

# Pinellas Community Foundation

Audited Financial Statements

December 31, 2022 and 2021

# Pinellas Community Foundation

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## Independent Auditors' Report

To the Board of Governors  
Pinellas Community Foundation

### Opinion

We have audited the accompanying financial statements of Pinellas Community Foundation (the "Foundation"), 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pinellas Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 Pinellas Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with generally accepted auditing standards, 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 Pinellas Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pinellas Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*TRSCPA, PLLC*

St. Petersburg, Florida  
May 11, 2023

**Pinellas Community Foundation**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

<i>December 31,</i>	2022	2021
<b><u>ASSETS</u></b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 1,038,797	\$ 1,155,258
Contributions and grants receivable	295,893	293,220
Prepaid expenses	20,610	9,677
Deposits	5,026	4,526
Split-interest agreement assets	5,047,904	5,358,913
Donated art	15,490	15,490
Right of use asset, net	215,870	-
Investments	29,107,253	35,825,095
Investments, with donor restrictions	82,956,810	100,196,387
<b>Total assets</b>	<b>\$ 118,703,653</b>	<b>\$ 142,858,566</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 95,312	\$ 1,212,462
Deferred rent liability	-	5,441
Lease liability	217,393	-
<b>Total liabilities</b>	<b>312,705</b>	<b>1,217,903</b>
<b>Net Assets</b>		
Without donor restrictions	29,354,631	35,087,541
With donor restrictions	89,036,317	106,553,122
<b>Total net assets</b>	<b>118,390,948</b>	<b>141,640,663</b>
<b>Total liabilities and net assets</b>	<b>\$ 118,703,653</b>	<b>\$ 142,858,566</b>

The accompanying notes are an integral part of these financial statements

**Pinellas Community Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	2022 Total
<b>Support and Revenue:</b>			
Contributions and bequests	\$ 175,445	\$ 3,453,284	\$ 3,628,729
Grant revenue - American Rescue Plan	173,530	-	173,530
Income from investments	753,246	1,890,663	2,643,909
Net loss on investments, net of expenses	(5,864,766)	(16,658,396)	(22,523,162)
Other income	2,492	34,027	36,519
Change in value of split-interest agreements	-	(71,009)	(71,009)
	(4,760,053)	(11,351,431)	(16,111,484)
Net assets released from restriction	279,408	(279,408)	-
<b>Total support and revenue</b>	<b>(4,480,645)</b>	<b>(11,630,839)</b>	<b>(16,111,484)</b>
<b>Expenses:</b>			
Program	957,685	-	957,685
Management and general	359,130	-	359,130
Fundraising and development	258,305	-	258,305
<b>Total expenses</b>	<b>1,575,120</b>	<b>-</b>	<b>1,575,120</b>
<b>Increase in assets before charitable disbursements and transfers</b>	<b>(6,055,765)</b>	<b>(11,630,839)</b>	<b>(17,686,604)</b>
<b>Charitable disbursements and transfers:</b>			
Grant payments	(35,000)	(5,528,111)	(5,563,111)
Interfund transfers	502,736	(502,736)	-
Reclassification of funds	(144,881)	144,881	-
<b>Change in net assets</b>	<b>(5,732,910)</b>	<b>(17,516,805)</b>	<b>(23,249,715)</b>
<b>Net assets, beginning of year</b>	<b>35,087,541</b>	<b>106,553,122</b>	<b>141,640,663</b>
<b>Net assets, end of year</b>	<b>\$ 29,354,631</b>	<b>\$ 89,036,317</b>	<b>\$ 118,390,948</b>

