standard did not significantly affect the consolidated statements of activities and changes in net assets, functional expenses or cash flows.

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception if the contract conveys the right to control the use of identified property, or equipment (an identified asset) for a period of time in exchange for consideration.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

The Foundation combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

NOTE 13 – OPERATING LEASES (Continued)

The Foundation has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Foundation has entered into the following lease arrangements:

Operating Leases

The Foundation entered into a noncancellable sixty-month operating lease agreement commencing July 1, 2014, for office space at One Rotary Center in Evanston, Illinois. The lease provided an allowance of \$45,500 for leasehold improvements and specified minimum rental payments of \$5,879 per month plus annual escalation, subject to additional rent for increases in taxes and operating expenses.

A first amendment to the Foundation's current lease for office space at One Rotary Center was signed in November 2018. The amendment extends the current lease agreement through June 30, 2024, and contains an 'early out' provision that becomes effective after June 30, 2022, subject to certain conditions. A second lease amendment and forbearance agreement was signed in October 2020. The amendment deferred base rent payments for the months of October and November 2020 and extended the lease term for an additional two months to August 31, 2024.

All Leases

The Foundation has no material related-party leases.

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

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2022 are:

Lease costs	
Operating lease costs	\$ 99,556
Variable lease costs	<u>23,070</u>
Total lease costs	<u>\$ 122,626</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 97,241
Weighted average remaining lease term	
Operating leases	1.67
Weighted average discount rate	
Operating leases	1.04%

Evanston Community Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 13 – OPERATING LEASES (Continued)

Future minimum lease payments and reconciliation to the statements of financial position at December 31, 2022, are as follows:

Year Ending December 31,	Amount
2023	\$ 100,327
2024	<u>67,914</u>
Total future undiscounted lease payments	168,241
Less amounts representing interest	<u>(1,386)</u>
Operating lease liabilities	<u><u>\$ 166,855</u></u>

NOTE 14 – LEASE AT DECEMBER 31, 2021

In November 2013, the Foundation signed a new sixty-month lease agreement commencing July 1, 2014, for office space at One Rotary Center in Evanston, Illinois. See Note 13 for additional information.

Rent expense was \$119,262 in 2021.

Future minimum base rental payments were as follows at December 31, 2021:

Year Ended December 31,	Amount
2022	\$ 97,241
2023	100,328
2024	<u>67,914</u>
	<u><u>\$ 265,483</u></u>

NOTE 15 – RETIREMENT AND PENSION PLAN

The Foundation has a noncontributory 403(b) plan in place for eligible employees. Employees are eligible to participate on the first of the month following employment. Effective January 1, 2009, the plan was amended to conform to new regulatory requirements. The Foundation elected to make voluntary contributions to the plan of \$11,976 and \$12,600 in 2022 and in 2021, respectively.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 7, 2023, which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Financial Position Information
December 31, 2022

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,381,528	\$ 431,364	\$ -	\$ 1,812,892
Accounts receivable				
Pledges receivable	105,840	-	-	105,840
Investment income receivable	33,609	-	-	33,609
Other receivables	56,056	48,548	(6,417)	98,187
Investments, at fair value	32,759,008	(8,000)	-	32,751,008
Prepaid expenses and other assets	5,879	1,000	-	6,879
Right-of-use assets - operating lease	164,541	-	-	164,541
Leasehold improvements, furniture and equipment, net	2,064	-	-	2,064
Investment in Evanston Cradle to Career, LLC	351,405	-	(351,405)	-
	<u>351,405</u>	<u>-</u>	<u>(351,405)</u>	<u>-</u>
Total assets	<u>\$ 34,859,930</u>	<u>\$ 472,912</u>	<u>\$ (357,822)</u>	<u>\$ 34,975,020</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	79,227	(8,398)	\$ (6,417)	\$ 64,412
Deferred revenue	17,250	-	-	17,250
Grants payable	247,300	-	-	247,300
Charitable gift annuities payable	2,688	-	-	2,688
Funds held as organization endowments	9,557,113	-	-	9,557,113
Operating lease liabilities	166,855	-	-	166,855
	<u>166,855</u>	<u>-</u>	<u>-</u>	<u>166,855</u>
Total liabilities	<u>10,070,433</u>	<u>(8,398)</u>	<u>(6,417)</u>	<u>10,055,618</u>
NET ASSETS				
Without donor restrictions	12,618,768	-	-	12,618,768
With donor restrictions	12,170,729	481,310	(351,405)	12,300,634
	<u>12,170,729</u>	<u>481,310</u>	<u>(351,405)</u>	<u>12,300,634</u>
Total net assets	<u>24,789,497</u>	<u>481,310</u>	<u>(351,405)</u>	<u>24,919,402</u>
Total liabilities and net assets	<u>\$ 34,859,930</u>	<u>\$ 472,912</u>	<u>\$ (357,822)</u>	<u>\$ 34,975,020</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Financial Position Information
December 31, 2021