The accompanying notes are an integral part of these financial statements

**Pinellas Community Foundation**  
**Statement of Activities and Changes in Net Assets**  
**Year ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	2021 Total
<b>Support and Revenue:</b>			
Contributions and bequests	\$ 130,372	\$ 8,058,248	\$ 8,188,620
Grant revenue - Coronavirus Relief Fund	6,163,925	-	6,163,925
Income from investments	758,564	1,798,505	2,557,069
Net gain on investments, net of expenses	3,153,529	9,890,615	13,044,144
Other income	1,131	25,078	26,209
Change in value of split-interest agreements	-	214,342	214,342
	10,207,521	19,986,788	30,194,309
Net assets released from restriction	183,528	(183,528)	-
<b>Total support and revenue</b>	<b>10,391,049</b>	<b>19,803,260</b>	<b>30,194,309</b>
<b>Expenses:</b>			
Program	692,805	-	692,805
Management and general	278,189	-	278,189
Fundraising and development	396,837	-	396,837
<b>Total expenses</b>	<b>1,367,831</b>	<b>-</b>	<b>1,367,831</b>
<b>Increase in assets before charitable disbursements and transfers</b>	<b>9,023,218</b>	<b>19,803,260</b>	<b>28,826,478</b>
<b>Charitable disbursements and transfers:</b>			
Grant payments	(1,296,113)	(9,500,964)	(10,797,077)
Grant payments - Coronavirus Relief Fund	(5,993,954)	-	(5,993,954)
Interfund transfers	484,263	(484,263)	-
Reclassification of funds	153,435	(153,435)	-
<b>Change in net assets</b>	<b>2,370,849</b>	<b>9,664,598</b>	<b>12,035,447</b>
<b>Net assets, beginning of year</b>	<b>32,716,692</b>	<b>96,888,524</b>	<b>129,605,216</b>
<b>Net assets, end of year</b>	<b>\$ 35,087,541</b>	<b>\$ 106,553,122</b>	<b>\$ 141,640,663</b>

The accompanying notes are an integral part of these financial statements

**Pinellas Community Foundation**  
**Statement of Functional Expenses**  
**Year ended December 31, 2022**

	Program Services	Management & General	Fundraising & Development	2022 Total
Salaries	\$ 358,162	\$ 153,498	\$ 127,915	\$ 639,575
Benefits	24,812	10,634	8,861	44,307
Payroll taxes	27,063	11,599	9,666	48,328
<b>Total salaries and benefits</b>	<b>410,037</b>	<b>175,731</b>	<b>146,442</b>	<b>732,210</b>
Conferences	16,937	2,149	1,129	20,215
Consulting	331,989	126,956	42,502	501,447
Minor equipment	2,266	2,347	-	4,613
Insurance	14,752	6,265	1,803	22,820
Marketing	53,700	-	16,190	69,890
Printing and postage	11,046	643	9,326	21,015
Dues and subscriptions	1,782	1,392	2,395	5,569
Supplies	1,464	628	523	2,615
Telephone	3,372	1,445	1,204	6,021
Information technology	30,864	11,617	10,166	52,647
Accounting and legal	30,991	5,980	7,009	43,980
Lease expense	38,892	16,668	13,891	69,451
Other	9,593	7,309	5,725	22,627
<b>Total expenses</b>	<b>\$ 957,685</b>	<b>\$ 359,130</b>	<b>\$ 258,305</b>	<b>\$ 1,575,120</b>

The accompanying notes are an integral part of these financial statements

**Pinellas Community Foundation**  
**Statement of Functional Expenses**  
**Year ended December 31, 2021**

	Program Services	Management & General	Fundraising & Development	2021 Total
Salaries	\$ 298,209	\$ 135,549	\$ 108,439	\$ 542,198
Benefits	20,478	9,308	7,446	37,232
Payroll taxes	185	85	68	337
Total salaries and benefits	318,872	144,942	115,953	579,767
Conferences	5,251	2,321	654	8,226
Consulting	220,139	3,481	212,088	435,708
Insurance	21,900	5,147	1,724	28,771
Marketing	26,540	-	26,541	53,081
Printing and postage	9,249	430	11,830	21,509
Dues and subscriptions	1,300	816	683	2,799
Supplies	2,060	1,426	749	4,235
Telephone	3,653	1,661	1,329	6,643
Information technology	23,870	10,306	9,442	43,618
Accounting and legal	12,005	85,179	-	97,184
Rent	39,617	18,008	14,406	72,031
Other	8,349	4,472	1,438	14,259
<b>Total expenses</b>	<b>\$ 692,805</b>	<b>\$ 278,189</b>	<b>\$ 396,837</b>	<b>\$ 1,367,831</b>