	Evanston Community Foundation	Evanston Cradle to Career, LLC	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 726,485	\$ 505,646	\$ -	\$ 1,232,131
Accounts receivable				
Pledges receivable	156,809	-	-	156,809
Investment income receivable	9,886	-	-	9,886
Other receivables	25,631	65,314	(13,212)	77,733
Investments, at fair value	36,856,969	-	-	36,856,969
Prepaid expenses and other assets	16,025	1,000	-	17,025
Leasehold improvements, furniture and equipment, net	9,505	-	-	9,505
Investment in Evanston Cradle to Career, LLC	351,405	-	(351,405)	-
Total assets	<u>\$ 38,152,715</u>	<u>\$ 571,960</u>	<u>\$ (364,617)</u>	<u>\$ 38,360,058</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 66,267	\$ 37,045	\$ (13,212)	\$ 90,100
Deferred revenue	15,450	-	-	15,450
Grants payable	149,725	50,000	-	199,725
Charitable gift annuities payable	4,125	-	-	4,125
Funds held as organization endowments	7,914,221	-	-	7,914,221
Total liabilities	<u>8,149,788</u>	<u>87,045</u>	<u>(13,212)</u>	<u>8,223,621</u>
NET ASSETS				
Without donor restrictions	15,492,037	-	-	15,492,037
With donor restrictions	14,510,890	484,915	(351,405)	14,644,400
Total net assets	<u>30,002,927</u>	<u>484,915</u>	<u>(351,405)</u>	<u>30,136,437</u>
Total liabilities and net assets	<u>\$ 38,152,715</u>	<u>\$ 571,960</u>	<u>\$ (364,617)</u>	<u>\$ 38,360,058</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2022

	<u>Evanston Community Foundation</u>	<u>Evanston Cradle to Career, LLC</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 82,186	\$ -	\$ -	\$ 82,186
Operating contributions	1,080,846	-	-	1,080,846
Other fund contributions	<u>1,462,816</u>	<u>781,200</u>	<u>(3,500)</u>	<u>2,240,516</u>
	<u>2,625,848</u>	<u>781,200</u>	<u>(3,500)</u>	<u>3,403,548</u>
Program revenue				
Tuition and fees plus event revenue - net	<u>(41,966)</u>	<u>(13)</u>	<u>-</u>	<u>(41,979)</u>
Investment income				
Interest and dividends	774,235	712	-	774,947
Realized gains on investments, net	(345,277)	-	-	(345,277)
Unrealized gains on investments, net	(5,841,646)	-	-	(5,841,646)
Funds held as organization endowments	<u>1,268,683</u>	<u>-</u>	<u>-</u>	<u>1,268,683</u>
	<u>(4,144,005)</u>	<u>712</u>	<u>-</u>	<u>(4,143,293)</u>
Total revenues	<u>(1,560,123)</u>	<u>781,899</u>	<u>(3,500)</u>	<u>(781,724)</u>
EXPENSES				
Program services	<u>2,915,046</u>	<u>785,504</u>	<u>(3,500)</u>	<u>3,697,050</u>
Supporting services				
Management and general	442,603	-	-	442,603
Fund raising	<u>295,658</u>	<u>-</u>	<u>-</u>	<u>295,658</u>
	<u>738,261</u>	<u>-</u>	<u>-</u>	<u>738,261</u>
Total expenses	<u>3,653,307</u>	<u>785,504</u>	<u>(3,500)</u>	<u>4,435,311</u>
CHANGE IN NET ASSETS	(5,213,430)	(3,605)	-	(5,217,035)
Net assets, beginning of year	<u>30,002,927</u>	<u>484,915</u>	<u>(351,405)</u>	<u>30,136,437</u>
NET ASSETS, END OF YEAR	<u>\$ 24,789,497</u>	<u>\$ 481,310</u>	<u>\$ (351,405)</u>	<u>\$ 24,919,402</u>

Evanston Community Foundation, Inc. and Subsidiary
Consolidating Statements of Activities and Changes
in Net Assets Information
Year Ended December 31, 2021

	Evanston Community Foundation	Evanston Cradle to Career, LLC	Eliminations	Total
REVENUES				
Support revenue				
Board-designated endowment and field of interest contributions	\$ 83,524	\$ -	\$ -	\$ 83,524
Operating contributions	1,311,024	-	-	1,311,024
Other fund contributions	1,680,414	882,840	-	2,563,254
	<u>3,074,962</u>	<u>882,840</u>	<u>-</u>	<u>3,957,802</u>
Program revenue				
Tuition and fees plus event revenue - net	(32,581)	-	-	(32,581)
Investment income				
Interest and dividends	776,931	226	-	777,157
Realized gains on investments, net	831,427	-	-	831,427
Unrealized gains on investments, net	3,240,830	-	-	3,240,830
Funds held as organization endowments	(972,981)	-	-	(972,981)
	<u>3,876,207</u>	<u>226</u>	<u>-</u>	<u>3,876,433</u>
Total revenues	<u>6,918,588</u>	<u>883,066</u>	<u>-</u>	<u>7,801,654</u>
EXPENSES				
Program services	<u>3,167,770</u>	<u>788,469</u>	<u>-</u>	<u>3,956,239</u>
Supporting services				
Management and general	396,023	-	-	396,023
Fund raising	161,322	-	-	161,322
	<u>557,345</u>	<u>-</u>	<u>-</u>	<u>557,345</u>
Total expenses	<u>3,725,115</u>	<u>788,469</u>	<u>-</u>	<u>4,513,584</u>
CHANGE IN NET ASSETS	3,193,473	94,597	-	3,288,070
Net assets, beginning of year	<u>26,809,454</u>	<u>390,318</u>	<u>(351,405)</u>	<u>26,848,367</u>
NET ASSETS, END OF YEAR	<u>\$ 30,002,927</u>	<u>\$ 484,915</u>	<u>\$ (351,405)</u>	<u>\$ 30,136,437</u>