The accompanying notes are an integral part of these financial statements

**Pinellas Community Foundation**  
**Statements of Cash Flows**  
**December 31, 2021 and 2020**

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (23,249,715)	\$ 12,035,447
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net unrealized gain on investments	23,582,102	(7,662,517)
Net realized loss (gain) on investments	(1,763,700)	(6,114,781)
Donated art	-	(15,490)
Amortization - right of use asset	9,156	-
Changes in operating assets and liabilities:		
Split-interest agreements	311,009	25,658
Contributions and grants receivable	(2,673)	(230,222)
Prepaid expenses	(10,933)	(4,713)
Accounts payable and accrued expenses	(1,117,150)	(3,383,856)
Deferred rent liability	(5,441)	(5,662)
Refundable advances - Coronavirus Relief Fund	-	(1,036,576)
Lease liability	(7,633)	-
<b>Net cash used in operating activities</b>	<b>(2,254,978)</b>	<b>(6,392,712)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	19,655,037	29,151,112
Purchases of investments	(17,516,020)	(29,374,479)
<b>Net cash provided by (used in) investing activities</b>	<b>2,138,517</b>	<b>(223,367)</b>
<b>Net change in cash and cash equivalents</b>	<b>(116,461)</b>	<b>(6,616,079)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,155,258</b>	<b>7,771,337</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,038,797</b>	<b>\$ 1,155,258</b>

The accompanying notes are an integral part of these financial statements

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

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#### 1. Organization and Operations

The Pinellas Community Foundation, formerly Pinellas County Community Foundation, (the “Foundation”) was established by a Trust Agreement dated January 1, 1969. The original trust agreement is recorded in O.R. Book 3588, Page 20 in the public records of Pinellas County. The purpose of the Foundation is to receive property from donors, to oversee the investment of donated funds by monitoring the work of the Foundation Trustees, and to distribute investment income (or investment principal when directed by donor) to recognized charities located in Pinellas County, Florida. If designated by a donor, charities located outside of Pinellas County may be beneficiaries of donated funds or income earned on those funds.

#### 2. Significant Accounting Policies

##### **Basis of Presentation**

The Foundation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification. Accordingly, the financial statements are prepared on an accrual basis of accounting. The financial statements of the Foundation are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

##### **Net assets**

Accounting standards require the Foundation to distinguish between contributions that increase net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of contributed services meeting certain criteria at fair value. These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into two self-balancing net asset groups as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net Assets Without Donor Restrictions also include restricted contributions whose restrictions are met in the same year.

Net Assets With Donor Restrictions – Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

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expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. In order for the Foundation to be classified as a single entity in accordance with the Code of Federal Regulations, specifically Treas. Reg. Section 1.170A-9(f)(11)(v)(B), the Foundation governing document must provide for powers of modification, more commonly known as variance power. Although the Pinellas Community Foundation Trust Agreement provides the Board of Governors broad authority to exercise its variance power, the Board of Directors generally exercises this authority when the stated purpose of a contribution becomes no longer applicable or incapable of fulfillment. Accordingly, the Foundation classifies a substantial portion of funds as net assets with donor restrictions and segregates for internal recordkeeping all funds that have donor or gift restrictions attached.

#### **Liquidity**

Assets are presented in the accompanying Statements of Financial Position according to their nearness of conversion to cash and liabilities according to their nearness to their maturity and resulting use of cash.

#### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Foundation does not believe it is exposed to any significant credit risk on cash.

#### **Contributions and Unconditional Promises**

Contributions and unconditional promises to give are measured at their fair values and are reported as an increase in net assets when received. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

Amounts restricted for future periods or restricted for specific purposes are reported as net assets with donor restrictions. When a donor-stipulated time restriction ends or a purpose restriction is

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

accomplished, the net assets are reclassified to net assets without donor restrictions and reported as satisfactions of program restrictions and net assets released. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

#### **Investments**

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Increases and decreases in fair value are recognized in the period in which they occur and the carrying values of the investments are adjusted to reflect these fluctuations. Gains or losses on securities sold are computed on a specific identification basis. Investment income and unrealized gains or losses are allocated to the funds based upon their principal balances. Investment expenses are presented net of investment gains. For the years ended December 31, 2022 and 2021, investment expenses were \$704,761 and \$777,393, respectively.

Investments are in the custody of SEC-registered brokerage and investment firms which manage them in accordance with policies set by the Pinellas Community Foundation Trust Agreement, the Foundation's Board of Governors, or appropriate gift agreements. The Foundation's investments consist primarily of common stocks, mutual funds, corporate and United States government securities/bonds, alternative strategy funds and real estate funds. Assets included in investments are carried at fair value as described in Note 3.

#### **Split-Interest agreements**

The Foundation is named beneficiary of various lead and remainder trusts, the assets of which are held by outside trustees. Contribution revenue and the related assets' interest are recognized using the present value of assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of the Foundation's interest in the trusts in the accompanying Statements of Activities.

#### **Charitable disbursements and grants**

Charitable disbursements from income earned on the funds with donor restrictions are paid out regularly as the income is earned. Charitable disbursements from income earned on the funds without donor restrictions and bequests are paid out partially in the year of receipt with the balance paid out in the following year. Grants are not accrued at the fiscal year end because grants are disbursed in the same year a written commitment is made to provide such grant funding.

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

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#### **Foundation administrative fees**

In accordance with the Pinellas Community Foundation Trust Agreement, the Foundation assesses an annual administrative fee which is set by the Board of Governors. This administrative fee was 0.55% and 0.55% for 2022 and 2021, respectively, of the fair market value of assets under management. The administrative fee covers a portion of the costs incurred for the management of the Foundation. Administrative fees amounted to \$676,468 and \$660,477 for the years ended December 31, 2022 and 2021, respectively. The fees are paid out of the ordinary income and principal of investments to the Foundation's operating funds and are used to support the management of the Foundation.

#### **Functional expense allocations**

Expenses which apply to more than one functional category have been allocated among program, management and general, and fundraising and development based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional departments. Other indirect expenses are allocated based on the salaries in the various functional categories. All other costs are charged directly to the appropriate functional category.

#### **Use of Estimates**

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

#### **Concentrations of Credit Risk**

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation has cash deposits which at times may exceed the FDIC insurance limit. Deposit accounts are maintained with what management believes to be a quality financial institution.

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

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#### **Income Tax Status**

The tax-exempt status of the Foundation was recognized in 1971 and to the best information available, retroactive to its creation in 1969. The Foundation has maintained this tax-exempt status from the ruling in 1971 to the present date. The Foundation qualifies as a tax-exempt Foundation under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation follows the income tax standard for uncertain tax positions. The Foundation periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the year ending December 31, 2022. Management is not aware of any activities that would jeopardize the Foundation's tax-exempt status. Should the Foundation's tax returns be challenged in the future, the Foundation's tax years of 2019 and thereafter are open for potential examination by the IRS.

### **3. Fair Value Measurements**

The Foundation's investments are reported at fair value in accordance with accounting principles generally accepted in the United States of America, which define fair value, establish a framework for measuring fair value, and require disclosures about fair value measurements.

In accordance with these accounting principles, fair value is defined as 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. This standard also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Accounting principles establish a three-tier hierarchy to classify fair value measurements for disclosure purposes. Investment valuations are classified as follows:

- Level 1 valuations, for which the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, for which the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

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## Notes to Financial Statements

December 31, 2022 and 2021

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- Level 3 valuations, for which the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on company-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The assets held in split-interest agreements are valued based on quoted market prices of the underlying investments, net of the present value of expected cash outflows using estimated life expectancies of the income beneficiaries and appropriate discount rates. Split interest agreements are classified as Level 2 in the fair value hierarchy.

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents and liabilities.

The fair value of financial instruments is reported using the input guidance and valuation techniques described above. The fair value levels and amounts as of December 31, 2022 and 2021 are presented in the following tables:

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

	<i>Assets Reported at Fair Value as of December 31, 2022</i>			
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<u>Cash and cash equivalents</u>	\$ 6,193,384	\$ –	\$ –	\$ 6,193,384
<u>Equity securities:</u>				
Mutual funds and EFTs	67,690,769	–	–	67,690,769
Domestic equities	5,263,335	–	–	5,263,335
<u>Debt securities:</u>				
Mutual funds and EFTs	7,549,845	–	–	7,549,845
Corporate and US bonds	–	20,438,630	–	20,438,630
<u>Other:</u>				
Real estate funds	220,442	–	–	220,442
Alternative strategy funds	4,004,310	–	–	4,004,310
Mineral rights	–	–	3,197	3,197
Real estate	–	–	700,151	700,151
	90,922,085	20,438,630	703,348	112,064,063
Split-interest agreement assets	–	5,047,904	–	5,047,904
<b>Total</b>	<b>\$ 90,922,085</b>	<b>\$ 25,486,534</b>	<b>\$ 703,348</b>	<b>\$ 117,111,967</b>

	<i>Assets Reported at Fair Value as of December 31, 2021</i>			
	Level 1	Level 2	Level 3	Total
<b>Investments:</b>				
<u>Cash and cash equivalents</u>	\$ 5,607,167	\$ –	\$ –	\$ 5,607,167
<u>Equity securities:</u>				
Mutual funds and EFTs	88,294,604	–	–	88,294,604
Domestic equities	9,341,987	–	–	9,341,987
<u>Debt securities:</u>				
Mutual funds and EFTs	8,273,044	–	–	8,273,044
Corporate and US bonds	–	18,558,374	–	18,558,374
<u>Other:</u>				
Real estate funds	190,202	–	–	190,202
Alternative strategy funds	5,192,907	–	–	5,192,907
Mineral rights	–	–	3,197	3,197
Real estate	–	–	560,000	560,000
	116,899,911	18,558,374	563,197	136,021,482
Split-interest agreement assets	–	5,358,913	–	5,358,913
<b>Total</b>	<b>\$116,899,911</b>	<b>\$ 23,917,287</b>	<b>\$ 563,197</b>	<b>\$ 141,380,395</b>

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

Level 3 investments include mineral rights and real estate. Real estate values are reviewed no less than annually using a variety of qualitative factors. Valuation inputs include cost, external data such as tax assessments, and periodic appraisals depending on the nature of the investment. During 2022 and 2021, there were no purchases or transfers of Level 3 assets.

#### 4. Endowment Funds

The Foundation's endowment includes funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The Board of Governors has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and, (b) the original value of subsequent gifts to the permanent endowment. The value of assets in excess of original gifts in donor restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Foundation.

##### Return Objectives and Risk Parameters

Investment and spending policies for endowment assets are governed by the Pinellas Community Foundation Trust Agreement, policies adopted by the Board of Governors, and/or gift agreements provided to the Foundation. Generally, these investment policies and spending policies for endowment assets attempt to provide a reasonable return of current income, with due regard for the safety and maintenance of inflation-adjusted value of principal. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. The instruments used to set investment policy generally permit the endowment assets to be invested in a manner that is intended to produce a long-term rate of return on assets that will support any spending policy while maintaining and growing the real value of the portfolio.

# Pinellas Community Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

### Strategies Employed for Achieving Objectives

Investment strategies to achieve any stated return objective are determined by the Board of Governors and/or qualified advisors at each Trustee Institution which manages assets for the Foundation. Generally, to satisfy its long-term rate-of-return objectives, the Foundation relies on a diversified portfolio designed to minimize the risk of loss, with a maximum allocation to cash and fixed income of 80% and a maximum allocation to equities of 60% with minimums at 40% and 20%, respectively. Additionally, the investment strategy allows for a maximum of 10% to be invested in alternative investments. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At times, the Foundation may permit variance from its standard investment strategies to align with donor gift restrictions.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending policies for endowment assets are governed by the Pinellas Community Foundation Trust Agreement, policies adopted by the Board of Governors, and/or gift agreements provided to the Foundation. Through December 31, 2020, most funds of the Foundation were governed by restriction to appropriate the prior year's net income (i.e. interest and dividends, excluding realized and unrealized gains, net of 50% of fees incurred). The goal of this kind of spending policy was to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide for additional real growth through new gifts and investment return.

The Pinellas Community Foundation Board of Governors adopted a new Statement of Investment Position in November 2020 which included a new spending policy allowing a percentage of total return to be distributed for charitable purposes. Each trustee was formally notified in January 2021 of the intent to convert all restricted and unrestricted funds with a net income limitation to the new spending plan. The modification of written spending restrictions required the exercise of variance power as described in Article II, Sec 8 of the PCF Trust Agreement. The Foundation Board of Governors believes that modification of written gift restrictions should be made in consultation with a donor (if living), any charitable beneficiary, if any is specified, the trustee who holds the assets, and appropriate advisors. With respect to gifts received by the Foundation that did not include a named charitable beneficiary, the Foundation Board of Governors ensured that the modification of the written spending restrictions was overseen by an appropriate judicial or administrative body. Throughout 2021, trustees took various actions regarding the conversion with some changing asset allocations to support the new spending plan prior to notification of charitable beneficiaries of restricted funds or court approval of the spending plan for unrestricted funds.

# Pinellas Community Foundation

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### December 31, 2022 and 2021

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. As of December 31, 2022 and 2021, no funds had such a deficiency. In accordance with accounting principles generally accepted in the United States of America, accumulated losses on funds with deficiencies are included with that fund in net assets with donor restrictions. The Foundation's policy is to allow continued spending from endowment funds in the event that the fair value of the fund has fallen below the original level required by the donor.

As of December 31, 2022 and 2021, activity within the endowment funds consisted of the following:

	Without donor restrictions	With donor restrictions	Total
<b>Endowment net assets, January 1, 2022</b>	\$ 35,825,095	\$ 100,196,387	<b>\$ 136,021,482</b>
<u>Endowment investment return:</u>			
Investment income	739,678	1,890,663	<b>2,630,341</b>
Realized gains	418,748	1,344,952	<b>1,763,700</b>
Unrealized losses	(6,089,557)	(17,492,545)	<b>(23,582,102)</b>
Total endowment investment return	(4,931,131)	(14,256,930)	<b>(19,188,061)</b>
Additions to endowment funds	88,694	4,169,500	<b>4,258,194</b>
Investment management fees	(193,957)	(510,804)	<b>(704,761)</b>
Administrative fees	(173,732)	(502,736)	<b>(676,468)</b>
Appropriation of endowment for expenditures	(1,412,626)	(5,070,893)	<b>(6,483,519)</b>
Net transfers in (out) of endowment	(95,090)	(1,067,714)	<b>(1,162,804)</b>
Total endowment activity	(1,786,711)	(2,982,647)	<b>(4,769,358)</b>
<b>Endowment net assets, December 31, 2022</b>	<b>\$ 29,107,253</b>	<b>\$ 82,956,810</b>	<b>\$ 112,064,063</b>

# Pinellas Community Foundation

## Notes to Financial Statements

December 31, 2022 and 2021

<b>Endowment net assets, January 1, 2021</b>	\$ 33,057,172	\$ 88,963,645	\$ 122,020,817
<u>Endowment investment return:</u>			
Investment income	758,264	1,798,505	2,556,769
Realized gains	1,181,339	5,015,052	6,196,391
Unrealized gains	2,196,493	5,384,414	7,580,907
Total endowment investment return	4,136,096	12,197,971	16,334,067
Additions to endowment funds	168,136	3,570,501	3,737,637
Investment management fees	(224,303)	(553,090)	(777,393)
Administrative fees	(176,256)	(484,221)	(660,477)
Appropriation of endowment for expenditures	(1,007,416)	(3,626,753)	(4,634,169)
Net transfers in (out) of endowment	(128,334)	128,334	—
Total endowment activity	(1,368,173)	(965,229)	(2,333,402)
<b>Endowment net assets, December 31, 2021</b>	\$ 35,825,095	\$ 100,196,387	\$ 136,021,482

### 5. Split-Interest Agreements

The Foundation is a beneficiary of certain charitable lead trusts and charitable remainder trusts, which are known as split-interest agreements. A portion of these trusts is to be paid to the Foundation at specified times in the future or upon the death of certain other beneficiaries. The Foundation is not the trustee for these trust agreements, nor does it have any control over the related trust assets.

Receivables from split-interest agreements represent the estimated net present value of the Foundation's interest in various irrevocable trusts held by third-parties. The net present value of these receivables is determined using estimated investment returns consistent with the composition of the asset portfolios, the periodic payouts of the trusts to the trust's beneficiaries while living, life expectancies from the Social Security Administration tables, and a discount rate of 6 percent. Actual results could differ from those estimates.

On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets as well as the assumptions above. Revaluation adjustments are reported in the Statements of Activities as changes in the value of beneficial interest in trusts. These receivables are classified as net assets with donor restrictions until the future cash flows are received.

# Pinellas Community Foundation

## Notes to Financial Statements

### December 31, 2022 and 2021

#### 6. Liquidity and Funds Available

The following table reflects the Foundation's financial assets as of December 31, 2022 and 2021, excluding amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Trust assets with donor restrictions, donor-restricted endowments and assets held for others are considered unavailable for general expenditures.

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 277,042	\$ 257,426
Contributions and grants receivable	295,893	293,220
Investments	29,107,253	35,825,095
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,680,188	\$36,374,741

Cash flow to support the overall management of the Foundation is derived primarily from administrative fees assessed to assets under management, which includes investments with donor restrictions and without donor restrictions. For 2022 and 2021, this administrative fee was 0.55% and 0.55%, respectively, of the fair market value of assets under management and amounted to \$676,468 and \$660,477, respectively. The fees are used to support the overall management of the Foundation.

#### 7. Commitments and contingencies

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements.

The Foundation adopted Topic 842 on January 1, 2022 using a modified retrospective approach with a cumulative-effect adjustment to net assets as of the beginning of 2022; prior period financial statements were not adjusted. The Foundation applied the standards to leases that had not expired as of January 1, 2022.

Right of Use (ROU) asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. This asset and liability is recognized at the commencement date of the lease based on their present value. The Foundation uses its incremental borrowing rate based on the information available at

# Pinellas Community Foundation

## Notes to Financial Statements

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commencement date in determining present value. This weighted average discount rate is 6.25%. The ROU assets obtained in exchange for lease liabilities amounted to \$225,256.

The Company leases office space under operating leases through October 2026. Under the terms of this lease, the tenant is generally responsible for repairs and maintenance costs. Lease expense under the operating lease for the year ended December 31, 2022 was \$55,728. Future minimum lease payments required as of December 31, 2022 are as follows: 2023 - \$61,439, 2024 - \$63,284, 2025 - \$65,180 and 2026 - \$55,664.

This lease was executed by Pinellas CF Company, LLC, an entity formed by the Foundation in 2018. The Foundation is the sole member of Pinellas CF Company, LLC.

In the ordinary course of conducting its business, the Foundation may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the Foundation's financial statements or results of future operations.

#### **8. Pinellas CF Company, LLC**

This presentation of the financial information includes the activities of Pinellas CF Company, LLC ("Pinellas CF LLC"). The Foundation formed Pinellas CF LLC in 2018. Pinellas CF LLC is organized and operated exclusively for the benefit of Pinellas Community Foundation, its sole member. The purposes of Pinellas CF LLC shall include, but not be limited to, entering into contracts and leases for the benefit of the Member. During 2018, Pinellas CF LLC executed a lease for the Foundation's primary offices.

#### **9. Subsequent Events**

Subsequent events have been evaluated by management through May 11, 2023, which is the date the financial statements were available to be issued.